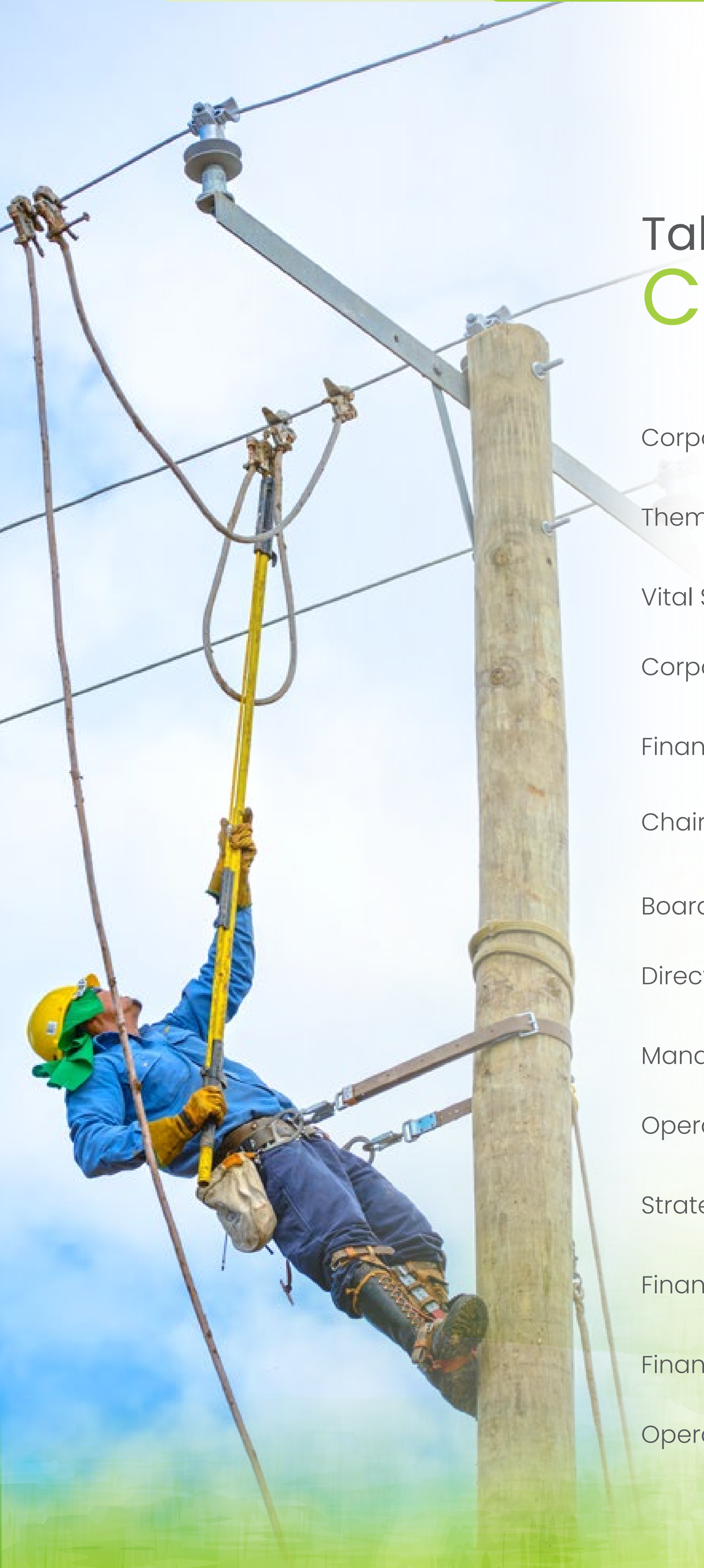
LUCELEC

ST. LUCIA ELECTRICITY SERVICES LIMITED

The Power of Caring

Energizing the Path to a Sustainable Future

Annual Report 2023



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Corporate Information

Vision

To be the energy that powers our nation's success

Mission

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

Core Values

Continuous Improvement, Excellence, Innovation & Creativity, Caring, Integrity, Teamwork

Registered Office

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Attorneys-at-Law

McNamara & Company
20 Micoud Street
Castries
Saint Lucia

Auditor

BDO Saint Lucia
Mercury Court, Choc
Castries
Saint Lucia

Bankers

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

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

Theme Statement

Energizing the Path to a Sustainable Future

As the sole commercial transmitter, distributor and seller of electricity in Saint Lucia, we understand and embrace our responsibility to supply the nation with electrical energy. We are driven by a deep commitment to our vision of 'being the energy that powers our nation's success,' a catalyst for social and economic development and environmental responsibility.

In recent years, we have introduced elements of a smart grid, and we will continue to use this and other emerging digital technologies, to enhance our customer experience and maintain our high levels of efficiency and reliability, whilst facilitating the transition to higher levels of renewable energy (RE) in the electricity mix.

To date, we have commissioned a 3-megawatt (MW) solar farm and facilitated the interconnection of 230 distributed Solar PV systems to our grid, with a total installed capacity of approximately 2 MW. This was realized through a pilot project we began in 2007, in response to rising fuel prices and declining prices of solar products. The challenges associated with fuel price volatility continue.

Our efforts to further transition from fossil fuels into these green technologies have been hampered by acquiring suitable lands, supply chain issues post-COVID-19 and the impact on renewable energy equipment prices. Nevertheless, we continue to work towards the country's goal and our vision of meeting

a significant percentage of energy demand with RE resources - with plans to add more solar capacity and battery storage, as outlined in re-ignited discussions on the National Energy Policy.

We are grateful for the relationship we share with the Government of Saint Lucia and the National Utilities Regulatory Commission and eagerly anticipate building on those to accelerate our further transition to renewable energy. This transition is an opportunity to operate sustainably, stabilize rates, reduce our reliance on fossil fuels and enhance our resiliency, whilst remaining steadfast in maintaining our world-class standards of efficiency and reliability.

Our Strategic Business Plan (SBP 2035) in this regard, is focused, deliberate and designed to set us on a path to ultimately deliver greater value for our stakeholders and to drive conscientious economic development.

Leading this charge requires a cultural revolution built on the ONE LUCELEC Brand that is innovative, accountable, and committed to **Energizing the Path to a Sustainable Future**.

Vital Statistics

260
Number of Employees

387.0M
Unit Sales (kWh)

EC$387.0M
Annual Revenues

72,335
Number of Customers

65.94
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 (V) 3 Phase

LUCELEC 2023
Corporate Performance[1]

Indices	Measure Of Success	Target	Performance
O1: Increase long-term shareholder value	Profit After Tax/Net Income ($M)	29.4	37.5
	Improved Working Capital – Current Ratio	1.90	1.66
S5: High quality, competitive offerings to manage my energy needs	Stakeholder (Customer) Satisfaction Score (%)	88.0	84.9
	System Average Interruption Duration Index (SAIDI) (hours/year)	6.39	4.52
	System Average Interruption Frequency Index (SAIFI)	6.40	4.60
	Fuel Efficiency (KWh/litre)	4.28	4.33
P3: Identify & realize process efficiency opportunities **P4: Collaborate with the ecosystem on accelerating growth** **P7: Build & execute a pipeline of diversification opportunities**	2035 SBP Execution (Energy Solutions & Efficiency)	65	28.8
	Total Cost/kWh Sold	0.292	0.286
	System Losses (%)	5.82	5.71
	All Injury/Illness Frequency Rate	0.40	0.69
E1: Build a culture of innovation and accountability, hungry for building sustainable future **E2: Proactively engage employees in our transformation**	Employee Engagement Levels (Implementation %)	90	86
	Employee Engagement Levels (Survey %)	80	78
	2035 SBP Execution (Enablers)	30	15

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

LUCELEC 2024
Corporate Targets

Indices	Measure Of Success	Target
O1: Increase long-term shareholder value	Profit After Tax/Net Income ($M)	**31.9**
	Improved Working Capital - Current Ratio	**1.3**
S5: High quality, competitive offerings to manage my energy needs	Stakeholder (Customer) Satisfaction Score (%)	**88.0**
	System Average Interruption Duration Index (SAIDI)	**5.88**
	System Average Interruption Frequency Index (SAIFI)	**5.73**
	Fuel Efficiency (kWh/litre)	**4.32**
P3: Identify & realize process efficiency opportunities **P4: Collaborate with the ecosystem on accelerating growth** **P7: Build & execute a pipeline of diversification opportunities**	2035 SBP Execution (Energy Solutions & Efficiency) Score	**70**
	Total Cost/kWh Sold ($)	**0.313**
	System Losses (%)	**6**
	All Injury/Illness Frequency Rate	**1**
E1: Build a culture of innovation and accountability, hungry for building sustainable future **E2: Proactively engage employees in our transformation**	Employee Engagement Levels (Implementation) (%)	**90**
	Employee Engagement Levels (Survey) (%)	**80**
	2035 SBP Execution (Enablers) Score	**30**

5-Year Operational & Financial
Performance At a Glance

SAIDI - System Average Interruption Duration Index (Hrs)

Lower is Better

2019	7.10
2020	6.31
2021	4.66
2022	8.43
2023	4.52

SAIFI- System Average Interruption Frequency Duration

Lower is Better

2019	6.42
2020	5.83
2021	5.66
2022	6.08
2023	4.60

Fuel Efficiency (kWhs/Litre)

2019	4.27
2020	4.29
2021	4.31
2022	4.26
2023	4.33

System Losses (%)

Lower is Better

2019	6.54
2020	5.94
2021	6.28
2022	5.74
2023	5.71

Return On Equity (%)

2019	12.7
2020	10.9
2021	10.8
2022	10.2
2023	10.3

Cost Per Unit (EC cents)

Year	T&D	Admin	Generation	Finance
2019	11.0	9.2	7.8	1.3
2020	8.6	10.3	7.4	1.3
2021	9.3	9.7	7.1	1.1
2022	9.5	8.3	7.6	0.8
2023	10.4	9.6	7.8	0.5

Earnings & Dividends Per Share (EC$)

Year	EPS	DPS
2019	1.02	1.66
2020	0.89	1.60
2021	1.03	1.77
2022	1.13	1.73
2023	1.13	1.81

Dividends/Profit After Tax (EC$Millions)

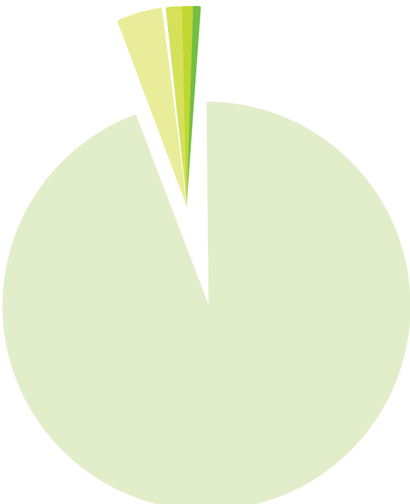
Year	Profit After Tax	Dividends
2019	23.4	38.0
2020	20.4	36.6
2021	23.6	40.5
2022	25.9	39.6
2023	25.9	41.6

Debt/Equity Ratio (%)

Year	Debt	Equity
2019	27	73
2020	21	79
2021	17	83
2022	16	84
2023	15	85

LUCELEC 2023 Financial Highlights

(with 2022 comparisons)



Where the LUCELEC Dollar Came From	2023	2022
	%	%
Sale of Electricity	95.0	94.4
Borrowings	3.6	3.7
Consumer contributions and deposits	0.9	1.0
Investment income	0.2	0.1
Sundry income	0.3	0.8
	100.0	100.0

How the LUCELEC Dollar was spent	2023	2022
	%	%
Payroll costs	8.8	7.5
Fuel and lubricants	53.4	61.6
Purchase of fixed assets	9.1	7.9
Debt servicing	5.6	5.5
Dividends	6.1	6.7
Payments to Government	6.1	5.6
Operations	10.9	5.2
	100.0	100.0

Chairman's Message

I would like to begin by expressing my gratitude for your continued support and trust in our Company. It is with great pleasure that I present to you the Chairman's Message for the year 2023.

Industry Overview – International

According to the IMF World Economic Outlook (October 2023) report, the term "resilience" continues to be a dominating theme with respect to the performance of the global economy. Declining energy and commodity prices in advanced economies, coupled with the tightening of monetary policies, contributed to much of the progress in reducing inflation in the first three quarters of 2023.

Despite the progress made in reducing inflation, continued concerns over supply disruptions and potential conflicts in the Middle East remain a threat to global energy markets. These resultant geopolitical tensions and supply chain disruptions stand to impact energy and commodity prices and availability as well as the transition to renewable energy.

Critical therefore, are the management of energy-related risks, as the transition towards renewable energy continues and understanding the evolving dynamics of fossil fuel in the context of global economic trends. Stakeholders must all bear in mind that while transitioning to a greener economy to combat climate change and its consequences on small island developing states like ours, as well as to increase our energy independence and security - we must not lose sight of the other two pillars of sustainable energy transition, namely energy affordability and reliability.

Industry Overview – Local

In the broader Caribbean region, economic activity is anticipated to continue its slow recovery trajectory, approaching pre-pandemic levels. However, growth is expected to decelerate, in alignment with historical trends, with inflation projected to follow suit, contingent upon international commodity prices.

For Saint Lucia specifically, economic growth is forecasted to be moderate following two years of robust recovery. Estimates suggest a growth rate of around 2.3% for 2024, down from 3.2% in 2023. The tourism sector's rebound, coupled with increased output in agriculture, manufacturing, and construction, is expected to support this expansion. However, broader fiscal deficits are anticipated over the next two years, while public debt levels are expected to remain elevated. Overall, while Saint Lucia's economy is poised for continued growth, there are potential challenges to be faced in fiscal management and debt sustainability in the coming year.

A major pillar to the anticipated growth in Saint Lucia is the transition to renewable energy, which in itself, requires meticulous planning and management to ensure that objectives of reliability, quality and affordability are met. In addition to the potential to decrease rates in the medium term, this transition also represents a key opportunity to import less fossil fuels and to increase employment, with the anticipated result of retaining increased generation revenue in Saint Lucia.

Company Performance

LUCELEC's 2023 performance was significantly more encouraging compared to 2022. Despite our successes, our plans to accelerate the transition to renewable energy (RE) continued to be hampered by land acquisitions and equipment prices not having moderated sufficiently from supply chain disruptions and the necessary regulatory framework still yet to be finalized. In addition, we continue to deal with the volatility in fuel prices and disruptions caused by extreme weather events. These challenges underscore the importance of resilience and adaptability in our operations, as we strive to mitigate risks and ensure continuity of service delivery to our customers.

Of the 13 approved performance targets, the Company performed better than target in six areas: Profit After Tax (PAT), System Losses, System Average Interruption Frequency Index (SAIFI), System Average Interruption Duration Index (SAIDI), Fuel Efficiency and Total Cost per Kilowatt Hour Sold (Total Cost/kWhs Sold).

The Company's performance was between target and threshold in five areas, namely, Working Capital Ratio, All Injury/Illness Frequency Rate (AIFR), Employee Engagement Levels (Implementation), Employee Engagement Levels (Survey) and the 2035 Strategic Business Plan Execution (Enablers). Two areas fell below threshold, namely Customer Satisfaction and Business Plan Execution (Energy Solutions & Efficiency). The former emanated from the business customer satisfaction survey, driven primarily by the perception that the Company is not supportive of and proactive in its efforts towards the transition to renewable energy. In relation to the latter, a general manager has been recruited for LUCELEC's subsidiary, Energyze and a diversification strategy developed. This and other plans are afoot to continue to drive and strengthen our performance during 2024, particularly as it relates to improving our efficiency and remaining competitive as well as diversifying LUCELEC's revenue streams.

The 2023 performance levels are an indication of the decisive measures implemented to improve performance over the comparative 2022 period. We are confident that the Management of LUCELEC has the capacity necessary to continue to deliver on our 2035 Strategic Business Plan.

Outlook for 2024

Looking ahead, we remain cautiously optimistic about the future of the industry. The Ministry of Infrastructure and LUCELEC have for quite some time been working towards the finalization of the revised, draft Electricity Services Supply Act and accompanying regulations to facilitate the transition to renewable energy, both in terms of utility-scale and distributed RE. We look forward to a new regulatory regime being in place in the not-too-distant future, geared towards balancing stakeholder interests whilst ensuring that policy objectives are realized. The highly anticipated Integrated Resource Resilience Plan (IRRP) is expected to be the roadmap to meet the forecasted demand, with the optimal mix of energy resources to meet the transition's policy objectives. We continue to advocate for the careful design of the transition, to ensure that the electricity supply remains affordable and reliable.

Over the short to medium term, we intend to embark on several new capital investments to commence the replacement of ageing critical Property, Plant and Equipment (PPE) as well as increase capacity to meet the projected increase in energy demand and to increase efficiencies and resiliency in the production and distribution of electricity. As the energy landscape continues to evolve, we are confident in our ability

Georgina Belas - 2023 Employee of the Year at "The Great Gatsby" themed Staff Awards

to help in shaping it and adapting to achieve our strategic objectives through prudent management, innovation, and collaboration with key stakeholders. By leveraging emerging technologies, forging strategic partnerships, and maintaining a customer-centric approach, we are well-positioned to capitalize on opportunities for sustainable value creation for our shareholders, thereby fulfilling our role as a catalyst for economic and social development.

Building a sustainable future requires a collective, concerted effort on the part of all stakeholders - governments, businesses, communities and individuals, to ensure the well-being of present and future generations. Central to this is an intentional focus on driving the transition to renewable energy; the efficient use of resources; building grid resilience; and contributing to efforts aimed at supporting a circular economy, environmental conservation, green infrastructure, community development and social equity.

Conclusion

In conclusion, I would like to express my sincere appreciation to our dedicated employees for their relentless efforts and unwavering commitment to our company's vision. The continued support and confidence of our shareholders have been instrumental in our continued viability, and we remain committed to delivering sustainable growth and greater value for all stakeholders.

John C. Joseph
Chairman

Board of Directors

John C. Joseph
Chairman - Acc. Dir.

John C. 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 30 years' experience in the utilities sector.

Gilroy Pultie
Managing Director - Acc. Dir.

Gilroy Pultie was appointed to the Board of Directors of St. Lucia Electricity Services Limited on July 1, 2023, and is the Managing Director of St. Lucia Electricity Services Limited. He holds a BSc in Electrical Engineering from the University of the West Indies and an MBA in Finance from Heriot-Watt University - Edinburg School of Business. Mr. Pultie is a member of the Board's Human Resources and Strategic Planning and Investments Committees.

Dr Frederick Isaac
Acc. Dir.

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

Charles Serieux
Acc. Dir.

Charles Serieux was appointed to the Board of Directors of St. Lucia Electricity Services Limited on December 2, 2016, representing minority shareholders. Mr Serieux is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a member of the Institute of Chartered Accountants of the Eastern Caribbean (ICAEC). He has been the Managing Director of the Ultramart Inc. chain of supermarkets between 2004 and 2022. Mr Serieux is the Chairman of the Board's Audit Risk and Compliance Committee, a member of the Governance Committee and, the Board representative on the LUCELEC Staff (Grade II) Pension Scheme.

Calixte I. S. N. George
Acc. Dir.

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

Geraldine Lendor - Gabriel
Acc. Dir.

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

Lindi Ballah-Tull
Acc. Dir.

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

Lisa-Ann Fraser
Acc. Dir.

Mrs. Lisa-Ann Fraser was appointed to the Board of St. Lucia Electricity Services Limited on January 20, 2023, by Emera (St. Lucia) Limited. Mrs. Fraser is the General Counsel at Emera Caribbean Incorporated ("ECI") and Corporate Secretary for the Emera Caribbean group of companies. She holds a Bachelor of Laws (LL.B) degree with Honours from the University of the West Indies (UWI), a Master's degree in Energy, Environment and Natural Resources Law (LL.M) from the University of Houston Law Center, and an LL.M in Legislative Drafting from UWI. Mrs. Fraser has extensive experience in law, sustainable energy policy and governance. Mrs. Fraser is a member of the Board's Audit Risk and Compliance and Governance Committees.

Roger Blackman
Acc. Dir.

Roger Blackman was appointed to the Board of Directors of St. Lucia Electricity Services Limited by Emera (St. Lucia) Limited on March 19, 2016. Mr Blackman is a Mechanical Engineer by profession and holds a BSc in Engineering 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 Human Resources Committees. He previously served as a member of the Audit Risk and Compliance Committee.

Dr. Sterling Frost
FCG, Acc. Dir.
(Retired December 26, 2023)

Dr. Sterling Frost was appointed to the Board of Directors of St. Lucia Electricity Services Limited on April 27, 2021. He joined the First Citizens Group in 2016 as Group Deputy Chief Executive Officer – Operations and Administration. Dr. Frost holds a Master's degree and a Doctorate in Business Administration from The University of the West Indies. He is a Fellow of the Chartered Governance Institute of Canada and retains the designation of Chartered Secretary as well as, Accredited Director. Additionally, he is also a University of California, Berkeley certified Executive Coach, as well as a Prosci Certified Change Practitioner. Dr. Sterling Frost has four decades of Global Corporate career experience in North America, Latin America, and the Caribbean across several sectors – Manufacturing, Public Utilities, Financial Services, and Academia. Up to the date of his resignation from the Board, following his retirement from First Citizens Bank Limited, Dr. Frost was the Chairman of the Human Resources Committee and a member of the Governance Committees. He previously served as a member of the Strategic Planning committee.

Mr. Jason Julien
Acc. Dir.
(Appointed December 27, 2023)

Mr. Jason Julien was appointed to the Board of Directors of St. Lucia Electricity Services Limited on December 27, 2023 by First Citizens Bank Limited. He is a Chartered Financial Analyst with over 20 years' experience in the financial services industry and the holder of a BSc in Management Studies with honours from the University of the West Indies, an MBA from Edinburgh Business School as well top honours in IABF's 2018 Professional Certificate for Financial Advisors Programme (Cert. FA) in the Banking Specialization. Mr. Julien is currently a member of the Board of Directors of the Trinidad and Tobago Chamber of Industry and Commerce and Term Finance Holdings Limited and is also a Director on the boards of several subsidiaries within the First Citizens Group. Mr. Julien has extensive experience in the areas of finance, business and banking and is a member of the Board's Governance and the Audit Risk and Compliance Committees.

Evaristus Jn Marie
Acc. Dir.

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

Directors' Report

The Directors present their report for the year ended December 31, 2023.

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 58th Annual Shareholders' Meeting were:

Non-Executive Directors:

- Mr John Joseph
- Dr Frederick Isaac
- Mr Roger Blackman
- Mr Charles Serieux
- Mrs Lindi Ballah-Tull
- Mrs. Geraldine Lendor Gabriel
- Mr. Evaristus Jn Marie
- Dr. Sterling Frost (retired December 26, 2023)
- Mr. Jason Julien (appointed December 27, 2023)
- Ms. Lisa-Ann Fraser
- Mr. Calixte I. S. N. George

Executive Director:

- Mr Gilroy Pultie

Financial Results

The Company sold 387.0 million kWhs of electricity, a 3.6% increase from the previous year attributable to increases in sales in all sectors with the exception of streetlights. Despite the increase in unit sales, total revenues were EC$387.0

million, a 2.9% decrease compared to the previous year due to a reduction in the average price of electricity.

Net profit for the year for the Group was EC$41.6 million, an increase of 5.1% compared to the previous year. The Group achieved Earnings per Share of EC$1.81, an increase of 4.6% compared to 2022 (EC$1.73).

Assets acquired during the year amounted to EC$38.7 million comprising mainly of upgrades to the transmission and distribution network, building and construction, station improvements and engine overhauls.

Dividend

The Board of Directors declared a total dividend of EC$1.13 per ordinary share for 2023. The Company paid an interim dividend in December 2023 of EC$0.45 per ordinary share.

In 2024, the Board of Directors will make a recommendation to the shareholders on the total dividend for the 2023 financial year.

State of Affairs

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

Events Subsequent to Balance Sheet Date

Apart from the matter described under this heading and other matters discussed elsewhere in the Annual Report, the Directors are not aware of any other matters or circumstances which have arisen since December 31, 2023 that have a significant effect or may significantly affect the operations of the Company in subsequent financial years, the results of those operations, or the state of affairs of the Company in future years.

By order of the Board of Directors

Gillian S. French
Company Secretary

Management Team

Trevor Louisy
Managing Director

BSc (Electrical Engineering), Acc. Dir.

(retired June 30, 2022 appointed on contract from July 1, 2022 until June 30, 2023)

Gilroy Pultie
Managing Director

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

(appointed on July 1, 2023)

Ian Peter
Chief Strategy Officer

FCCA, BSc (Management Studies)

Bridget Ziva Phillips
Chief Financial Officer (Ag.)

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

Sharon Narcisse
Senior Human Resource Manager

MSc Management (Human Resource Management), PGDip (Human Resource Management), BA (Business Administration), AS (Computer and Information Systems), Acc. Dir.

Roger Joseph
Manager Strategy Dev. and Implementation

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

Jevon Nathaniel
Generation Engineer/ Chief Engineer (Ag.)

MSc (Computer Science), BSc (Electrical & Computer Engineering), Acc. Dir.

(October 1 – December 31, 2023)

Gary Eugene
Transmission & Distribution Manager/ Chief Engineer (Ag.)

MEng (Electronics Engineering), Registered Professional Engineer, Acc. Dir.

(July 1 – September 30, 2023)

Wynn Alexander
Information Systems Manager

MEng Internetworking, BSc (Computer Science), Dip. Financial Management, Dip. Business Administration, PMP, CISM, Acc. Dir.

Omari Frederick
Corporate Communications Manager

MBA (Marketing & Sales Management), BBA (Human Resource Management/ Organizational Development)

Jennifa Flood-George
Customer Service Manager

BSc (Management Studies/ Psychology)

Gillian French
General Counsel/Company Secretary

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

Hester Hyacinth
Finance and Accounts Manager (Ag.)

FCCA

Callixta Branford
Internal Audit Manager

CPA, CGA

Maxine Leon
System Control Engineer

BSc (Electrical & Computer Engineering)

Ormond Reece
Planning Manager

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

Operations Review

Despite the challenges faced in 2023, the Technical Division performed exceptionally well. All four technical corporate targets (SAIDI, SAIFI, System Losses and Fuel Efficiency) not only exceeded stretch performance but were the best figures recorded to date.

Year-end fuel efficiency was 4.33 kWh/litre against a target of 4.28 kWh/litre. Adjusted year-end System Average Interruption Duration Index (SAIDI) was 4.52 compared to the target of 6.39. Adjusted year-end System Average Interruption Frequency Index (SAIFI) was 4.60 compared to the target of 6.40. The year-end system losses performance was 5.71% against a target of 5.82%.

Corporate Performance[2]

Of the thirteen corporate performance targets approved by the Board of Directors for 2023, the Company achieved better than target on six, between threshold and target on five, and below threshold on two.

The Company performed better than target in six areas: The Company performed better than target in six areas: Profit After Tax (PAT), System Losses, System Average Interruption Frequency Index (SAIFI), System Average Interruption Duration Index (SAIDI), Fuel Efficiency and Total Cost per Kilowatt Hour Sold (Total Cost/kWhs Sold). This represented a good rebound for the technical targets which had performed below target in 2022. Performances for Working Capital Ratio, All Injury/Illness Frequency Rate (AIFR), Employee Engagement Levels (Implementation), Employee Engagement Levels (Survey) and the 2035 Strategic Business Plan Execution (Enablers) measure were between target and threshold. Performances for the 2035 Strategic Business Plan Execution

[2] See Corporate Performance Table on page 8

(Energy Solutions & Efficiency) measure and Customer Satisfaction were below threshold.

Challenges associated with supply chain, escalating costs and land acquisition for planned renewable energy projects, resulted in significant delays for these projects and impacted performance for the 2035 Strategic Business Plan Execution (Energy Solutions & Efficiency) measure. A combination of tough target setting and customers' perceptions of high electricity rates and dissatisfaction with the pace of the transition to more renewable energy, resulted in the target for Customer Satisfaction (88%) not being achieved, despite registering a score of 84.9%.

Operational Performance

The SAIDI performance for 2023 was 4.52 hours and SAIFI was 4.60; against targets of 6.39 hours and 6.40 respectively. It means that in 2023, the system recorded a significant improvement in reliability over 2022. This was mainly due to a reduction in outages caused by faulty or defective equipment. This represents the best reliability performance on record and indicates that inspection programs and refurbishment exercises, utilizing more reliable materials, are paying dividends.

Generation Department

Notwithstanding the undertaking of three overhauls on G4, G5 and G10 during 2023, the department achieved fuel efficiency of 4.33 kWh per litre, an increase of 1.6% over the previous year and the best overall performance of the department to date.

Gerald Sidoine with his 40 year Length Of Service award at the 2023 Milestone Awards

The total production of electricity units for the year was 422.56 GWh, an increase of 3.4% over the previous year 2022 (408.66 GWh). The impact of plant outages on the customer was minimized as shown by the Generation SAIDI contribution of 0.02 hours compared to 0.24 hours in the previous year. The average Plant Availability for 2023 was 87.8% compared to 89% in the previous year. These high levels of availability demonstrate the vigilance of the Generation Team with respect to the operations and maintenance of the plant.

In 2023, many significantly aged components of the plant were replaced, geared towards maintaining the reliable and efficient operations of the plant going forward. One station transformer was replaced, and new cooling water radiators and ventilation units were installed on G4 as well as a total overhaul of its alternator. All engines were maintained in accordance with the engine manufacturer's specifications.

The Laboratory and the Garage continued to provide excellent support services. These included the testing of water, oil and fuel samples as required to ensure the healthy operations of equipment and efficiently maintaining the Company's fleet of vehicles.

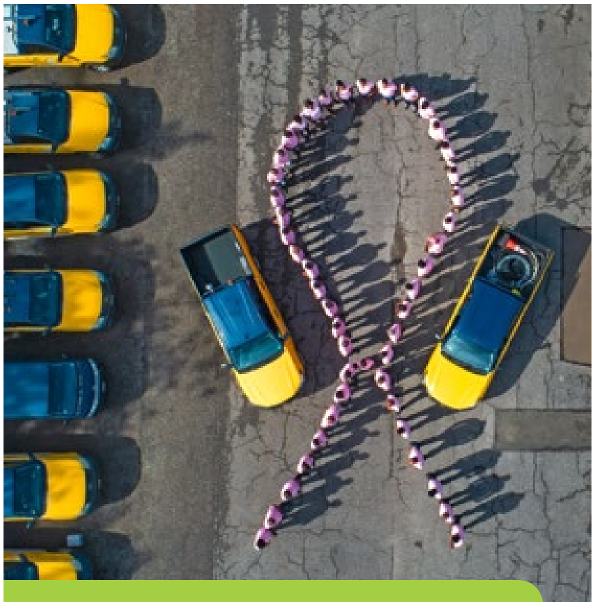
In 2024, the Generation Department will focus on maintaining its operational effectiveness through the timely intervention of training opportunities and the use of relevant technologies. Further improvements to equipment and property will be undertaken at the plant to optimize operations. Two overhauls will be undertaken on engine numbers 8 and 9 in addition to the regular planned maintenance on all engines and auxiliaries.

Transmission and Distribution (T&D) Department

T&D delivered a strong overall performance in restoring the network following a significant weather event. Tropical Storm Bret affected the island very early in the 2023 hurricane season on June 6, resulting in approximately EC$1.7 million in damages to the Company's infrastructure. Supply was restored to over 98% of our customers within forty-eight hours. Further, the completion of an island-wide load balancing program contributed to a record low and outstanding year-end system losses figure of 5.71%. This project also improved voltage balance and consequently power quality.

Our Lineworkers competing in the annual CARILEC Lineworkers Rodeo

Despite the supply chain challenges experienced throughout 2023, the combined efforts of T&D, the Planning Department and the Purchasing and Inventory Section helped to significantly reduce the associated risks to operations.



“LUCELEC Cares for a Cure” campaign

In 2024, the areas of focus will be on improving grid resilience and managing system losses with increasing demand, through additional fixed capacitors and switched capacitors. The department will continue the drive to further improve operating performance by exploring the use of innovative technologies such as drone inspection systems with infrared cameras and AI (Artificial Intelligence).

System Control

2023 was defined by proactive planning, diligent oversight and comprehensive management of technical operations. This was a testament to the team's resilience, adaptability and commitment to excellence. Notwithstanding three reportable major event days in the second quarter of 2023 associated with the passage of Tropical Storm Bret, the Department contributed to the lowest System Average Interruption Duration Index (SAIDI) ever, of 4.52 hours per customer, a 3% improvement over 2021's previous all-time best.

Despite logistical delays and supply chain issues, the Protection & Control Section delivered an impressive 86% completion rate on its 2023 work program. Notably, the Team achieved significant milestones including testing 83% of the Cul de Sac substation protection system, reinstating a critical protection system for one of the 11/66kV transformers, and contributing to the critical re-commissioning of replacement earthing transformers at both Reduit and Vieux Fort substations. These accomplishments directly contributed to enhancing the reliability and safety of grid infrastructure.

In 2023, the Geographic Information Systems (GIS) section achieved considerable progress in advancing its decentralization strategy. GIS applications were developed and rigorously tested to empower field crews to maintain data integrity while boosting overall work process efficiency. Although intermittent connectivity and usage challenges persisted, management of crew workloads and optimized field assignments allowed an impressive 82.5% completion rate for data capture and verification on six critical distribution feeders. This paves the way for the Company to utilize a more sustainable and responsive spatial data management system.

To realize a truly sustainable future and well-informed decision-making, it is crucial to boost operational efficiencies through enhanced information flow and automation. Recognizing this, 2024's plans are designed to set the foundation for future smart grid deployments and network upgrades. In Operations, a planned SCADA system software upgrade, the development of a smart grid maturity model, cyber security improvements and a Distribution Energy Resource Management System deployment will seek to maintain high levels of efficiency, availability and reliability while minimizing the impact of renewable energy penetration. For Protection and Control, 2024 will focus on re-commissioning a very critical protection system to minimize the impact of failures on the overall system at the Cul De Sac Substation and upgrading edge devices and sensors that interface with the SCADA system. For GIS, electric network modelling and associated data currency and data quality requirements will continue to drive the section's process improvements and service offerings to internal customers.

Facilities & Construction Management (F&CM)

In 2023, the F&CM Section actively managed several projects alongside maintenance responsibilities. The completed projects include - CCTV system installations at Cul de Sac, F&CM workshop modifications, roof replacements for Union Substation and an inventory and battery room installation at Station A. Chief amongst the projects that will continue into 2024 are the new Customer Service office within the CARILEC building in Sans Souci; storage platform construction for pad-mounted transformers; electrical infrastructure upgrades and the water and fire hydrant distribution infrastructure upgrade at Cul de Sac; and Station B basement washrooms upgrade.

The outlook for 2024 is to continue the maintenance program at all facilities to provide the highest possible standards for all employees with a concentration on the T&D East Building and Generation Station A at Cul de Sac. Scheduled projects include the drainage upgrade for Cul de Sac; installing new panel walls at the Soufriere and Reduit substations; upgrade of emergency lighting at all substations; floor tile replacement at Cul de Sac; upgrade of the washroom and flooring at the Garage; and redesigning of the main building ground floor following ventilation and air conditioning infrastructure upgrades; and the decommissioning of the old power station at Port Vieux Fort.

Industrial Relations

Collective Bargaining Negotiations with the St. Lucia Civil Service Association (CSA) concluded in July 2023 and the Grades 1 – 3 employees were paid the retroactive wages due to them for the triennia January 1, 2014 to December 31, 2016, and January 1, 2017 to December 31, 2019. It is anticipated that negotiations for the outstanding triennium 2020 to 2022 and possibly 2023 to 2025 will commence in 2024.

With respect to the National Workers' Union (NWU), collective bargaining negotiations, which commenced in September 2022, for the revision of the Collective Agreement for the triennium March 23, 2018, to March 22, 2021, have not concluded. To date, the Company and the Union have arrived at an agreement on two matters, namely, an increase in the duty allowance for roles that support emergency operations outside of normal working hours and consideration of seniority for promotions when two or more employees are equally eligible in skill, competence and overall suitability. Wage increase levels for the triennium remain outstanding and the Company is seeking agreement on wages for two triennia given the second triennium March 23, 2021, to March 22, 2024, will soon expire. The Union is expected to submit a proposal on vehicle allowance rates for consideration.

Celebrating Creole Heritage Month at the annual employee Dwivé Kwéyòl

In addition to progressing negotiations, the Company continues to urge the Labour Tribunal and the Labour Minister to intervene on the matters that have been escalated through the external grievance process as far back as 2020. These matters include but are not limited to, the termination of the Eastern Caribbean Utilities Pension Scheme and the Extension of the Work Shift to incorporate a meal interval. In October 2023, the NWU advised the Labour Minister of its intention to participate in industrial action due to the non-resolution of these matters. Industrial action was averted when the Labour Minister escalated the outstanding matters to the Labour Tribunal for determination. The protracted delay in deciding on these matters is adversely impacting staff morale. We look forward to resolution of these matters as it makes enhancing employee relations at LUCELEC particularly challenging.

Financial Operations Summary

EC$387.0M
Total Revenues

EC$221.3M
Retained Earnings

10.3%
Return on Equity (ROE)

13.93%
LUCELEC Return on Contributed Capital (Rate of Return)

EC$41.6M
Profit After Tax (PAT)

EC$1.13
Total Dividend per Share declared for 2023

EC$0.45
Interim Dividend per Share declared for 2023

EC$38.7M
Capital Expenditure

EC$1.81
Earnings per Share (EPS)

15:85
Debt to Equity Ratio

40
DSO (days)

CariBBB- (Adequate)
Credit Rating (CariCRIS)

Financial Operations

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

Sales & Revenues

The Company experienced an increase in sales of 3.6% compared to a 5.9% increase in 2022. Sales increased in the Hotel (1.3%), Industrial (1.5%), Domestic (3.5%) and Commercial (6.1%) sectors while the Streetlighting sector decreased by 4.3%. This overall performance is primarily due to an increase in the number of consumers. The ongoing programme of replacing the High-Pressure Sodium lights with LED lights contributed to the decline in sales in the Streetlighting sector.

Total revenue of EC$387.0M was lower than 2022's revenue of EC$398.6M by EC$11.6M (2.9%) due to the reduction in the average price of electricity (EC$31.2M), despite the increases in unit sales (EC$14.0M or 3.6%), unbilled sales provision (EC$5.3M) and sundry revenue (EC$0.3M).

Operating & Finance Costs

Generation costs totalling EC$30.3M (excluding fuel costs) were higher than the previous year's costs of EC$28.2M by EC$2.1M (7.4%) mainly as a result

2023 Scholarship Freshman Class

of increases in engine maintenance (EC$1.7M), insurance costs (EC$0.1M), software maintenance costs (EC$0.1M) and depreciation (EC$0.4M), despite a reduction in decommissioning costs (EC$0.2M).

Transmission and Distribution (T&D) costs totalling EC$40.1M increased by EC$4.5M (12.6%) compared to the prior year's cost of EC$35.6M due to increases in T&D network maintenance costs (EC$0.7M), disaster restoration costs (EC$1.7M), payroll costs (EC$0.2M), depreciation (EC$0.6M), insurance costs (EC$0.9M), software maintenance (EC$0.2M) and building maintenance costs (EC$0.2M).

Administrative expenditure totalling EC$37.3M increased by EC$6.5M (21.1%) compared to EC$30.8M in 2022. This was due to increases in professional fees (EC$1.4M), insurance

premiums (EC$1.0M), depreciation and amortization cost (EC$0.2M), training and conferences (EC$0.4M), payroll and other employee costs (EC$1.3M), repairs and maintenance (EC$0.4M), director-related expenses (EC$0.1M) and public relations and sponsorship (EC$0.1M), despite a reduction in the provision for stock obsolescence (EC$0.2M). The reduction in the impairment gains on trade and other receivables (EC$1.8M) also contributed to the increase in administrative expenses compared to 2022.

Total finance costs decreased by EC$0.3M (7.7%) from EC$3.9M in 2022 to EC$3.6M in 2023 due to the decrease in the loan balances as the company continued to repay its debt in accordance with loan agreements. The weighted average interest rate was 3.98% (2022 – 4.24%).

Key Outcomes

The Group achieved a Profit before Tax of EC$57.8M, which was lower than the previous year's result of EC$58.0M by 0.3%.

The Group's Profit after Tax of EC$41.6M increased by 5.1% compared to the previous year's achievement of EC$39.6M.

Earnings per share for the Group was EC$1.81 (2022 – EC$1.73), an increase of 4.6% compared to the prior year.

The Group achieved a Return on Equity of 10.3% (2022 – 10.2%).

The Return on Contributed Capital (Rate of Return) was 13.93% compared to 15.80% in 2022. The Rate of Return achieved is within the allowable range of 10.00% to 13.99% as stipulated by the existing legislation. As a result, there will be no reduction in tariff for 2024 for the industrial and hotel sectors.

The Return on Property, Plant and Equipment and Intangible Assets was 9.8% (2022 – 9.6%) and Return on Total Assets was 6.7% (2022 – 6.6%).

Retained Earnings for the Group increased from EC$209.8M to EC$221.3M while the Debt-to-Equity ratio was 15:85 (2022 – 16:84).

Information Systems - 2023 Small Department of the Year

Capital Expenditure

Total expenditure for the year amounted to EC$38.7M (2022 – EC$32.2M), which was primarily due to upgrades to the transmission and distribution network, building and construction, station improvements and engine overhauls.

Working Capital Management

The Company's Days Sales Outstanding (DSO) of 40 improved significantly by 11 days (2022 - 51) from the prior year. DSO decreased in all sectors except for the Hotel sector which remained unchanged. Government kept their commitment to settle their arrears and as such their DSO decreased from 123 days to 18 days, a marked improvement. Total trade receivables decreased from EC$60.0M at the end of 2022 to EC$48.2M at the end of 2023 primarily due to the decrease in Government debt.

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 Caribbean Information & Credit Rating Services Limited (CariCRIS) in 2023, which reaffirmed the credit rating assigned to the Company at CariBBB- (Adequate).

Risk Management

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

Fuel Hedging

During the year, the Company utilized Fixed Price Swaps and Options to hedge against fluctuations in the price of diesel fuel used for generating electricity. On December 31, 2023, swap contracts and options existed for the hedging of 20% of the fuel to be purchased in the first half of 2024.

Shareholders' Equity

The Company's shares closed at EC$20 (2022 – EC$20) resulting in a price earnings (P/E) ratio of 11 times (2022 – 11.6 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. However, as part of the roll-out of the Company's 2035 Strategic Business Plan (SBP), this subsidiary will be operationalized in 2024, starting with the recruitment of a General Manager.

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, 2023, LUCELEC Cap-Ins Inc. had net assets of EC$50.7M (2022 – EC$46.5M). The fund's investment portfolio comprised US Treasury bills, foreign equities and regional money market and income funds. The market values of these investments improved over 2022, resulting in the increase in net income earned compared to the prior year.

Reconnecting with LUCELEC family at the annual Retirees Luncheon

Outlook

Management anticipates an increase in unit sales for 2024. Total operating costs are also expected to increase as the Company continues the implementation of its 2035 SBP in addition to the initiatives necessary to meet its operational goals. As we forge our way to a sustainable future, the following broad strategic objectives have been identified as priorities in 2024:

- Implement foundation initiatives to gradually improve our energy solution offerings.
- Address the 2035 SBP efficiency pillar, including transitioning to renewable energy.

Strategy & ESG

6.35M
Units Generated by Solar Farm (kWh)

1,928,109
Reduction in Diesel Used (Imp Gallons)

EC$3.39M
Fuel Cost Saved In 2023

EC$0.86M
Sponsorship & Donations

203
Volunteer Hours

0.69
AIFR

Strategy Management

Energizing the Path to a Sustainable Future is at the heart of the Company's 2022 – 2035 Strategic Business Plan (2035 SBP) which was completed in May 2021 using a Balanced Scorecard approach and approved by the Board of Directors in December 2021. 2023 represented the second year of implementing the new Strategic Business Plan. The plan maps out three transformative vision milestones. The first sub-horizon of the plan is 2025, and focuses on four related, ambitious outcomes: increase long-term shareholder value, reduce the impact of high-cost diesel fuel, contribute to growth of the local economy, and profitably enter adjacent business opportunities. At the end of 2023, performance on the first two outcomes was above target, performance on the third outcome was slightly below target and for the fourth, no measurement data was available as the work driving this outcome was in its foundational stages.

Resourcing the Office of Strategy Management (OSM) was a key priority for 2023. A Chief Strategy Officer was appointed in July and at year end the most appropriate organisational structure for the OSM was being finalised to improve change management, project planning and innovation capabilities. Additionally, a new strategy management software was piloted, and implementation planned for the first quarter of 2024. This is expected to significantly improve efficiency in strategy management and reporting.

Update on Strategic Initiatives

Initially 41 initiatives (projects) were included in the 2035 SBP and two others were added. By the end of 2023, 14 of the 43 had been completed, three were discontinued, seven were placed on hold or deferred for later implementation, one is pending the completion of another, and one has not started. 17 are on-going and implementation continues into 2024.

Several of the initiatives focus on building organisational capacity in key areas including strengthening the performance management system, improved management of records and documents, role-based competency assessments, accelerating and managing innovation, and process improvement for efficiency. Several others focus on improving infrastructure for renewable energy, generation and transmission and distribution, development of a smarter grid for managing distributed energy resources, pre-paid metering, and development and delivery of energy services.

The updates summarised below, report on the progress of selected major strategic initiatives.

2023 Leadership Award Winners

Human Resources

The Human Resources Department, in partnership with senior and middle management, completed several major milestones related to the implementation of strategic human resource initiatives which are considered critical for the achievement of the Company's 2035 SBP. The hiring of suitable candidates to fill critical positions created by the Organizational Redesign Initiative commenced in the third quarter of 2023, with vacancies filled at the executive management level. At year end, new hires were appointed to fill five of these 16 new positions. The remaining nine positions were not filled because Management engaged LCI Consulting Inc. to revisit the redesigned organizational structures of the Strategy and Legal Departments, with a view to bring a greater focus on innovation, process improvements, regulatory functions and to consider developments since finalizing its 2035 SBP.

The integration of the Role-Based Competency Framework with our Performance Management System (PMS) was piloted in 2023 to allow employees to gain a deeper understanding of how their performance against competencies will be assessed going forward. This meant that although employee performance against selected core values and competencies, was assessed in 2023, the scores were considered only for the purpose of providing employees useful feedback that can be acted upon to improve their performance. The pilot also provided an opportunity to refine the technology-enabled evaluation form which was implemented in 2023 and to provide managers and supervisors the support required through targeted individual meetings and workshops for the successful implementation of the framework.

Other strategic initiatives advanced in 2023 include change management training for senior and middle managers who lead strategic initiatives; and the establishment of a lessons learned management and integration process. Through the change management training, which was facilitated by Prosci, managers gained knowledge, skills and tools to manage the people side of strategic change projects. Further support is being provided by Prosci in 2024 for embedding the change concepts learned into LUCELEC's operations and the uptake of training and improved change management skills will be evaluated in the fourth quarter of 2024.

The Lessons Learned initiative focuses on increasing knowledge sharing through the establishment of a process that enables employees to share knowledge from events, reports, training programs, evaluations, surveys and other learning activities for more empowered localized and efficient decision-making and a competent workforce. The lessons learned process was completed in 2023 and will be implemented in 2024.

In 2023, the Company achieved the unaudited threshold Employee Engagement (EE) Score of 78%, which was below the targeted score of 80% and slightly above the actual 2022 EE Score of 77%. Although the employee engagement score signifies an acceptable level of employee satisfaction, it is believed that delays in concluding collective bargaining negotiations and the handling of outstanding union matters by external parties may have adversely influenced employee perceptions and motivation.

In 2024, the Company will implement targeted Employee Engagement Plans at the departmental level and continue to work on the areas identified for improvement. Some of the areas we will focus on in 2024, include improved communication at all levels, fostering collaborative relationships with immediate supervisors and heads of departments and the resolution of employee grievances. It is anticipated that these efforts will enable the Company to progress towards higher levels of employee satisfaction and overall excellence in the workplace.

Management

In June 2023, LUCELEC bade farewell to Mr. Trevor Louisy who had served the Company in the capacity of Managing Director for over eighteen years with an impressive tenure of committed service for over thirty-six years. LUCELEC also welcomed the appointment of Mr. Gilroy Pultie as the new Managing Director effective July 1, 2023.

Mr. Pultie joined LUCELEC in February 1992 as a Trainee Engineer and served in various capacities, including Chief Engineer from November 2020 until his appointment as Managing Director. Based on his achievements over the years, work experience and willingness to learn, Mr. Pultie is well poised to succeed in his efforts at advancing the strategic and operational goals of the Company.

Effective July 1, 2023, Mr. Ian Peter was also appointed to the role of Chief Strategy Officer (CSO), and Ms. Ziva Phillips has been acting in the role of Chief Financial Officer from that date. As CSO, Mr. Peter is expected to drive the Company's 2035 strategic agenda. The knowledge, skills and abilities he has acquired over the years since joining LUCELEC in 2016, will serve him and the Company in good stead as he develops in this new and significant role.

The interior walls of the La Ressource Combined School were painted in demonstration of our Power of Caring

Renewable Energy

Saint Lucia, like many other Small Island Developing States (SIDS), faces a myriad of pressing challenges in its energy sector. Chief among those is the dependence on costly fuel imports to meet the island's energy needs. One solution to this monumental challenge is the shift away from the use of fossil fuels. This will reduce fuel imports, increase Saint Lucia's energy independence and provide direct economic benefits. LUCELEC, as the sole electricity utility in Saint Lucia, will play a pivotal role in Saint Lucia's transition from the use of fossil fuels towards increased energy independence.

LUCELEC has started this transition with the integration of renewables into our generation mix and have set the ambitious target of meeting 40% of Saint Lucia's energy demand using non-diesel generation by 2035. Transitioning to a power system with high shares of variable renewable energy (VRE) requires long-term planning to develop the infrastructure necessary to support this new energy mix.

In keeping with the thrust to transition to more sustainable forms of generation, LUCELEC commissioned the development of a 20-year Master Plan during the fourth quarter of 2023. One of the main objectives of the Master Plan is the development of optimal potential transition pathways for LUCELEC to meet its renewable energy goals while ensuring a resilient and secure energy supply that also minimizes electricity costs for consumers. The 20-year Master Plan is scheduled to be completed by the second quarter of 2024.

In that vein, LUCELEC continues to make steady progress on plans to construct its second utility-scale solar farm. Having identified a preferred location on the south-eastern coast of the island, the Company remains hopeful that during the first quarter of 2024, an agreement with the landowner to allow LUCELEC to seek approval in principle from the Development Control Authority (DCA), can be reached.

The submission of the Integrated Resource and Resiliency Plan (IRRP) for Saint Lucia's electric sector continues to be delayed. The IRRP is being undertaken by the CARICOM Centre for Renewable Energy and Efficiency (CCREEE). This comprehensive plan will detail how the country can reliably and economically meet its demand for electricity for the foreseeable future. The plan will also detail the investments that are required to make the grid more resilient to severe climate events. The Company remains confident that the IRRP will be submitted during the first quarter of 2024.

Significant progress was made on the project to replace the defective 66kV switchgear at the Castries Substation in 2023. Tenders for the project have been evaluated and a contract for the execution of the works is expected to be signed during the first quarter of 2024. Inflation and tight supply chains continue to plague the progress of projects in the electric utility industry. The lead time for the replacement 66kV switchgear for the Castries substation is in excess of one year.

Governance

With the acceptance that the new 'business normal' included supply chain issues, significant volatility in the price of fuel and rising prices of other inputs compounded by increased geo-political risk, in 2023 the Board of LUCELEC paid increasing attention to the sustainability of the Company. In this regard, the Board increased its focus on risk management and the roll-out of the 2022-2035 Strategic Business Plan. In the first quarter of 2023, Management presented the first of a two-part presentation to the Board on Risk Appetite. The second is scheduled for February 2024 and will include setting Key Risk Indicators (KRIs).

Enterprise Risk Management had been introduced into the operations of the Company some years prior. With the execution of the Strategic Business Plan, the Board deemed it critical to synchronize the level of risk the Company undertakes whilst innovating, to successfully realize the strategic objectives in its Strategic Business Plan. This will ensure the Company remains viable in an environment that will be impacted radically by changes in the legal and regulatory framework and ever-emerging innovative technologies.

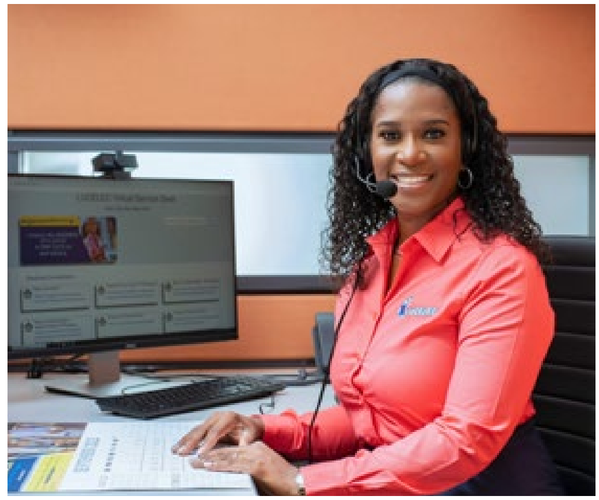
The second and third quarters built on the theme of sustainability with the Board Evaluation being held in May 2023 and the Strategy Review Session in August 2023 to ensure that strategy remains relevant. A Board Evaluation should have been held in 2020, however, due to the impact of COVID-19 it was deferred. The 2023 Evaluation confirmed that the governance structures of the Company remained strong and had been core to keeping the Company viable during the COVID-19 pandemic.

With the fundamentals of risk appetite training and confirmation of good governance being established in the first and second quarters of 2023, the Board approached the Strategy Review Session in the third quarter, energized with the knowledge that the path to a sustainable future, laid in the efficient execution of the Strategic Business Plan. The Board remains firm in its conviction that the Company has the robustness to meet the established objectives and targets in that Plan.

Customer Care

The Customer Service Department continued to deliver on its mandate to ensure customer satisfaction in 2023, by working with strategic partners within and outside the Company.

Key Accounts generate a significant percentage of the Company's revenue



and are significant to our sustainable, long-term growth. A structure and process for cultivating stronger relationships with our key business customers was established. Phase 1 of the Key Accounts Programme was implemented in 2023, and as we prepare for the roll-out of Phase 2 in 2024, we anticipate a significant investment in both time and resources to engage key business customers proactively and consistently. This is necessary for the development of strategic, supportive and sustainable partnerships going forward.

Increased customer use of the Virtual Self-Service Desk implemented in July 2022 was heavily encouraged in 2023, as an effective means of accessing our services remotely. The implementation of process improvements, delivery of training and coaching support to staff and the actions taken in response to customer feedback all served to boost customer enrolment as confidence in the system increased.

Options for the implementation of Phase 2 of this initiative are currently under review, as we seek to expand omni-channel delivery and support services in the fast-changing global energy landscape. Meanwhile, customers continue to access account balances via the automated telephone account enquiry service and pursue new or pending requests via mobile phone, WhatsApp messaging and email channels, and via the MyAccount platform on the Company's website.

The customer communications and data evaluation project commenced in 2022 and successfully concluded in July 2023. This survey provided a rich source of information about the specific needs and expectations of customers with respect to growth expansion prospects, renewable energy integration, desired support services and LUCELEC interventions which could potentially enhance value for money. These findings will inform the pursuit of future customer-focused initiatives.

The impact of customer service interventions was assessed through a Customer Exit (pulse) Survey conducted between July and August and the Annual Customer Survey during November and December 2023. The former was administered to customers engaged in business activity at the Rodney Bay and Vieux Fort administrative offices. The Sans Souci office remained closed to the public during the survey period.

This survey delved into the customers' experiences with both in-branch and remote service channels, including the Virtual Service Desk and MyAccount service, and gauged their responses to the Company's public relations efforts.

LUCELEC's overall satisfaction score stood at 89%, with most customers expressing contentment with the Company's reliability, attentive customer service, and efficient bill payment procedures. The Company's overall performance score of 84.8% on the Annual Customer Survey reflected a minor decline compared to the previous year's 86.5%, with the business sector recording its lowest score in the past five years. Contributing factors identified related to the flexibility of options for optimizing business operations; the authority and credibility of managers in making impactful decisions and the perception of the Company not being supportive or proactive in its efforts towards the renewable energy transition.

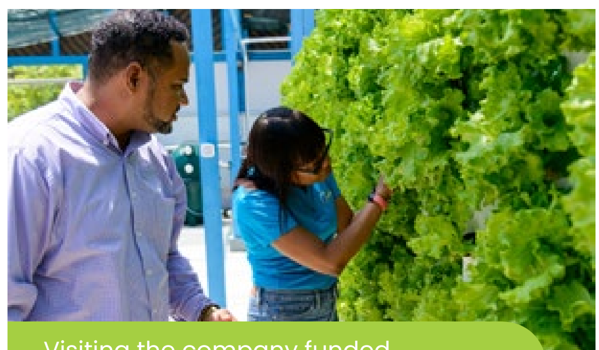
Throughout 2023, the Company was actively engaged in preparations for the resumption of walk-in services at its customer service office in Castries. Alternative office space was secured at the CARILEC building in Sans Soucis and customers can look forward to receiving the high standard of customer care and support when this office is opened for business in 2024.

Enterprise Risk Management

LUCELEC's Enterprise Risk Management Framework as a key component of its overall framework of good corporate governance, is based on a holistic approach to identifying, assessing and mitigating risks to the company's strategic and operational objectives. The framework seeks to maximize the company's potential for success and long-term viability, in an ever-changing environment, by identifying and mitigating potential risks.

A process of regular risk review meetings at the departmental, executive and Board level has been well established as part of the Enterprise Risk Management Framework allowing the company to monitor risks that can impact the business so that appropriate mitigating actions can be planned and executed in a timely manner. As a next step in the company's risk management maturity journey, the risk management framework is being expanded to include the articulation of risk appetite statements and metrics for key business areas. These risk appetite statements and metrics provide management with the necessary guidance for making business decisions by establishing the level of risk that the company is willing to take in the pursuit of its strategic objectives.

LUCELEC's future sustainability will depend on its ability to adapt to a rapidly changing local and global environment. A well-established risk management framework increases the company's ability to make the necessary decisions to ensure its survival in an environment of uncertainty.



Visiting the company funded National Council Of and For Persons with Disabilities aquaponics farm

Environmental Responsibility

We strive to minimize our environmental impact by adopting sustainable practices, reducing carbon emissions, conserving natural resources, and promoting a renewable energy ecosystem. We proactively identify and manage environmental risks, ensuring compliance with applicable environmental regulations.

6 Clean Water and Sanitation

7 Affordable and Clean Energy

13 Climate Action

14 Life Below Water

15 Life on Land

Concerning the Sustainable Development Goals of Climate Action and Affordable and Clean Energy, LUCELEC continues to play a leading role in the global energy transition. LUCELEC has been working closely with the Ministry of Infrastructure with input from the National Utilities Regulatory Commission (NURC) to establish the regulations necessary to accelerate the pace of the transition to renewable energy in Saint Lucia. As of December 31, 2023, the solar farm has produced 37.69 million units since the original commissioning in 2018, resulting in a 1.928-million-gallon reduction in fuel purchased and a cost savings of EC$16.4 million. At the end of 2023, there were 230 distributed generation (rooftop solar PV) systems connected to the LUCELEC grid providing 1.98 MW of renewable energy capacity.

The company led key engagements with the business community including the hosting of an Executive Luncheon with the Chamber of Commerce to present and discuss Renewable Energy Capacity Limits & Pricing Policy Considerations. LUCELEC has participated in consultations, led by the Ministry of Sustainable Development, on the de-carbonization of the transport sector, to better understand the role we can play either on our own or in collaboration with various stakeholders. During 2023, LUCELEC worked closely with the Government of Saint Lucia to convert the street lighting population from High-Pressure Sodium to more efficient LED streetlights. At the close of 2023, well over 65% of the existing streetlights were replaced.

Employee Volunteerism

LUCELEC volunteers, throughout 2023, embarked on several key environmental preservation initiatives including coastal clean-ups on the southeast coast, and tree planting in the Belle Vue Forest Reserve, Vieux-Fort, as part of the South East Coast Rehabilitation Project. LUCELEC's support for tree planting initiatives is part of the Company's environmental stewardship programme that includes the use of shielded conductors in wooded areas to minimize tree trimming, harvesting rainwater for use at its Cul De Sac facility and supporting education and training programmes in the management of the environment. The Company supported the efforts of WaterWays Caribbean to train students and community members to protect and restore waterways from rivers to the reefs.

Social: Corporate Philanthropy

Our dedication to social impact was evident in our deep engagement with local communities, from supporting education and empowerment initiatives to promoting healthcare and wellness programs. We recognize the importance of fostering positive social outcomes and maintaining strong relationships with the communities we serve. We contribute to social welfare initiatives and aim to mitigate social risks by actively engaging with communities to address concerns and expectations.

Volunteer tree planting drive at Belle Vue

In the area of quality education (SDG4), the critical areas of science, technology, engineering, the arts, and mathematics (STEAM) were supported through continued sponsorship of the Student Programme for Innovation in Science and Engineering (SPISE) hosted by the Caribbean Science Foundation and the National Schools Science & Technology Fair. In the area of robotics, LUCELEC lent support to the Orbtronics Junior Programme and the participation of Team Saint Lucia in the First Global Challenge 2023 in Singapore. The Sir John Compton Memorial Foundation also received support in providing scholarships to underprivileged children for another consecutive year. Support was also extended to Grow Well in favour of its Remedial Reading Programme and the Centre for Adolescent Renewal and Education (CARE).

3 Good Health and Well-being

4 Quality Education

8 Decent Work and Economic Growth

9 Industry, Innovation, and Infrastructure

10 Reduced Inequalities

11 Sustainable Cities & Communities

LUCELEC continued support for health care institutions, associations and awareness-building & advocacy programmes including the Saint Lucia Cancer Society, Faces of Cancer, the Saint Lucia Renal Association, the Saint Lucia Medical and Dental Association, and the CIBC FCIB Walk for the Cure. Employee volunteers also launched the LUCELEC Cares for a Cure campaign with the goal of visibly and tangibly demonstrating our support, paying respects and sharing hope with those in the fight.

In Sports, the Company continued its significant investment in youth football with donations to the Castries Football Council's LUCELEC BOSL Youth Football League, with continued support to the Saint Lucia Special Olympics Committee, the Saint Lucia Tennis Association, Saint Lucia Chess Federation, the Saint Lucia Cricket Association, the Saint Lucia Netball Association, and the Saint Lucia Basketball Federation, the Saint Lucia Rugby Union, the Saint Lucia Football Association, Saint Lucia Aquatics Federation, Kaizen Shotokan School, various athletics clubs, community sporting associations, school sports meets and swim clubs.

The Company also supported Youth-at-Risk with contributions to the National Trust CHAMP Youth Summer Camp, various summer camps for vulnerable communities and the annual camp for at-risk juveniles organized by the Police Community Relations Branch. Funds were directed to key social safety net and development programmes including feeding and outreach programmes,

programmes for the differently abled, women's empowerment and children's empowerment programmes and parenting seminars.

In Arts & Festivals, LUCELEC was proud to power various national and community events and festivals including the Saint Lucia Jazz and Arts Festival, Lucian Carnival, Music Fest St Lisi, Assou Square, Festival of Lights, Taste the Bay Festival, Fèsten Jwé and Mwa Éwitaj Kwéyòl. In the area of performing arts, LUCELEC extended support to Junior Panorama, the Pantime Steel Orchestra, Babonneau Steel Orchestra, various calypso tents and theatre productions, and Export Saint Lucia's second edition of Export the Runway. Several summer arts and summer music programmes were recipients of donation funding, benefiting young people from across the island.

In the area of tourism, the single largest contributor to the local economy, major support was lent to the Saint Lucia Tourism Awards, for the hosting of the Gimies, and towards the Atlantic Rally for Cruisers (ARC).

Through these various interventions, the Company contributed to several of the UN SDGs including GOAL #2: Zero Hunger; #3: Good Health and Well-being; #4: Quality Education; #6: Clean Water and Sanitation; #10: Reduced Inequality; #11: Sustainable Cities and Communities; #13: Climate Action; #14: Life Below Water, and #15: Life on Land.

Looking Ahead

We continue to demonstrate our commitment to social and economic development through our Power of Caring. Throughout our island's history, we have been a longstanding partner in development, powering health, education, the arts, sports, culture, youth development, community development and support of our religious and charitable organizations. Our goal continues to be, to touch every aspect of Saint Lucian life positively. This is a proud and important part of our legacy. As we enter a new year, we remain steadfast in our commitment to ESG, advancing our sustainability agenda, deepening our engagement with stakeholders, and driving positive change that creates lasting value for society and the environment. Together, we can continue to make a meaningful impact as we energize the path to a more sustainable future.

Financial
Statements

Finance & Accounts - 2023 Large Department of the Year

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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 accompanying consolidated financial statements of St. Lucia Electricity Services Limited and its Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of changes in equity, comprehensive income and cashflow for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and the results of its operations for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Energy Sales

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

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

Audit response

We obtained an understanding and evaluated the design of, as well as tested the controls over accumulation and processing of meter data, and interface of data from the billing system to the financial reporting system. In addition, we performed a test recalculation of the unbilled energy sales. We involved our internal Information Technology (IT) specialist in understanding the IT processes and testing the IT general and application controls over the IT systems supporting the revenue process.

Impairment of Trade and Other Receivables

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

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

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

Notes 11 and 37 to the consolidated financial statements provide the detailed disclosures related to this matter.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Impairment of Trade and Other Receivables

Audit response

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

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

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

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

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

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

Other Information Included in the Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2023 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the 2023 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charges with governance.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

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

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

Chartered Accountants
Castries, St. Lucia
March 27, 2024

St. Lucia Electricity Services Limited

Consolidated Statement of Financial Position
As at December 31, 2023

(Expressed in thousands of Eastern Caribbean Dollars)

	Notes	2023 $'000	2022 $'000
Assets			
Non-current			
Property, plant and equipment	7	413,138	400,152
Right-of-use assets	8	5,117	2,213
Intangible assets	9	9,691	10,325
Total non-current assets		427,946	412,690
Current			
Inventories	10	20,497	15,675
Trade, other receivables and prepayments	11	81,707	83,987
Other financial assets	12	60,850	49,748
Derivative financial instruments	13	-	30
Income tax recoverable		4,081	-
Cash and cash equivalents	14	22,304	37,808
Total current assets		189,439	187,248
Total assets		617,385	599,938
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	15	80,163	80,163
Retained earnings		221,347	209,765
Fair value reserve	16	(1,350)	(3,077)
Revaluation reserve	17	59,862	59,862
Self-insurance reserve	18	52,017	49,614
Total shareholders' equity		412,039	396,327
Liabilities			
Non-current			
Lease liabilities	19	4,422	1,567
Borrowings	20	50,487	53,938
Consumer deposits	21	22,162	21,269
Deferred tax liability	23	40,846	37,094
Post-employment medical benefit liabilities	25(b)	2,581	2,518
Total non-current liabilities		120,498	116,386
Current			
Lease liabilities	19	836	723
Borrowings	20	19,696	20,778
Trade and other payables	26	60,797	59,883
Provision for other liabilities	22	1,671	1,671
Derivative financial instruments	13	1,325	1,270
Dividends payable		523	486
Income tax payable		-	2,414
Total current liabilities		84,848	87,225
Total liabilities		205,346	203,611
Total shareholders' equity and liabilities		617,385	599,938

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

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

Director

Director

Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2023

(Expressed in thousands of Eastern Caribbean Dollars)

	Notes	2023 $'000	2022 $'000
Revenue			
Energy sales	34	382,493	394,439
Other revenue		4,479	4,172
		386,972	398,611
Operating expenses			
Fuel costs	35	221,411	236,872
Transmission and distribution		40,122	35,594
Generation		30,340	28,245
	35	291,873	300,711
Gross income		95,099	97,900
Administrative expenses	35	(37,294)	(30,831)
Operating profit		57,805	67,069
Investment income		1,611	925
Fair value gain/(loss) on FVTPL financial assets	12	1,741	(4,963)
Gain on disposal of FVTPL financial assets	12	218	55
Other losses, net	27	(18)	(1,218)
Profit before finance costs and taxation		61,357	61,868
Finance costs	28	(3,581)	(3,878)
Profit before taxation		57,776	57,990
Taxation	29	(16,179)	(18,389)
Net profit for the year		41,597	39,601
Other comprehensive income/(loss):			
Item that may be reclassified to profit or loss:			
Fair value (loss)/gain on FVTOCI financial assets	12	(14)	224
Items that will not be reclassified to profit or loss:			
Re-measurement gains/(losses) of defined benefit pension plans, net of tax	29	29	(589)
Total other comprehensive income/(loss)		15	(365)
Total comprehensive income for the year		41,612	39,236
Basic and diluted earnings per share ($)	30	1.81	1.73

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

St. Lucia Electricity Services Limited

Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2023

(Expressed in thousands of Eastern Caribbean Dollars)

	Notes	Share Capital $'000	Retained Earnings $'000	Fair Value Reserve $'000	Revaluation Reserve $'000	Self-insurance Reserve $'000	Total $'000
Balance at January 1, 2022		80,163	193,679	1,662	59,862	47,625	382,991
Total comprehensive income for the year		-	39,012	224	-	-	39,236
Transfer to fair value reserve	16	-	4,963	(4,963)	-	-	-
Transfer to self-insurance reserve	18	-	(1,989)	-	-	1,989	-
Ordinary dividends	32	-	(25,900)	-	-	-	(25,900)
Balance at December 31, 2022		80,163	209,765	(3,077)	59,862	49,614	396,327
Balance at January 1, 2023		80,163	209,765	(3,077)	59,862	49,614	396,327
Total comprehensive income for the year		-	41,626	(14)	-	-	41,612
Transfer to fair value reserve	16	-	(1,741)	1,741	-	-	-
Transfer to self-insurance reserve	18	-	(2,403)	-	-	2,403	-
Ordinary dividends	32	-	(25,900)	-	-	-	(25,900)
Balance at December 31, 2023		80,163	221,347	(1,350)	59,862	52,017	412,039

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

St. Lucia Electricity Services Limited

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023

(Expressed in thousands of Eastern Caribbean Dollars)

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Profit before taxation		57,776	57,990
Adjustments for:			
Depreciation on property, plant and equipment	7	25,379	24,524
Depreciation on right-of-use assets	8	862	647
Amortisation of intangible assets	9	1,008	905
Investment income		(1,611)	(925)
Finance costs	28	3,581	3,878
Impairment gains on trade and other receivables	11	(790)	(2,544)
Net pension and medical benefit costs	24(h) & 25(d)	715	883
Fair value (gain)/loss on FVTPL financial assets	12	(1,741)	4,963
Gain on disposal of FVTPL financial assets	12	(218)	(55)
Loss on disposal of property, plant and equipment	27	-	6
Impairment loss on property, plant and equipment	7	-	1,287
Net loss/(gain) on disposal of right-of-use asset and derecognition of lease liability		3	(8)
Operating profit before working capital changes		84,964	91,551
Increase in inventories		(4,822)	(2,251)
Decrease/(increase) in trade, other receivables and prepayments		3,159	(15,580)
Increase in trade and other payables		912	24,568
Increase in provision for other liabilities		-	186
Cash generated from operations		84,213	98,474
Interest and dividends received		648	607
Benefits paid on post-employment medical plan	25(f)	(69)	(65)
Pension funding contributions	24(j)	(541)	(1,604)
Finance costs paid		(3,422)	(3,581)
Income tax paid		(18,935)	(16,087)
Net cash from operating activities		61,894	77,744
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(38,365)	(31,035)
Proceeds from disposal of property, plant and equipment		-	8
Acquisition of intangible assets	9	(374)	(1,124)
Acquisition of other financial assets	12	(59,244)	(44,451)
Proceeds from disposal of other financial assets	12	51,046	38,453
Net cash used in investing activities		(46,937)	(38,149)
Cash flows from financing activities			
Repayment of lease liabilities	8	(801)	(643)
Proceeds from borrowings		15,000	15,000
Repayment of borrowings		(19,495)	(17,355)
Dividends paid		(25,863)	(25,917)
Net collection of consumer deposits		698	909
Net cash used in financing activities		(30,461)	(28,006)
Net (decrease)/increase in cash and cash equivalents		(15,504)	11,589
Cash and cash equivalents at beginning of year		37,808	26,219
Cash and cash equivalents at end of year	14	22,304	37,808

The accompanying notes form 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), and its operations are regulated by the National Utilities Regulatory Commission. The Company has an exclusive license, save for the generation of electricity from renewable resources of energy, for the exercise and performance of functions relating to the generation, transmission, distribution and sale of electricity in Saint Lucia. The other principal activity of the Company and its subsidiaries (the "Group") include the operation of a self-insurance fund.

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

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

2. Date of Authorisation of Issue

These consolidated financial statements were authorised for issue by the Board of Directors on March 8, 2024.

3. Basis of Preparation

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

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

(c) *Basis of consolidation*
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company as disclosed in Note 40. Control is achieved when the Company:

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

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

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

3. Basis of Preparation (Cont'd)

(c) Basis of consolidation (Cont'd)

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

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

(d) Functional and presentation currency

These consolidated financial statements are presented in Eastern Caribbean dollars, which is the Group's functional currency. All financial information is rounded to the nearest thousand dollars, except for basic and diluted earnings per share.

(e) Use of estimates and judgments

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

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

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

- Note 4(b)(iii): Estimated useful lives of property, plant and equipment
- Note 4(c): Estimation of the lease term and assessment of whether a right-of-use asset is impaired
- Note 4(d)(iii): Estimated useful lives of intangible assets
- Note 4(e): Measurement of defined benefit obligations
- Note 4(g): Estimation of impairment
- Note 4(h) Estimation of net realisable value of inventories
- Note 4(m): Estimation of unbilled sales and fuel surcharge
- Note 5: Determination of fair values
- Note 37: Valuation of financial instruments

4. Material Accounting Policy Information

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

(a) Foreign currency

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

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

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

The gain or loss on the disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item and is recognised within "other (losses)/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.

(Expressed in thousands of Eastern Caribbean Dollars)

4. Material Accounting Policy Information (Cont'd)

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

(iii) Depreciation

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

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

The annual rates of depreciation are as follows:

	2023	2022
Buildings	$2^1/_2$% - $12^1/_2$% per annum	$2^1/_2$% - $12^1/_2$% per annum
Plant and machinery		
- Generator overhauls	$33^1/_3$% per annum	$33^1/_3$% per annum
- Other	4% - 10% per annum	4% - 10% per annum
Motor vehicles	20% - $33^1/_3$% per annum	20% - $33^1/_3$% per annum
Furniture and fittings		
- Computer hardware	20% per annum	20% per annum
- Other	10% per annum	10% per annum

(iv) Revaluation reserve

Revaluation related to land is credited to revaluation reserve account in the equity section of the consolidated statement of financial position (Note 17).

(c) Leases

The Group as a lessee

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

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

Right-of-use assets

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

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

4. Material Accounting Policy Information (Cont'd)

(c) Leases (Cont'd)

Lease liabilities

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

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

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

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

The Group as a lessor

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

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

(d) Intangible assets

(i) *Recognition and measurement*

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

(ii) Subsequent expenditure

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

4. Material Accounting Policy Information (Cont'd)

(d) Intangible assets (Cont'd)

(iii) Amortisation

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

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

(e) Employee benefits

(i) Defined benefit plans

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

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

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

(ii) Pension benefits assumptions

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

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

4. Material Accounting Policy Information (Cont'd)

(e) Employee benefits (Cont'd)

(ii) Pension benefits assumptions (Cont'd)

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 24.

(iii) Defined contribution plan

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

(iv) Termination benefits

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

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

(f) Financial instruments

(i) *Non-derivative financial instruments*

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

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

Financial assets at amortised cost

The Group's investments in local treasury bills and fixed deposits are classified as financial assets measured at amortised cost. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

4. Material Accounting Policy Information (Cont'd)

(f) Financial instruments (Cont'd)

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

FVTOCI financial assets

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

FVTPL financial assets

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

Trade and other receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and short-term investments with original 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 interest income and costs is discussed in Note 4(o).

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.

4. Material Accounting Policy Information (Cont'd)

(f) Financial instruments (Cont'd)

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

Borrowings (Cont'd)

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

Trade and other payables

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

Consumer deposits

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

Dividends payable

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

(ii) Share capital

Ordinary shares

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

(g) Impairment

(i) Financial assets

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

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

4. Material Accounting Policy Information (Cont'd)

(g) Impairment (Cont'd)

(i) Financial assets (Cont'd)

The Group's financial assets mainly comprise of trade and other receivables and financial assets at amortised cost, FVTOCI and FVTPL. As permitted by IFRS 9, the Group has voluntarily elected to select an accounting policy which recognises full lifetime expected credit losses for trade receivables. Given that the financial assets at amortised cost and at FVTOCI mature within 12 months or less, the selection of either option would have the same effect.

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 37.

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

For financial assets at amortised cost and FVTOCI, an ECL general approach was used based on:

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

The key elements of the ECL calculations are outlined below:

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

Forward-looking information:

In its ECL models, the Group relied on the following economic inputs: GDP growth and inflation rates (2022 - GDP growth and unemployment rates).

Based on the assessment performed above for financial assets at amortised cost and FVTOCI, no previous or current instances of losses were identified and a low probability of significant losses occurring in the future arose. As such, no expected credit losses were recorded.

4. Material Accounting Policy Information (Cont'd)

(g) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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

(ii) Non-financial assets

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

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

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

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

(h) Inventories

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

4. Material Accounting Policy Information (Cont'd)

(i) Prepayments

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

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

(j) Provision for other liabilities

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

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

(k) Derivative financial instruments

The Group holds derivative instruments to manage the volatility of its fuel costs. Further details of derivative financial instruments are disclosed in Note 13.

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.

(l) Deferred fuel costs

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

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

(m) Revenue recognition

Sale of energy

Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. A provision for the current month's billings 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.

4. Material Accounting Policy Information (Cont'd)

(m) Revenue recognition (Cont'd)

Sale of energy (Cont'd)

In addition to the normal tariff rates charged for energy sales, a fuel surcharge cost adjustment is calculated 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. Where the cost of fuel used is more than the preceding 12 months' average fuel price, then the difference is considered to be a fuel surcharge. Where the cost of fuel used is less than the preceding 12 months' average fuel price, then the difference is considered to be a reduction to the base tariff. 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.

(n) Expenses

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

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

(o) Investment income and finance costs

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

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

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

4. Material Accounting Policy Information (Cont'd)

(p) Income tax

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

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

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

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

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

(q) Earnings per share

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

4. Material Accounting Policy Information (Cont'd)

(r) New standards, amendments to standards and interpretations

(i) Amendments to standards effective in the 2023 financial year are as follows:

A number of amendments to standards effective for annual periods beginning on or after January 1, 2023 have been adopted in these consolidated financial statements. Note: those amendments effective for annual periods beginning on or after January 1, 2023 which do not affect the Group's consolidated financial statements have not been disclosed below.

- IAS 1, *'Presentation of Financial Statements'* was amended to change the requirements with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policies". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. IFRS Practice Statement 2 illustrates the guidance and examples to explain and demonstrate the "four-step materiality process".

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

- IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' was amended to replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also clarify the following:
  - that a change in accounting estimate that results from new information or new developments is not the correction of an error; and,
  - The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

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

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

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

- IAS 12, 'Income Taxes' was amended to clarify that the initial recognition exemption does not apply to transactions that give rise to equal deductible and taxable temporary differences. Additional amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.

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

4. Material Accounting Policy Information (Cont'd)

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

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

- IAS 1, *'Presentation of Financial Statements'* was amended to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. Additional amendments clarify how covenants affect the classification of a liability and requires additional disclosures. The additional amendments also deferred the effective date by one year.

  This amendment is applicable for annual periods beginning on or after January 1, 2024. It is not anticipated that the application of this amendment will have a material impact on amounts reported in the Group's consolidated financial statements.

- IAS 7, '*Statement of Cash Flows*' and IFRS 7, '*Financial Instruments: Disclosures*' were amended to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

  These amendments are applicable for annual periods beginning on or after January 1, 2024. It is not anticipated that the application of this amendment will have a material impact on disclosures in the Group's consolidated financial statements.

- IAS 21, '*The Effects of Changes in Foreign Exchange Rates*' was amended to provide guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

  This amendment is applicable for annual periods beginning on or after January 1, 2025. It is not anticipated that the application of this amendment will have a material impact on the amounts reported and the disclosures in the Group's consolidated financial statements.

- IFRS 16, '*Leases*' was amended to allow a seller-lessee to recognise in profit or loss any gain or loss relating to the partial or full termination of a lease.

  This amendment is applicable for annual periods beginning on or after January 1, 2024. It is not anticipated that the application of this amendment will have a material impact on amounts reported in the Group's consolidated financial statements.

- IFRS S1, '*General Requirements for Disclosure of Sustainability-related Financial Information*' is a new standard which sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

  This new standard is applicable for annual periods beginning on or after January 1, 2024. It is anticipated that the application of this new standard in the future will have a material impact on the disclosures in the Group's consolidated financial statements. However, it is not practicable to determine the full impact until a detailed review is undertaken.

4. Material Accounting Policy Information (Cont'd)

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

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

- IFRS S2, *'Climate-related Disclosures'* is a new standard which sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

  This new standard is applicable for annual periods beginning on or after January 1, 2024. It is anticipated that the application of this new standard in the future will have a material impact on the disclosures in the Group's consolidated financial statements. However, it is not practicable to determine the full impact until a detailed review is undertaken.

5. Determination of Fair Values

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

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

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

5. Determination of Fair Values (Cont'd)

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

	As at December 31, 2023 $'000	As at December 31, 2022 $'000	Level	Valuation techniques and key inputs
Non-Financial Assets Measured at Fair Value				
Land (Note 7)	73,417	73,417	2	Market comparable approach. Key inputs-Price per square foot
Financial Instruments Measured at Fair Value				
Financial Assets				
FVTOCI financial assets (Note 12)	15,406	15,675	1	Quoted prices in an active market
FVTPL financial assets (Note 12)	23,295	21,194	3	Discounted cash flows using unobservable inputs
FVTPL financial assets (Note 12)	10,059	8,870	1	Quoted prices in an active market
Derivative financial asset (Note 13)	-	30	2	Discounted cash flow. Future cash flows are estimated based on futures prices and discount rates (swap prices and LIBOR) rates
Financial Liabilities				
Derivative financial liability (Note 13)	1,325	1,270	2	Discounted cash flow. Future cash flows are estimated based on futures prices and discount rates (swap prices and LIBOR) rates
Financial Instruments Disclosed at Fair Value				
Financial Liabilities				
Borrowings (Note 37)	60,341	66,846	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.

6. Financial Risk Management

Overview

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

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

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

Risk management framework

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

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

6. Financial Risk Management (Cont'd)

Credit risk

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

Trade and other receivables

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

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

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

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

Other financial assets

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and short-term investments 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 and regional Governments with a minimum credit rating equivalent of "Adequate"/ "Investment Grade" given by CariCRIS, the regional credit rating agency, or an internationally recognised credit rating agency.

6. Financial Risk Management (Cont'd)

Liquidity risk

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

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

- An overdraft facility of EC$10,000 which is secured. Interest is payable at the rate of 5.00% (2022 – 5.00%) per annum.

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

Market risk

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

Currency risk

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

Interest rate risk

There is no significant interest rate risk arising on the Group's cash and cash equivalents as at December 31, 2023 and 2022. The Group is not exposed to interest rate risk on its interest-bearing financial assets and liabilities. The Group's interest-bearing financial assets are its investments in treasury bills and commercial paper which have fixed rates of interest as disclosed in Note 12. The Group's interest-bearing financial liabilities are its lease liabilities, borrowings and consumer deposits which have fixed rates of interest as disclosed in Notes 19, 20 and 21, respectively.

Equity price risk

The Group is exposed to equity price risk as at December 31, 2023 and 2022 on its investments in equity instruments.

6. Financial Risk Management (Cont'd)

Market risk (Cont'd)

Commodity price risk

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

Operational risk

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

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

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

6. Financial Risk Management (Cont'd)

Capital management

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Under the terms of the mortgage debenture agreement, the Group's total debt shall not exceed two times its tangible net worth which currently comprises its share capital and retained earnings. The Group complied with this requirement as at December 31, 2023 and 2022.

There were no changes in the Group's approach to capital management in 2023 and 2022.

(Expressed in thousands of Eastern Caribbean Dollars)

7. Property, Plant and Equipment

	Land $'000	Buildings $'000	Plant and Machinery $'000	Motor Vehicles $'000	Furniture and Fittings $'000	Work In Progress $'000	Total $'000
Cost							
Balance at January 1, 2022	73,417	87,849	881,785	4,400	23,499	37,462	1,108,412
Additions	-	7	771	-	24	30,233	31,035
Transfers	-	3,243	24,798	101	1,183	(29,325)	-
Impairment loss (Note 27)	-	-	-	-	-	(1,287)	(1,287)
Disposals	-	(14)	-	-	(69)	-	(83)
Balance at December 31, 2022	73,417	91,085	907,354	4,501	24,637	37,083	1,138,077
Balance at January 1, 2023	73,417	91,085	907,354	4,501	24,637	37,083	1,138,077
Additions	-	193	337	-	4	37,815	38,349
Transfers	-	2,449	14,006	724	1,784	(18,963)	-
Reclassification from intangible assets (Note 9)	-	-	-	-	16	-	16
Disposals	-	-	(72,432)	-	(9)	-	(72,441)
Balance at December 31, 2023	73,417	93,727	849,265	5,225	26,432	55,935	1,104,001
Accumulated Depreciation							
Balance at January 1, 2022	-	53,746	635,972	4,151	19,601	-	713,470
Depreciation charge (Note 35)	-	2,184	20,826	190	1,324	-	24,524
Eliminated on disposals	-	-	-	-	(69)	-	(69)
Balance at December 31, 2022	-	55,930	656,798	4,341	20,856	-	737,925
Balance at January 1, 2023	-	55,930	656,798	4,341	20,856	-	737,925
Depreciation charge (Note 35)	-	2,240	21,831	201	1,107	-	25,379
Eliminated on disposals	-	-	(72,432)	-	(9)	-	(72,441)
Balance at December 31, 2023	-	58,170	606,197	4,542	21,954	-	690,863
Carrying Amounts							
January 1, 2022	73,417	34,103	245,813	249	3,898	37,462	394,942
December 31, 2022	73,417	35,155	250,556	160	3,781	37,083	400,152
December 31, 2023	73,417	35,557	243,068	683	4,478	55,935	413,138

(Expressed in thousands of Eastern Caribbean Dollars)

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

Fair value measurement of the Group's land

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

The carrying amounts of the Group's land would have been $13,555 (2022 - $13,555) had they been measured at the historical cost basis.

Assets pledged as security

As stated in Note 20, borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over all immovable properties and floating charges over all other assets, all ranking *pari passu* pursuant to a security sharing agreement, and assignment of insurance policies.

8. Right-of-use Assets

	Land $'000	Buildings $'000	Motor Vehicles $'000	Total $'000
Cost				
Balance at January 1, 2022	-	1,232	2,260	3,492
Additions	385	-	305	690
Disposals	-	-	(134)	(134)
Balance at December 31, 2022	385	1,232	2,431	4,048
Balance at January 1, 2023	385	1,232	2,431	4,048
Additions	-	3,753	314	4,067
Disposals	(385)	-	(941)	(1,326)
Balance at December 31, 2023	-	4,985	1,804	6,789
Accumulated Depreciation				
Balance at January 1, 2022	-	245	1,030	1,275
Depreciation charge for the year (Note 35)	80	151	416	647
Eliminated on disposals	-	-	(87)	(87)
Balance at December 31, 2022	80	396	1,359	1,835
Balance at January 1, 2023	80	396	1,359	1,835
Depreciation charge for the year (Note 35)	96	368	398	862
Eliminated on disposals	(176)	-	(849)	(1,025)
Balance at December 31, 2023	-	764	908	1,672
Carrying Amounts				
January 1, 2022	-	987	1,230	2,217
December 31, 2022	305	836	1,072	2,213
December 31, 2023	-	4,221	896	5,117

The Group has leases for office premises, land and Company vehicles for management staff. With the exception of short-term leases on certain office premises and land, each lease is reflected on the consolidated statement of financial position as a right-of-use asset and a lease liability (see Note 19).

(Expressed in thousands of Eastern Caribbean Dollars)

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

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

	No. of leases	Range of remaining term	Average remaining lease terms	No. of leases with renewal options
Buildings	3	2-9 years	6 years	2
Motor vehicles	13	1-5 years	2 years	-

The Group has elected not to recognise a right-of-use asset and lease liability for short-term leases (leases with a lease term of 12 months or less). Payments made under such leases are expensed over a straight-line basis. The expense relating to lease payments for 2023 was $40 (2022 - $40) and is included in administrative expenses of $37,294 (2022 - $30,831) as disclosed in the consolidated statement of comprehensive income. Total cash outflow for leases for 2023 was $801 (2022 - $643) as disclosed in the consolidated statement of cash flows.

9. Intangible Assets

	Information Systems $'000	Way Leave Rights $'000	Work In Progress $'000	Total S'000
Cost				
Balance at January 1, 2022	25,887	7,076	308	33,271
Additions	-	25	1,099	1,124
Transfers	1,020	-	(1,020)	-
Balance at December 31, 2022	26,907	7,101	387	34,395
Balance at January 1, 2023	26,907	7,101	387	34,395
Additions	14	23	353	390
Transfers	245	-	(245)	-
Reclassification to tangible assets (Note 7)	-	-	(16)	(16)
Balance at December 31, 2023	27,166	7,124	479	34,769
Accumulated Amortisation				
Balance at January 1, 2022	23,165	-	-	23,165
Amortised for the year (Note 35)	905	-	-	905
Balance at December 31, 2022	24,070	-	-	24,070
Balance at January 1, 2023	24,070	-	-	24,070
Amortised for the year (Note 35)	1,008	-	-	1,008
Balance at December 31, 2023	25,078	-	-	25,078
Carrying Amounts				
January 1, 2022	2,722	7,076	308	10,106
December 31, 2022	2,837	7,101	387	10,325
December 31, 2023	2,088	7,124	479	9,691

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

(Expressed in thousands of Eastern Caribbean Dollars)

10. Inventories

	2023 $'000	2022 $'000
Fuel inventories	4,129	5,076
Generation spare parts	7,663	6,735
Transmission, distribution and other spares	10,058	6,608
Goods-in-transit	1,901	510
	23,751	18,929
Provision for inventory obsolescence	(3,254)	(3,254)
	20,497	15,675

The movement in the provision for inventory obsolescence was as follows:

	2023 $'000	2022 $'000
Balance - beginning of year	3,254	3,113
Additions	-	141
Balance - end of year	3,254	3,254

11. Trade, Other Receivables and Prepayments

	2023 $'000	2022 $'000
Trade receivables, gross (Note 37)	48,195	59,998
Less: provision for impairment of trade receivables (Note 37)	(14,100)	(15,182)
Trade receivables, net (Note 37)	34,095	44,816
Other receivables, gross	21,989	9,633
Less: provision for impairment of other receivables	(1,171)	(879)
Other receivables, net	20,818	8,754
Accrued income	21,695	25,637
	76,608	79,207
Deferred fuel costs	1,325	1,240
Prepayments	3,774	3,540
	81,707	83,987

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

	2023 $'000	2022 $'000
Balance at January 1	15,182	17,687
Impairment gain (Note 35)	(1,082)	(2,505)
Balance at December 31	14,100	15,182

(Expressed in thousands of Eastern Caribbean Dollars)

11. Trade, Other Receivables and Prepayments (Cont'd)

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

	2023 $'000	2022 $'000
Balance at January 1	879	918
Impairment loss/(gain) (Note 35)	292	(39)
Balance at December 31	1,171	879

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

The Group's exposure to credit risk related to trade and other receivables is disclosed in Note 37.

Deferred fuel costs relate to fair value adjustments of derivative financial instruments as disclosed in Note 4(l) and Note 13. The movements in deferred fuel costs are as follows:

	2023 $'000	2022 $'000
Balance at beginning of year	1,240	-
Balances arising from new hedge contracts	1,325	1,240
Reversals	(1,240)	-
Balance at end of year	1,325	1,240

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

12. Other Financial Assets

	2023 $'000	2022 $'000
Financial assets at amortised cost		
Treasury bills	2,009	4,009
Fixed deposit	10,081	-
	12,090	4,009
Financial assets at FVTOCI		
Treasury bills	15,406	6,767
Commercial paper	-	8,908
	15,406	15,675
Financial assets at FVTPL		
Investments funds	23,295	21,194
Equities	10,059	8,870
	33,354	30,064
	60,850	49,748

(Expressed in thousands of Eastern Caribbean Dollars)

12. Other Financial Assets (Cont'd)

The treasury bills have a weighted average effective interest rate of at 2.50% (2022 - 2.50%) per annum and have a maturity date 1 month after the reporting date (2022 - 1 to 3 months after the reporting date). The fixed deposit has an effective interest rate of at 2.52% per annum and has a maturity date 8 months after the reporting date. The weighted average effective interest rate on the financial assets at FVTOCI was 2.64% (2022 – 3.18%) per annum.

The financial assets at FVTOCI and at FVTPL are not available for the day-to-day operations of the Group (Note 18).

The Group's exposure to credit risk related to other financial assets is disclosed in Note 37.

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

	2023 $'000	2022 $'000
Beginning balance	49,748	48,113
Purchases	59,244	44,451
Redemptions	(51,046)	(38,453)
Amortisation of discount	959	321
Realised fair value gain on redemption	218	55
Unrealised fair value (loss)/gain on financial assets measured at FVTOCI	(14)	224
Unrealised fair value gain/(loss) on financial assets measured at FVTPL	1,741	(4,963)
Ending balance	60,850	49,748

13. 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:

	2023 $'000	2022 $'000
Derivative financial asset - Fixed price swaps	-	30
Derivative financial liability - Fixed price swaps and options	1,325	1,270

The Group's exposure to credit risk related to its derivative financial asset is disclosed in Note 37.

14. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	2023 $'000	2022 $'000
Cash on hand	16	16
Cash at bank	22,288	37,792
	22,304	37,808

(Expressed in thousands of Eastern Caribbean Dollars)

14. Cash and Cash Equivalents (Cont'd)

Cash at bank is non-interest bearing.

Included in cash at bank are $3,603 (2022 - $955) that are not available for the day-to-day operations of the Group (Note 18).

The Group's exposure to credit risk related to cash and cash equivalents is disclosed in Note 37.

Reconciliation of liabilities arising from financing activities:

	Non-current lease liabilities (Note 19) $'000	Current lease liabilities (Note 19) $'000	Non-current borrowings (Note 20) $'000	Current borrowings (Note 20) $'000	Consumer deposits (Note 21) $'000	Total $'000
Balance at January 1, 2022	1,790	504	58,533	18,448	20,159	99,434
Cash flows during the year	(134)	(677)	15,000	(20,651)	793	(5,669)
Non-cash flows during the year:						
-New leases	634	-	-	-	-	634
-Lease liabilities classified as non-current becoming current in 2022	(723)	723	-	-	-	-
-Borrowings classified as non-current becoming current in 2022	-	-	(19,595)	19,595	-	-
-Interest accrued in 2022 (Note 28)	-	173	-	3,386	317	3,876
Balance at December 31, 2022	1,567	723	53,938	20,778	21,269	98,275
Balance at January 1, 2023	1,567	723	53,938	20,778	21,269	98,275
Cash flows during the year	(78)	(933)	15,000	(22,570)	561	(8,020)
Non-cash flows during the year:						
-New leases	3,769	-	-	-	-	3,769
-Lease liabilities classified as non-current becoming current in 2023	(836)	836	-	-	-	-
-Borrowings classified as non-current becoming current in 2023	-	-	(18,451)	18,451	-	-
-Interest accrued in 2023 (Note 28)	-	210	-	3,037	332	3,579
Balance at December 31, 2023	4,422	836	50,487	19,696	22,162	97,603

(Expressed in thousands of Eastern Caribbean Dollars)

15. Share Capital

	2023	2022
Authorised		
Voting ordinary shares	100,000	100,000
Ordinary non-voting shares	800	800
Preference shares	1,214	1,214

	2023 $'000	2022 $'000
Issued and fully paid		
22,400,000 voting ordinary shares	77,563	77,563
520,000 non-voting ordinary shares	2,600	2,600
	80,163	80,163

16. Fair Value Reserve

	2023 $'000	2022 $'000
Balance at beginning of year	(3,077)	1,662
Fair value(loss)/gain on FVTOCI financial assets	(14)	224
Transferred from retained earnings	1,741	(4,963)
Balance at end of year	(1,350)	(3,077)

The fair value reserve represents the cumulative unrealised fair value gains and losses arising on the revaluation of financial assets at FVTOCI and at FVTPL.

17. Revaluation Reserve

	2023 $'000	2022 $'000
Balance at beginning and end of year	59,862	59,862

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

18. 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. In 2022, the Group was able to supplement the self-insurance reserve with parametric insurance on its T&D assets.

(Expressed in thousands of Eastern Caribbean Dollars)

18. Self-insurance Reserve (Cont'd)

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

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

The fund balance comprises the following:

	2023 $'000	2022 $'000
FVTOCI financial assets (Note 12)	15,406	15,675
FVTPL financial assets (Note 12)	33,354	30,064
Cash and cash equivalents (Note 14)	3,603	955
	52,363	46,694

The movement in the Self-insurance Reserve was as follows:

	2023 $'000	2022 $'000
Balance at beginning of year	49,614	47,625
Transferred from retained earnings	2,403	1,989
Balance at end of year	52,017	49,614

19. Lease Liabilities

	2023 $'000	2022 $'000
Current	836	723
Non-current	4,422	1,567
	5,258	2,290

The weighted average rate of interest applied to lease liabilities is 4.68% (2022 – 7.15%) per annum.

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

Future minimum lease payments at year end were as follows:

	2023 $'000	2022 $'000
Between 1 and 2 years	768	617
Between 2 and 5 years	1,746	739
Greater than 5 years	1,908	211
	4,422	1,567

The Group's exposure to liquidity risks related to lease liabilities is disclosed in Note 37.

(Expressed in thousands of Eastern Caribbean Dollars)

20. Borrowings

	2023 $'000	2022 $'000
Current		
Bank borrowings	9,679	11,271
Related party	10,017	9,507
	19,696	20,778
Non-current		
Bank borrowings	37,209	30,643
Related party	13,278	23,295
	50,487	53,938
Total borrowings		
Bank borrowings	46,888	41,914
Related party (Note 33(d)(v))	23,295	32,802
	70,183	74,716

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

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

	2023 %	2022 %
Bank borrowings	3.35	3.45
Related party	5.25	5.25

Maturity of non-current borrowings:

	2023 $'000	2022 $'000
Between 1 and 2 years	13,787	17,679
Between 2 and 5 years	13,116	21,563
Over 5 years	23,584	14,696
	50,487	53,938

The Group's exposure to liquidity risks related to borrowings is disclosed in Note 37.

21. 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% (2022 - 2%) per annum.

	2023 $'000	2022 $'000
Consumer deposits	17,087	16,389
Interest accrual	5,075	4,880
	22,162	21,269

(Expressed in thousands of Eastern Caribbean Dollars)

22. Provision for Other Liabilities

	2023 $'000	2022 $'000
Balance at beginning of year	1,671	1,485
Increase in provision	-	186
Balance at end of year	1,671	1,671

The provision represents the most recent reasonable estimated decommissioning costs of the old power stations located at Union and Vieux Fort. These power stations are scheduled to be decommissioned in 2024.

23. Deferred Tax Liability

Deferred tax liability is calculated in full on temporary differences under the statement of financial position liability method using a principal tax rate of 30% (2022 - 30%). The movement on the deferred tax liability account is as follows:

	2023 $'000	2022 $'000
Balance at beginning of year	37,094	35,375
Recognised in profit and loss (Note 29)	3,739	1,972
Recognised in other comprehensive income (Note 29)	13	(253)
Balance at end of year	40,846	37,094

Deferred tax liability is attributed to the following items:

	2023 $'000	2022 $'000
Property, plant and equipment	41,662	37,873
Post-employment medical benefit liabilities	(774)	(756)
Leased assets	1,535	664
Lease liabilities	(1,577)	(687)
	40,846	37,094

24. Retirement Benefit Liabilities

(a) Background

Grade I Employees

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

Grade II Employees

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

The most recent actuarial valuations of these two plans were completed December 31, 2021 using the "Projected Unit Credit" method of valuation.

(Expressed in thousands of Eastern Caribbean Dollars)

24. Retirement Benefit Liabilities (Cont'd)

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

	Grade II		Grade I	
	2023 %	2022 %	2023 %	2022 %
Discount rates	7.5	7.5	7.5	7.5
Future salary increases	4.0	4.0	4.0	4.0
Future NIS earnings increases	-	-	-	-

Assumptions regarding future mortality are based on standard mortality tables.

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

	Grade II		Grade I		Total	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Present value of defined benefit obligations	(20,597)	(19,390)	(15,893)	(15,045)	(36,490)	(34,435)
Fair value of plan assets	25,243	24,590	18,487	17,614	43,730	42,204
Effect of asset ceiling	(4,646)	(5,200)	(2,594)	(2,569)	(7,240)	(7,769)
Defined benefit liabilities	-	-	-	-	-	-

(Expressed in thousands of Eastern Caribbean Dollars)

24. Retirement Benefit Liabilities (Cont'd)

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

	Grade II		Grade I		Total	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Defined benefit obligation as at January 1	19,390	18,913	15,045	14,836	34,435	33,749
Current service cost	382	435	(19)	101	363	536
Interest cost	1,412	1,356	1,107	1,090	2,519	2,446
Members' contributions	161	160	238	125	399	285
Benefits paid	(1,136)	(1,691)	(634)	(666)	(1,770)	(2,357)
Re-measurements: experience adjustments	388	217	156	(441)	544	(224)
Defined benefit obligation as at December 31	20,597	19,390	15,893	15,045	36,490	34,435

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

	Grade II		Grade I		Total	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Fair value of plan assets at January 1	24,590	25,602	17,614	18,483	42,204	44,085
Contributions paid - employer	301	890	240	714	541	1,604
Contributions paid - members	161	160	238	125	399	285
Interest income	1,818	1,895	1,314	1,391	3,132	3,286
Return on plan assets, excluding interest income	(443)	(2,213)	(248)	(2,396)	(691)	(4,609)
Benefits paid	(1,136)	(1,691)	(634)	(666)	(1,770)	(2,357)
Expense allowance	(48)	(53)	(37)	(37)	(85)	(90)
Fair value of plan assets at December 31	25,243	24,590	18,487	17,614	43,730	42,204

(Expressed in thousands of Eastern Caribbean Dollars)

24. Retirement Benefit Liabilities (Cont'd)

(f) Composition of plan assets

	Grade II		Grade I		Total	
	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000
Overseas equity	4,588	3,794	-	-	4,588	3,794
Government issued nominal bonds	13,354	14,307	-	-	13,354	14,307
Corporate bonds	4,148	841	-	-	4,148	841
Cash/money market	2,240	4,573	-	-	2,240	4,573
Immediate annuity policies	913	1,075	-	-	913	1,075
Unit trust	-	-	18,487	17,614	18,487	17,614
	25,243	24,590	18,487	17,614	43,730	42,204

24. Retirement Benefit Liabilities (Cont'd)

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

Grade I

The asset value as at December 31, 2023 was estimated using the asset value as at December 31, 2023 provided by the Plan's Investment Manager - Sagicor. The value is reliant on Sagicor's financial strength.

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

Grade II

The values of the Grade II Plan assets as at December 31, 2023 were estimated using the asset value as at November 30, 2023 provided by the Plan's Investment Manager (RBC) and an estimate of the value of the Grade II Plan's immediate annuity policies which was calculated using the same assumptions used to calculate the defined benefit obligation (it is assumed that these annuities have not been impaired). The Investment Manager calculates the fair value of the Government bonds by discounting expected future proceeds using a constructed yield curve.

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

24. Retirement Benefit Liabilities (Cont'd)

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

	Grade II		Grade I		Total	
	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000
Return on plan assets	1,375	(318)	1,066	(1,005)	2,441	(1,323)

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

	Grade II		Grade I		Total	
	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000
Current service cost	382	435	(19)	101	363	536
Administration expenses	48	53	37	37	85	90
Net pension costs	430	488	18	138	448	626

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

	Grade II		Grade I		Total	
	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000
Experience losses	831	2,430	404	1,955	1,235	4,385
Effect of asset ceiling	(960)	(2,028)	(182)	(1,379)	(1,142)	(3,407)
Total amount recognised in other comprehensive income	(129)	402	222	576	93	978

(Expressed in thousands of Eastern Caribbean Dollars)

24. Retirement Benefit Liabilities (Cont'd)

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

	Grade II		Grade I		Total	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Opening defined benefit liabilities	-	-	-	-	-	-
Net pension cost	(430)	(488)	(18)	(138)	(448)	(626)
Re-measurements recognised in other comprehensive income	129	(402)	(222)	(576)	(93)	(978)
Employer contributions paid	301	890	240	714	541	1,604
Closing defined benefit liabilities	-	-	-	-	-	-

(Expressed in thousands of Eastern Caribbean Dollars)

24. Retirement Benefit Liabilities (Cont'd)

(k) Sensitivity Analysis

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

Grade I

December 31, 2023

	1% p.a. increase $'000	1% p.a. decrease $'000
Discount rate	(1,430)	1,72
Future salary increases	924	(786)

December 31, 2022

	1% p.a. increase $'000	1% p.a. decrease $'000
Discount rate	(1,338)	1,656
Future salary increases	909	(740)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2023 by $224 (2022 - $206).

Grade II

December 31, 2023

	1% p.a. increase $'000	1% p.a. decrease $'000
Discount rate	(1,977)	2,354
Future salary increases	482	(444)

December 31, 2022

	1% p.a. increase $'000	1% p.a. decrease $'000
Discount rate	(1,903)	2,274
Future salary increases	516	(474)

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2023 by $391 (2022 - $369).

(Expressed in thousands of Eastern Caribbean Dollars)

24. Retirement Benefit Liabilities (Cont'd)

(l) Duration

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

	2023	2022
Grade 1	10.7 years	10.6 years
Grade II	11.2 years	11.5 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 $424 to the pension plan during 2024.

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 $600 to the pension plan during 2024.

(Expressed in thousands of Eastern Caribbean Dollars)

25. 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:

	2023 %	2022 %
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:

	2023 $'000	2022 $'000
Present value of defined benefit obligations	2,581	2,518
Defined benefit liabilities	2,581	2,518

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

	2023 $'000	2022 $'000
Defined benefit obligations as at January 1	2,518	2,462
Current service costs	81	75
Interest costs	186	182
Benefits paid	(69)	(65)
Re-measurements: experience adjustments	(135)	(136)
Defined benefit obligations as at December 31	2,581	2,518

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

	2023 $'000	2022 $'000
Current service costs	81	75
Interest on defined benefit obligations	186	182
Net medical benefit costs	267	257

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

	2023 $'000	2022 $'000
Experience gain	(135)	(136)
Total amount recognised in other comprehensive income	(135)	(136)

(Expressed in thousands of Eastern Caribbean Dollars)

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

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

	2023 $'000	2022 $'000
Opening defined benefit liabilities	2,518	2,462
Net medical benefit costs	267	257
Re-measurement gain recognised in other comprehensive income	(135)	(136)
Benefits paid	(69)	(65)
Closing defined benefit liabilities	2,581	2,518

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

December 31, 2023

	1% p.a. increase $'000	1% p.a. decrease $'000
Discount rate	(389)	503
Medical expense increases	511	(400)

December 31, 2022

	1% p.a. increase $'000	1% p.a. decrease $'000
Discount rate	(379)	491
Medical expense increases	499	(390)

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2023 by $80 (2022 - $79).

(g) Duration

The weighted average duration of the defined benefit obligation at December 31, 2023 was 18.3 years (2022 - 18.3 years).

(h) Funding Policy

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

The Group expects to pay $72 to the plan in 2024.

(Expressed in thousands of Eastern Caribbean Dollars)

26. Trade and Other Payables

	2023 $'000	2022 $'000
Trade payables	31,454	34,754
Accrued expenses	14,437	14,080
Other payables	14,906	11,049
	60,797	59,883

The Group's exposure to liquidity risks related to trade and other payables is disclosed in Note 37.

27. Other Losses, Net

	2023 $'000	2022 $'000
Loss on disposal of property, plant and equipment	-	(6)
Foreign exchange (losses)/gains	(18)	75
Impairment loss on property, plant and equipment (Note 7)	-	(1,287)
	(18)	(1,218)

28. Finance Costs

	2023 $'000	2022 $'000
Interest expense on:		
-lease liabilities	210	173
-borrowings	3,037	3,386
-consumer deposits	332	317
-pole rental deposits	2	2
	3,581	3,878

(Expressed in thousands of Eastern Caribbean Dollars)

29. Taxation

	2023 $'000	2022 $'000
Current tax	12,440	16,417
Deferred tax (Note 23)	3,739	1,972
	16,179	18,389

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

	2023 $'000	2022 $'000
Profit before taxation	57,776	57,990
Tax at the statutory rate of 30% (2022 - 30%)	17,332	17,396
Tax effect of non-deductible expenses	763	2,169
Tax effect of non-taxable income	(1,017)	(276)
Tax effect of self-insurance appropriation	(900)	(900)
Deferred tax asset unrecognised on tax loss	1	-
Tax charge	16,179	18,389

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

	2023 $'000	2022 $'000
Re-measurement of defined benefit pension plans		
Before tax (Notes 24(i) and 25(e))	42	(842)
Tax (Note 23)	(13)	253
After tax	29	(589)

30. Basic and Diluted Earnings per Share

Basic and diluted earnings per share is calculated by dividing the net profit for the year of $41,597 (2022 - $39,601) by the weighted average number of shares outstanding during the year of 22,920 (2022 - 22,920).

31. Tariff Reduction

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

The Allowable Rate of Return is between 2% and 7% above the cost of the most recent long-term bonds issued by the Government of St. Lucia on the Regional Government Securities Market, with a minimum return of 10%. This was equal to a range of 10.00% to 13.99% in respect of 2023 (2022 – 10.00% 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.

(Expressed in thousands of Eastern Caribbean Dollars)

32. Ordinary Dividends

	2023 $	2023 $'000	2022 $	2022 $'000
	Dividends Per share	Total	Dividends Per share	Total
Final - relating to 2022	0.68	15,586	-	-
Interim - relating to 2023	0.45	10,314	-	-
Final - relating to 2021	-	-	0.68	15,586
Interim - relating to 2022	-	-	0.45	10,314
	1.13	25,900	1.13	25,900

The final dividend for the year 2023 had not been declared as at December 31, 2023.

33. Related Parties

(a) Identification of related party

A party is related to the Group if:

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

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

(b) Related party transactions and balances

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

(c) Transactions with key management personnel

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

	2023 $'000	2022 $'000
Short-term employee benefits	4,192	4,269
Post-employment benefits	175	162
Directors' remuneration	341	350
	4,708	4,781

(Expressed in thousands of Eastern Caribbean Dollars)

33. Related Parties (Cont'd)

(c) Transactions with key management personnel (Cont'd)

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

	2023 $'000	2022 $'000
Supply of electricity services	134	145

(ii) Balances at the reporting date arising from transactions with key management personnel and included in trade receivables, gross (Note 11) of $48,195 (2022 - $59,998) were as follows:

	2023 $'000	2022 $'000
Supply of electricity services	7	7

(d) Transactions with shareholders

The Group's major shareholders are as follows:

	2023 %	2022 %
Emera St. Lucia Ltd.	20.00	20.00
First Citizens Bank Limited	20.00	20.00
National Insurance Corporation	20.00	20.00
Castries Constituency Council	15.50	15.50
Government of Saint Lucia	10.05	10.05
	85.55	85.55

The remaining 14.45% (2022 - 14.45%) of the shares is widely held.

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

Supply of Electricity Services

	2023 $'000	2022 $'000
First Citizens Bank Ltd	121	113
National Insurance Corporation	1,903	2,311
Castries Constituency Council	2,325	1,892
Government of Saint Lucia	33,844	34,807
	38,193	39,123

The Government of Saint Lucia receives a 10% (2022 - 10%) discount on electricity charges in respect of all accounts other than Street lighting, except where the minimum charges apply.

(Expressed in thousands of Eastern Caribbean Dollars)

33. Related Parties (Cont'd)

(d) Transactions with shareholders (Cont'd)

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

Supply of Other Services

	2023 $'000	2022 $'000
Government of Saint Lucia	739	1,719

(ii) Balances at the reporting date arising from supply of electricity services to related parties during the year and included in trade receivables, gross (Note 11) of $48,195 (2022 - $59,998) were as follows:

	2023 $'000	2022 $'000
First Citizens Bank Ltd	-	2
National Insurance Corporation	25	184
Castries Constituency Council	258	165
Government of Saint Lucia	1,632	8,107
	1,915	8,458

(iii) Balances at the reporting date arising from supply of other services to related parties during the year and included in other receivables, gross (Note 11) of $21,989 (2022 - $9,633) were as follows:

	2023 $'000	2022 $'000
Government of Saint Lucia	739	595

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

	2023 $'000	2022 $'000
Provision for impairment	519	542

(Expressed in thousands of Eastern Caribbean Dollars)

33. Related Parties (Cont'd)

(d) Transactions with shareholders (Cont'd)

(v) Loans from shareholders

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

	2023 $'000	2022 $'000
National Insurance Corporation		
At beginning of year	32,802	41,826
Repayments during year	(11,045)	(11,045)
	21,757	30,781
Interest expense	1,538	2,021
At end of year	23,295	32,802

The above loans are fully secured (Note 20).

Finance Costs

Details of the related finance costs are as follows:

	2023 $'000	2022 $'000
National Insurance Corporation	1,538	2,021

These charges are included in the finance costs of $3,581 (2022 - $3,878) as disclosed in the consolidated statement of comprehensive income.

(e) Transactions with pension schemes

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

Liabilities settled on behalf of the pension schemes

	2023 $'000	2022 $'000
LUCELEC Grade I Pension Scheme	103	97
LUCELEC Grade II Pension Scheme	62	100
LUCELEC Defined Contribution Pension Scheme	101	101
	266	298

(Expressed in thousands of Eastern Caribbean Dollars)

33. Related Parties (Cont'd)

(e) Transactions with pension schemes (Cont'd)

(ii) Balances at the reporting date arising from settlement of liabilities on behalf of the pension schemes during the year and included in other receivables, gross (Note 11) of $21,989 (2022 - $9,633) were as follows:

	2023 $'000	2022 $'000
LUCELEC Grade I Pension Scheme	448	345
LUCELEC Grade II Pension Scheme	77	163
LUCELEC Defined Contribution Pension Scheme	101	115
	626	623

34. Fuel Surcharge Cost Adjustment

Included in energy sales is an adjustment to the base tariff of $22.4M (2022 – fuel surcharge of $88.4M).

35. Expenses by Nature

	2023 $'000	2022 $'000
Operating expenses		
Fuel costs	221,411	236,872
Depreciation on property, plant and equipment (Note 7)	24,700	23,742
Depreciation on leased assets (Note 8)	203	187
Repairs and maintenance	16,681	15,149
Employee benefits (Note 36)	20,749	20,279
Generation insurance premiums	504	397
T&D insurance premiums	1,626	707
Other operating expenses	5,999	3,378
	291,873	300,711
Administrative expenses		
Depreciation on property, plant and equipment (Note 7)	679	782
Depreciation on leased assets (Note 8)	659	460
Amortisation of intangible assets (Note 9)	1,008	905
Repairs and maintenance	2,789	2,385
Employee benefits (Note 36)	13,598	13,325
Impairment gains on trade and other receivables (Note 11)	(790)	(2,544)
Bank charges	1,381	1,420
Debt collection expenses	853	795
Insurance	4,949	3,937
Professional fees	2,748	1,282
Other operating expenses	9,420	8,084
	37,294	30,831
	329,167	331,542

(Expressed in thousands of Eastern Caribbean Dollars)

36. Employee Benefit Expenses

	2023 $'000	2022 $'000
Wages and salaries	27,096	26,863
Pension contributions	1,781	1,353
Medical contributions	1,014	990
Other employee benefits	4,456	4,398
	34,347	33,604

Allocated as follows:

	2023 $'000	2022 $'000
Operating expenses (Note 35)	20,749	20,279
Administrative expenses (Note 35)	13,598	13,325
	34,347	33,604

The number of permanent employees at December 31, 2023 was 260 (2022 - 260).

37. 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	2023 $'000	2022 $'000
Trade and other receivables	11	76,608	79,207
Other financial assets	12	60,850	49,748
Derivative financial instruments	13	-	30
Cash at bank	14	22,288	37,792
		159,746	166,777

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

	2023 $'000	2022 $'000
Business, before deducting provision	31,924	42,520
Residential, before deducting provision	16,271	17,478
	48,195	59,998

(Expressed in thousands of Eastern Caribbean Dollars)

37. Financial Instruments (Cont'd)

Credit risk (Cont'd)

Expected credit loss assessment

The Group uses a provision matrix to measure the expected credit losses of trade receivables. The expected loss rates are based on the Group's historical credit loss rates per ageing category, which reflects the percentage of the ageing category which migrates over to 120 days, adjusted for factors specific to the debtor. The historical loss rates are then adjusted for current and forward-looking information based on the impact of macroeconomic factors on the Group's customers. The Group has identified the inflation rate and gross domestic product (2022 - unemployment rate and gross domestic product) as the key macroeconomic factors. These loss rates are applied to the outstanding receivable balances less security deposits and interest.

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

December 31, 2023

	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Current (not past due)	25,132	473	24,659
More than 30 days past due	5,628	332	5,296
More than 60 days past due	2,077	200	1,877
More than 90 days past due	1,558	150	1,408
More than 120 days past due	13,800	12,945	855
	48,195	14,100	34,095

December 31, 2022

	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Current (not past due)	26,499	476	26,023
More than 30 days past due	8,226	384	7,842
More than 60 days past due	3,560	270	3,290
More than 90 days past due	2,665	316	2,349
More than 120 days past due	19,048	13,736	5,312
	59,998	15,182	44,816

(Expressed in thousands of Eastern Caribbean Dollars)

37. Financial Instruments (Cont'd)

Liquidity risk

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

December 31, 2023

	Notes	Carrying amounts $'000	Total contractual cash flows $'000	Contractual cash flow Under 1 year $'000	1-2 years $'000	2-5 years $'000	>5 years $'000
Non-derivative financial liabilities							
Lease liabilities	19	5,258	6,084	1,056	939	2,044	2,045
Borrowings	20	70,183	83,192	22,117	15,460	16,007	29,608
Trade and other payables	26	60,797	60,797	60,797	-	-	-
		136,238	150,073	83,970	16,399	18,051	31,653

December 31, 2022

	Notes	Carrying amounts $'000	Total contractual cash flows $'000	Contractual cash flow Under 1 year $'000	1-2 years $'000	2-5 years $'000	>5 years $'000
Non-derivative financial liabilities							
Lease liabilities	19	2,290	2,600	859	704	819	218
Borrowings	20	74,716	84,118	22,389	19,628	23,988	18,113
Trade and other payables	26	59,883	59,883	59,883	-	-	-
		136,889	146,601	83,131	20,332	24,807	18,331

The Group also has liabilities totaling $22,162 (2022 - $21,269) relating to consumer deposits (Note 21) 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.

(Expressed in thousands of Eastern Caribbean Dollars)

37. Financial Instruments (Cont'd)

Fair values

Fair values versus carrying amounts

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

	Notes	Carrying amounts as at December 31, 2023 $'000	Fair values as at December 31, 2023 $'000	Carrying amounts as at December 31, 2022 $'000	Fair values as at December 31, 2022 $'000
Trade and other receivables	11	76,608	76,608	79,207	79,207
Other financial assets	12	60,850	60,850	49,748	49,748
Derivative financial asset	13	-	-	30	30
Cash and cash equivalents	14	22,304	22,304	37,808	37,808
Derivative financial liability	13	(1,325)	(1,325)	(1,270)	(1,270)
Borrowings	5 & 20	(70,183)	(60,341)	(74,716)	(66,846)
Trade and other payables	26	(60,797)	(60,797)	(59,883)	(59,883)
		27,457	37,299	30,924	38,794

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

Interest rates used for determining fair values

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

The Group also has liabilities totaling $22,162 (2022 - $21,269) relating to consumer deposits (Note 21) that are refundable upon the cessation of the supply of services. It is not practicable to determine the fair values of these liabilities.

(Expressed in thousands of Eastern Caribbean Dollars)

37. Financial Instruments (Cont'd)

Equity price risk

An average pricing volatility of 4.90% (2022 – 6.34%) was observed for the Group's investments in equity instruments. This volatility figure is considered to be a reasonable basis for estimating how profit or loss could have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these equity instruments increased or decreased by that amount, profit before taxation could have changed by $493 (2022 - $563).

38. Commitments

Capital commitments

The Group had capital commitments at December 31, 2023 of $4,344 (2022 - $2,387).

Operating lease commitments

(i) Pole rental

The Group expects to earn annual income from pole rentals of $951 (2022 - $1,039) for the foreseeable future.

39. Contingent Liabilities

Claims

The Group has been named a defendant to a number of claims as at December 31, 2023 as follows:

1. Claims from unrelated third parties estimated at $47. No provision has been made.
2. Claim from the former Members of Eastern Caribbean Utilities Pension Scheme (Present and former employees of the Group) for which a value has not been disclosed.

   The employees who are former members of the defunct Eastern Caribbean Utilities Pension Scheme (ECUPS) are seeking future pension benefits on the basis of the ECUPS formula which they allege they are entitled to, based on their employment contract. The Group has denied this claim. A provision has been recorded based on the offer made by the Group.

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 its defenses to all these various claims are meritorious.

Income tax

From the date of incorporation, subsidiary company, LUCELEC Cap-Ins. Inc., has treated all its income as tax exempt given the purpose of the self-insurance fund. Having recognised that the existing tax exemption only provides for income received in the form of contributions from St. Lucia Electricity Services Limited, the Group is seeking an amendment to the Income Tax Act to legitimise the treatment of all other income. Should the Group be unsuccessful in securing this amendment, the Group's current tax liability including penalties and interest could increase by $2,007 (2022 - $1,472) and deferred tax liability could decrease by $404 (2022 - $923).

(Expressed in thousands of Eastern Caribbean Dollars)

40. Subsidiary Companies

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

41. Comparatives

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

Financial Statistics

	2023	2022	2021	2020	2019	2018	Restated 2017	2016	Restated 2015	2014	Restated 2013
Units Sold (kWh x 1000)	386,977	373,663	352,874	336,473	368,938	361,623	359,653	348,229	337,540	331,939	334,479
Tariff Sales (Cents per kWh)	98.8	81.9	77.1	83.3	84.8	76.8	74.9	91.6	97.7	98.7	98.3
Fuel Charge (Cents per kWh)	0.0	23.6	5.3	(6.8)	(1.0)	8.4	2.7	(17.0)	(6.1)	(1.1)	0.4
Operating costs (Cents per kWh)	85.1	88.7	66.2	61.4	70.3	71.0	63.9	59.4	77.4	84.1	85.2
Summarised Balance Sheet (EC$000's)											
Fixed and Intangible Assets (Net)	366,415	373,007	367,278	374,918	335,593	342,611	327,219	332,804	338,838	334,388	336,395
Right-of-use Assets	5,117	2,213	2,217	1,723	1,738	-	-	-	-	-	-
Retirement Benefit Asset	-	-	-	-	-	-	-	-	-	4,765	2,448
Other Financial Assets	-	-	-	-	-	-	-	-	172	171	170
Capital Work in Progress	56,414	37,470	37,770	33,861	28,481	16,702	33,574	15,151	15,736	17,594	21,080
Current Assets	189,439	187,248	153,751	151,414	158,479	135,732	134,289	131,547	135,680	161,683	130,558
Current Liabilities	(84,848)	(87,225)	(58,221)	(58,964)	(66,235)	(58,491)	(68,999)	(46,011)	(50,084)	(84,853)	(55,418)
Total	532,537	512,713	502,795	502,952	458,056	436,554	426,083	433,491	440,342	433,748	435,233
Share Capital	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163
Retained Earnings	221,347	209,765	193,679	179,963	169,120	161,609	159,185	150,518	135,374	130,137	123,614
Other Reserves	110,529	106,399	109,149	106,232	57,137	50,447	49,654	45,516	43,555	29,460	23,604
Long Term Debt	54,909	55,505	60,323	78,380	95,951	89,924	82,202	100,181	121,713	137,726	153,072
Other Long Term Liabilities	65,589	60,881	59,481	58,214	55,685	54,411	54,879	57,113	59,537	56,262	56,780
Total	532,537	512,713	502,795	502,952	458,056	436,554	426,083	433,491	440,342	433,748	437,233
Summarised Income Statement (EC$000's)											
Operating Revenues											
Electricity	382,493	306,073	272,152	280,290	312,842	277,614	269,308	319,001	329,767	327,570	328,735
Fuel Surcharge	-	88,366	18,758	(22,941)	(3,656)	30,266	9,673	(59,115)	(20,618)	(3,671)	1,172
Other	4,479	4,173	3,873	2,825	3,254	2,795	4,084	1,984	2,624	3,662	3,207
Total	386,972	398,611	294,783	260,174	312,440	310,675	283,065	261,870	311,773	327,561	333,114

Financial Statistics (cont.)

						Restated		Restated		Restated
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Operating Costs											
Fuel	221,411	236,872	141,407	117,806	155,873	156,065	127,594	114,854	172,061	190,235	195,798
Generation	16,095	14,421	11,417	10,767	14,809	12,566	12,437	9,989	10,943	9,948	10,708
Transmission & Distribution	29,464	25,490	23,462	20,252	21,860	20,368	21,835	18,180	15,379	15,418	16,530
Administrative & Selling	34,948	28,684	32,248	31,207	30,776	30,225	31,625	28,441	28,654	30,509	29,426
Depreciation & Amortisation	27,249	26,075	24,986	26,557	36,129	37,526	36,206	35,389	34,301	33,150	32,656
Total	329,167	331,542	233,520	206,589	259,447	256,750	229,697	206,853	261,338	279,260	285,118
Operating Income	57,805	67,069	61,263	53,585	52,993	53,925	53,368	55,017	50,435	48,301	47,996
Interest Expense (Net)	(1,970)	(2,953)	(3,822)	(4,404)	(4,650)	(4,514)	(5,278)	(7,626)	(10,789)	(11,368)	(13,163)
Other Gains/(Losses)	1,941	(6,126)	(406)	1,190	3,375	(1,783)	67	45	307	67	66
Net Income before Tax	57,776	57,990	57,035	50,371	51,718	47,628	48,157	47,436	39,953	37,000	34,899
Taxation	(16,179)	(18,389)	(16,493)	(13,786)	(13,730)	(12,662)	(13,471)	(13,468)	(11,044)	(10,192)	(9,584)
Net Income after Tax	41,597	39,601	40,542	36,585	37,988	34,966	34,686	33,968	28,909	26,808	25,315
Other Comprehensive Income/(Loss)	29	(589)	(285)	(743)	(439)	(5,169)	385	1,567	(6,719)	1,615	(872)
Dividends Declared	(25,900)	(25,900)	(23,608)	(20,399)	(23,377)	(21,774)	(23,149)	(17,878)	(17,190)	(16,044)	(8,022)
Retained Earnings for Year	15,726	13,112	16,649	15,443	14,172	8,023	11,922	17,657	5,000	12,379	16,421
Retained Earnings-Beginning of Year	209,765	193,679	179,963	169,119	161,609	159,185	150,518	135,374	130,137	123,614	109,375
Transfer (to)/from Reserves	(4,144)	2,974	(2,933)	(4,599)	(6,662)	(800)	(3,255)	(2,513)	197	(5,856)	(2,182)
Prior Year Adjustment		-	-	-	-	(4,799)	-	-	40	-	-
Retained Earnings-End of Year	221,347	209,765	193,679	179,963	169,119	161,609	159,185	150,518	135,374	130,137	123,614
Rate of Return	13.93%	15.80%	14.63%	13.30%	12.81%	14.93%	13.41%	13.56%	11.64%	10.02%	13.42%
Earnings per share (EC$)	1.81	1.73	1.77	1.60	1.66	1.53	1.51	1.48	1.26	1.17	1.10
Dividend per share (EC$)	1.13	1.13	1.03	0.89	1.02	0.95	1.01	0.78	0.75	0.70	0.35
Debt/Equity Ratio	15/85	16/84	17/83	21/79	27/73	26/74	26/74	30/70	35/65	39/61	43/57
Capital Expenditure (EC$000's)	38,739	32,159	20,712	26,240	40,348	36,070	49,044	28,771	21,545	27,658	28,211

Operating Statistics

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Generating Plant (kW)											
Available Capacity	88,400	88,400	88,400	88,400	88,400	88,400	88,400	88,400	88,400	88,400	88,400
Firm Capacity	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000
Peak Demand	65,940	61,880	60,920	59,000	62,550	60,600	61,700	60,300	59,000	58,900	59,700
Percentage growth in peak demand	6.6%	1.6%	3.3%	-5.7%	3.2%	-1.8%	2.3%	2.2%	0.2%	-1.3%	-0.2%
Sales (kWh x 1000)											
Domestic	139,616	134,950	137,541	136,525	130,156	126,916	127,732	123,839	116,133	111,922	112,743
Commercial (including Hotels)	216,947	208,182	186,399	171,887	210,114	206,320	202,770	194,966	192,442	191,294	193,199
Industrial	20,813	20,498	18,743	17,764	18,326	17,494	18,256	18,519	17,999	17,673	17,624
Street Lighting	9,601	10,034	10,190	10,297	10,342	10,893	10,896	10,905	10,966	11,050	10,913
Total Sales	386,977	373,663	352,874	336,473	368,938	361,623	359,654	348,229	337,540	331,939	334,479
Power Station and Office Use (kWh x 1000)	12,337	12,256	12,846	13,059	12,325	12,288	13,196	13,770	13,715	13,918	14,706
Losses (kWh x 1000)	24,181	23,486	24,498	22,067	26,658	25,317	27,450	29,432	30,013	33,574	33,791
Units Generated/Purchased (kWh x 1000)	423,495	409,405	390,218	371,599	407,921	399,228	400,300	391,431	381,268	379,431	382,976
Percentage growth in units generated	3.4%	4.9%	5.0%	-8.9%	2.2%	-0.3%	2.3%	2.7%	0.5%	-0.9%	-0.5%
Percentage growth in sales	3.6%	5.9%	4.9%	-8.8%	2.0%	0.5%	3.3%	3.2%	1.7%	-0.8%	0.3%
Percentage Losses (excl. prior year sales adjs.)	5.7%	5.7%	6.3%	5.9%	6.5%	6.3%	6.9%	7.5%	7.9%	8.8%	8.8%
Number of Consumers at Year End											
Domestic	64,689	63,849	63,222	61,850	60,968	60,726	59,620	58,867	59,766	59,790	58,648
Commercial (Including Hotels)	7,539	7,525	7,412	7,282	7,267	6,465	7,052	6,994	7,128	7,193	7,096
Industrial	85	88	88	87	90	91	93	94	98	98	98
Street Lighting (accounts)	22	22	22	21	21	19	19	19	19	19	20
	72,335	71,484	70,744	69,240	68,346	67,301	66,784	65,974	67,011	67,100	65,862
Percentage growth	1.2%	1.0%	2.2%	1.3%	1.6%	0.8%	1.2%	-1.5%	-0.1%	1.9%	6.5%
Average Annual Consumption											
Per Customer (kWh)											
Domestic	2,158	2,114	2,176	2,207	2,135	2,090	2,142	2,104	1,943	1,872	1,922
Commercial (including Hotels)	28,777	27,665	25,148	23,604	28,913	31,913	28,754	27,876	26,998	26,594	27,226
Industrial	244,859	232,933	212,989	204,184	203,622	192,242	196,301	197,011	183,663	180,337	179,837
Diesel fuel consumed (Imp. Gall.)	21,122,702	20,750,985	19,575,946	18,574,877	20,618,895	20,251,915	20,491,272	19,938,352	19,612,984	19,402,934	19,448,764

Notes

LUCELEC

ST. LUCIA ELECTRICITY SERVICES LIMITED

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