Reliability in Disruption

LUCELEC

ST. LUCIA ELECTRICITY SERVICES LIMITED

The Power of Caring

2020 Annual Report

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Theme Statement

Reliability in Disruption

COVID-19 disrupted the world! Saint Lucia and LUCELEC too. From a national lockdown and curfews, to remote working, remote schooling, social distancing, wearing masks and other personal protective equipment, frequent hand washing and sanitizing, to various other innovative operational adjustments.

Despite the significant challenges and resulting changes to the way we worked, LUCELEC delivered one of the best reliability performances on record!

We did it with a single-minded focus on our core purpose – to deliver a safe, **reliable** and cost-effective power supply to the country. We understood that, whatever happened, we had a responsibility to keep the lights on. The country needed us to be at our usual best. And we were – **reliable** and dependable, providing confidence in uncertainty.

We supported our communities too, through the disruptions to their lives and livelihoods. We disconnected no one for arrears. We supported the state with some of the operating costs for the quarantine centres and the purchase of equipment to significantly enhance PCR testing capacity. We contributed to national feeding programmes and supplied digital devices for students to participate in online classes. And very importantly, we encouraged our team to observe and practice the COVID-19 safety protocols to minimise risk of infection and transmission.

Being a **reliable** partner in development is not new to LUCELEC. Neither is doing so in disruption. It is who we are and how we serve. It's in our DNA.

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.

Registered Office

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

Attorneys-At-Law

McNamara & Company
20 Micoud Street
Castries, Saint Lucia

Auditor

BDO Saint Lucia
Mercury Court, Choc
Castries, Saint Lucia

Bankers

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

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

LUCELEC 2020 Vital Statistics

249
Number of Employees

336.5M
Unit Sales (kWh)

EC$ 260.2M
Annual Revenues

69,240
No. of Customers

59
Maximum Demand (MW)

88.4
Available Generation (MW)

3
Solar (MW)

50
Frequency (Hz)

66
Transmission Voltage (kV)

11
Distribution Voltage (kV)

240
Customer Supply Voltage (V) Single Phase

415
Customer Supply Voltage (V) 3 Phase

LUCELEC 2020 Corporate Performance[1]

Indices	Measure of Success	Target	Performance
Improve Financial Performance	Profit After Tax/Net Income	$32.04M	**$31.99M**
	Improved Working Capital	Current Ratio of 2.0	**1.88**
Increase customer value and stakeholder satisfaction	Fuel Efficiency	4.28 kWh/litre	**4.29 kWh/litre**
	SAIDI (System Average Interruption Duration Index)	7.53 hours	**6.31 hours**
	SAIFI (System Average Interruption Frequency Index)	6.80	**5.83**
	Stakeholder (Customer) Satisfaction Score	Stakeholder satisfaction with various value items –87.0%	**87.8%**
Cost Management -Efficient & Aligned Core & Supporting Processes	MWh Sold/FTE	1,249.26	**1,351.30**
	Total Operating Cost/ kWh Sold	$0.286	**$0.272**
	System Losses	6.5%	**5.94%**
Proactive Risk Management Process	All Injury/Illness Frequency Rate	0.34	**0**
Strategic Human Resources Management - Demonstrate Effective Leadership & Management	Employee Engagement Levels (Implementation)	Implement 95% of Employee Engagement Plan by End of Year	**90%**
	Employee Engagement Levels (Survey)	Achieve 78% on results of survey to assess Employee Engagement Levels	**81%**

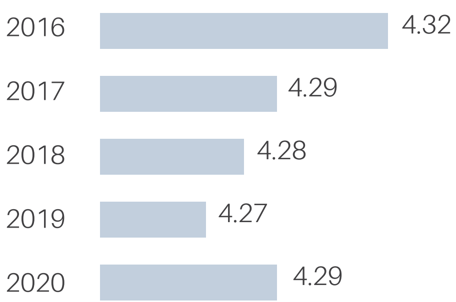
[1]Note the results here are for St. Lucia Electricity Services Limited (LUCELEC) only; not for the Group.

LUCELEC 2021 Corporate Targets

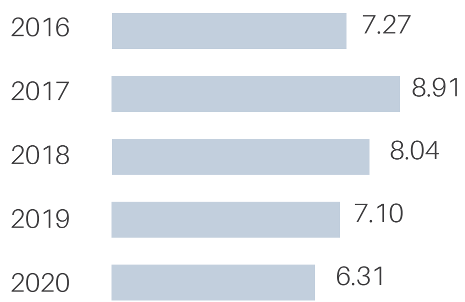
Indices	Measure of Success	Target
Improve Financial Performance	Profit After Tax/Net Income	$26.34M
	Improved Working Capital	Current Ratio of 1.60
Increase customer value and stakeholder satisfaction	Fuel Efficiency	4.3 kWh/litre
	SAIDI (System Average Interruption Duration Index)	6.9 hours
	SAIFI (System Average Interruption Frequency Index)	6.24
	Stakeholder (Customer) Satisfaction Score	87%
Cost Management -Efficient & Aligned Core & Supporting Processes	MWh Sold/FTE	1,222.32
	Total Operating Cost/kWh Sold	$0.295
	System Losses	6.06%
Proactive Risk Management Process	All Injury/Illness Frequency Rate	0.34
Strategic Human Resources Management - Demonstrate Effective Leadership & Management	Employee Engagement Levels (Implementation)	Implement 90% of Employee Engagement Plan by End of Year
	Employee Engagement Levels(Survey)	Achieve 80% on results of survey to assess Employee Engagement Levels

5 Year Operational and Financial Performance at a Glance

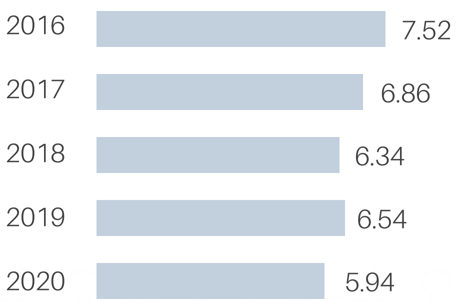
Fuel Efficiency
(kWhs/Litre)



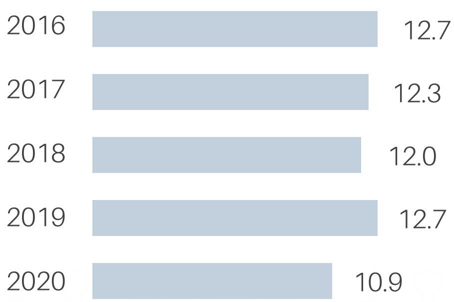
SAIDI
(Hrs) Lower is better



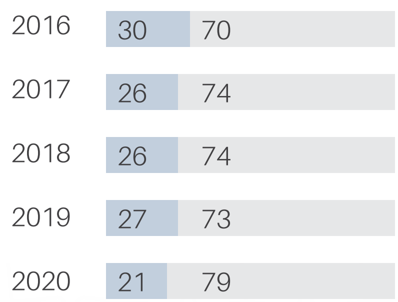
System Losses
(%) Lower is better



Return on Equity
(%)

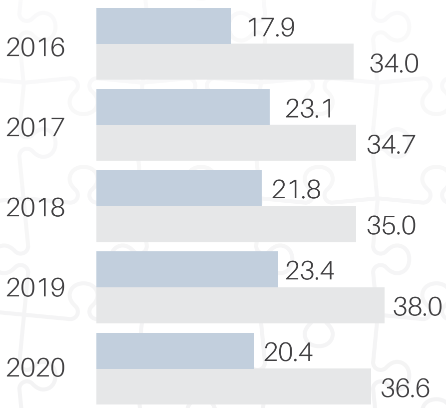


Debt/Equity Ratios
(%) Debt Equity

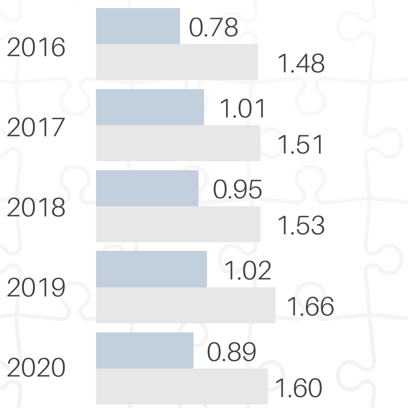


An adjustment relating to sales for the years 2015-2019 was made in 2019. As a result, the system losses reported for the year is impacted by that one-off adjustment. Without this adjustment the system losses would have been 6.4%

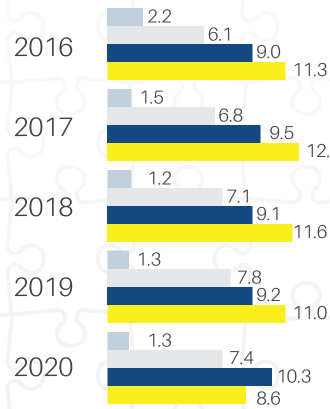
Dividends/Profit after Tax
(EC$Millions) Dividends PAT



Earnings & Dividends Per Share
(EC$) DPS EPS

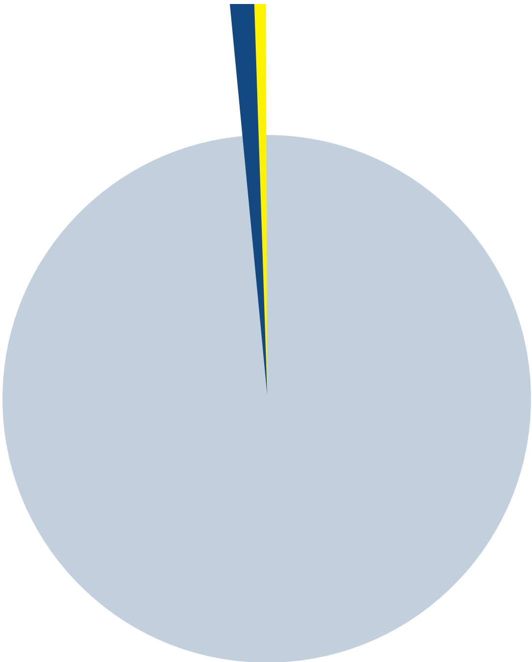


Cost Per Unit
(EC Cents) Finance Generation Admin T&D



2020 Financial Highlights

(with 2019 comparisons)



Where the LUCELEC Dollar Came From	2020	2019
	%	%
Sale of Electricity	98.3	92.7
Borrowings	0.0	6.3
Consumer contributions and deposits	0.9	0.4
Investment income	0.2	0.2
Sundry income	0.6	0.4
	100.0	100.0

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

How the LUCELEC Dollar was spent	2020	2019
	%	%
Payroll costs	12.5	11.9
Fuel and lubricants	41.9	48.2
Purchase of fixed assets	9.8	12.1
Debt servicing	6.2	5.5
Dividends	7.6	7.6
Payments to Government	7.2	4.0
Operations	14.8	10.7
	100.0	100.0

Payroll Costs
Fuel and Lubricants
Purchase of fixed assets
Debts Servicing
Dividends
Payments to Government
Operations

Chairman's Message

It is not often that in the energy and electricity industries anything overshadows oil. The COVID-19 pandemic did just that in 2020. It dramatically changed the world. Perhaps forever. Its profound impact on our lives, the global economy, travel, and business operations will continue to be felt well into the future. It is with this in mind, we consider the Company's performance for 2020 and the outlook for 2021.

Industry Overview - International

In the global electric utility industry, electricity demand and prices declined as a result of the economic slowdown brought on by COVID-19. Renewables' percentage of the energy mix continued to grow at the expense of conventional generation. Prices for renewable energy and battery storage technologies continued to decline.

Globally crude oil prices declined dramatically in April 2020 when most of the world ground to a halt. Prices rebounded by the end of 2020 but were generally lower than 2019.

Grid resilience, improving disaster response, developing smarter grids, and integrating renewable and distributed energy resources into the grid continued to be major imperatives for 2020, even through the pandemic. If anything, the pandemic provided greater impetus for clean energy, distributed generation and electric vehicles (EVs) and helped to crystallize the urgency of the power and utilities industry transition and the convergence it entails[2].

The lessons from the pandemic and the ever-increasing threat from extreme weather events are likely to drive utilities increasingly towards digital solutions to facilitate a remote workforce and remote workplaces[3].

Industry Overview – Local

In Saint Lucia, the economic contraction brought about by COVID-19 is perhaps even more stark than what obtained globally. Tourism, the main economic driver, shut down when the country went into lock down at the end of March 2020 and had not recovered at the end of 2020.

The impact on the electricity sector and the Company was dramatic. The national lockdown, curfews and reduced economic activity in Saint Lucia saw monthly peak system demand (that is, electricity load on the system) drop by an average of 12.6% between April and December 2020. The Company's operations and capital expenditure programme were adjusted to focus only on what was absolutely necessary to manage risks, maintain a safe and reliable service, and preserve LUCELEC as a viable business entity.

The lower oil prices were reflected in lower electricity tariffs throughout 2020. The Company, like other businesses locally and globally, had to adapt and adjust its operations quickly.

Challenges

The first priority and major challenge for the Company was keeping the lights on, no matter what. Achieving that objective and the apparent ease with which it was done, is perhaps taken for granted. It belies the tremendous effort that went into transforming work processes to work safely, efficiently and effectively within the guidelines for social distancing and the wearing of masks and in many cases remotely; the strict sanitizing regimes and protocols for accessing the Cul De Sac power plant and critical control rooms to minimise the risk of infection; transportation of staff to and from their respective work locations as safely as possible and to avoid public transportation; the constant reminders about observing the COVID-19 protocols on and off work; and keeping staff on the frontlines motivated and in good mental, physical and emotional health.

Add to that the challenges of quickly reorienting the Company to remote working, managing cash flow in an environment where so many families were affected by job losses, while seeking to ensure the Company achieved the minimum allowable rate of return of 10% to prevent the legislative provisions for an automatic increase in the base tariff from being triggered, and the enormity of the task begins to be appreciated.

Company Performance

The Company's overall performance for 2020 is, therefore, admirable given the circumstances. Despite a decline of 8.8% in electricity sales, and a 16.7% reduction in total revenue, retained earnings for the Group increased from EC$169.1M to EC$180M, while Profit after Tax of $36.6M, was just 3.7% lower than the prior year.

LUCELEC achieved target or better on 9 of its 12 measures of success (all of its technical, customer and process measures) and achieved the threshold performance for the remaining 3. Significantly, the Company had one of its best reliability performances on record and did better than target on Customer Satisfaction. In fact, in evaluating COVID-19 mitigation strategies and actions LUCELEC took in response to the pandemic and how these compared with five other local entities including utility companies, banks and credit unions, LUCELEC emerged as the overall leader and the leader in each of the categories rated.

Outlook for 2021

2021 started with continued uncertainty regarding how COVID-19 will unfold, but it is likely that we are going to have to live with and operate in a COVID-19 environment for most of the year, and economic recovery will be slow. In light of this, the Company is likely to face lower growth in unit sales, increasing bad debt provision and increasing costs to maintain network reliability and, very importantly, the safety of staff and customers. Although there is the expectation of some measure of economic recovery as visitor arrivals are projected to increase towards the end of 2021, it may take a couple of years to return to pre-pandemic unit sales levels. Therefore, the following broad strategic objectives remain as priorities in 2021: achieve the minimum allowable rate of return of 10% to ensure an automatic increase in the base tariff is not triggered, manage cash flow, optimize operating costs and capital expenditure, manage risks, maintain a safe and reliable service, and preserve LUCELEC as a viable business entity.

Work on a new strategic plan looking towards 2035 was deferred in 2020. Development of this new strategic plan will, therefore, be a main focus for the first half of 2021, and it takes on new significance in light of the experiences with the pandemic.

The Company will also be seeking to move forward with some of its critical capital projects to continue modernizing towards a smarter and more resilient grid, adding renewable energy and battery storage, and transforming its overall operations. Details of these can be found later in this Annual Report. A major consideration for 2021 will be how the Company remains sensitive to the social and economic struggles of its customer base while seeking to reverse 2020's significant increase in receivables.

Conclusion

At the time of writing this, the disruption continues. As we seek to map the way forward for the Company with this new strategic plan, it is against the backdrop of the significant impact the pandemic has had on the ecosystem in which the Company operates and how our sustainability is intricately intertwined with the overall health of that ecosystem. That new strategic plan will, of necessity, have to consider how the Company proactively collaborates with the ecosystem to better manage and respond to such shocks to ensure our collective capacity to not just survive, but thrive.

I take the opportunity to express my appreciation for the support of the other Directors on the Board of St. Lucia Electricity Services Limited, the Directors of the subsidiaries (LUCELEC Cap Ins Inc., and Energyze Holdings Inc.), and the management and staff of LUCELEC for the effort they continue to put in every year to ensure we have decent results to report on, and especially for 2020, which was disruptive in so many ways. We continue to demonstrate our resilience and willingness to step up when our country needs us to.

John Joseph
Chairman

[2]2021 Power and Utilities Industry Outlook – Deloitte, https://www2.deloitte.com/us/en/pages/energy-and-resources/articles/power-and-utilities-industry-outlook.html
[3]ibid

2020 LUCELEC Results

3
Solar (MW)

142
Distributed Generation (# of systems)

1.23
Distributed Generation (MW)

87.8%
Customer Satisfaction Index

81%
Employee Engagement Index

4.29
Fuel Efficiency (kWh/litre)

1,351.30
MWh Sold/ FTE

0
All Injury Frequency Rate (AIFR)

6.31
SAIDI (Hours)

5.83
SAIFI

5.94%
System Losses

EC$ 0.272
Total Operating Cost/ kWh Sold

78
Miles of Transmission (66 kV) Lines

2,676
Miles of Distribution (11kV) Lines

59
Maximum Demand (MW)

Board of Directors

John Joseph
Acc. Dir. - Chairman

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

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

Trevor M. Louisy
Acc. Dir. - Managing Dir.

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

Charles Serieux
Acc. Dir.

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

Nicholas John
Director

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

Leslie Prosper
Director

Dr Frederick Isaac
Director

Frank V. Myers
Acc. Dir.

Roger Blackman
Acc. Dir.

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

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

Frank Myers was appointed to the Board of Directors of St. Lucia Electricity Services by the National Insurance Corporation (NIC) with effect from January 1, 2018. He is the Deputy Chairman of the NIC and Chairman of the NIC's Group Audit Committee. Mr Myers holds a BSc (Hons) in Mathematics and Statistics from Edinburgh University in Scotland. He is a Chartered Accountant (Fellow of the Association of Chartered Certified Accountants (FCCA)) by profession also a member of the Institute of Chartered Accountants of the Eastern Caribbean. He was in public practice with a global accounting firm for over 30 years and currently runs his own consulting firm, Frank Myers Consulting. Mr Myers is a Member of the Board's Audit and Governance Committees.

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 Audit Committees.

Sharon Christopher
Acc. Dir.

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

Lindi Ballah-Tull
Director

Lindi Ballah-Tull was appointed to the Board of Directors of St. Lucia Electricity Services Limited by First Citizens Bank Limited on May 12, 2019. She is currently the Group Corporate Secretary/Head - Legal, Compliance and Governance of the First Citizens Group. She has 29 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 and the Corporate Governance Institute of Trinidad and Tobago. She is a member of the Board's Human Resources and Governance Committees.

Carole Eleuthere-Jn Marie
Acc. Dir.

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

Directors' Report

The Directors present their report for the year ended December 31, 2020.

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 55th Annual Shareholders Meeting were:

Non-Executive Directors

- Mr John Joseph
- Dr Frederick Isaac
- Mr Frank V. Myers
- Ms Sharon Christopher
- Mr Roger Blackman
- Mr Leslie Prospere
- Mr Nicholas John
- Mr Charles Serieux
- Ms Lindi Ballah-Tull
- Mrs Carole Eleuthere-Jn Marie

Executive Director

- Mr Trevor M. Louisy

Financial Results

The Company sold 336.5 million kWh of electricity, an 8.8% decrease from the previous year attributable to decreased sales to the Hotel, Industrial, Commercial and Street Lighting sectors but partially offset by an increase in the Domestic sector sales. Total revenues were EC$260.2 million, a 16.7% decrease compared to the previous year due to the reduction in unit sales and tariffs.

Net profit for the year for the Group was EC$36.6 million a decrease of 3.7% compared to the previous year.

The Group achieved earnings per share of EC$1.60, a decrease of 3.6% compared to 2019 (EC$1.66). Assets acquired during the year amounted to EC$25.8 million, comprising mainly of upgrades to the transmission and distribution network, station improvements, engine overhauls and information technology system upgrades.

Dividend

The Board of Directors declared a total dividend of EC$0.95 per ordinary share for 2019. The Company paid an interim dividend in December 2020 of EC$0.39 per ordinary share.

In 2021, the Board of Directors will make a recommendation to the shareholders on the total dividend for the 2020 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.

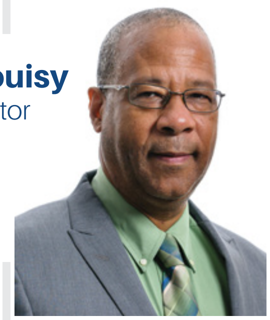
Events Subsequent to Balance Sheet Date

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, 2020 that have significant effect or may significantly affect the operations of the Company in subsequent financial years, the results of those operations, or the state of affairs of the Company in future years.

By order of the Board of Directors

Gillian S. French
Company Secretary

Management Team



Trevor M. Louisy
Managing Director

BSc (Electrical Engineering), Acc. Dir.

Victor Emmanuel
Business Development Manager

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

Goodwin d'Auvergne
Chief Engineer

MBA (Finance), BSc (Electrical Engineering)

(retired July 1, 2020 and served on contract from Aug. 3, 2020 to Nov. 2, 2020)

Gilroy Pultie
Chief Engineer

MBA (Finance), BSc (Electrical & Computer Engineering)

(appointed Successor Chief Engineer Sep. 15, 2020 to Nov. 2, 2020 and appointed Chief Engineer on Nov. 3, 2020)

Ian Peter
Chief Financial Officer

BSc (Management Studies), FCCA

Sharon Narcisse
Senior Human Resource Manager

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

Francis Daniel
Manager Strategy Dev. and Implementation

MPM (Project Management), BSc (Electrical Engineering)

Jevon Nathaniel
Generation Engineer

MSc (Computer Science), BSc (Electrical Engineering)

Gary Eugene
Transmission & Distribution Mgr. (Ag)

MEng (Electronics Engineering), Registered Professional Engineer

Wynn Alexander
Information Systems Manager

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

Jennifa Flood-George
Customer Service Manager

BSc (Management Studies/ Psychology)

Roger Joseph
Corporate Comm. Manager

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

Gillian French
General Counsel/ Company Secretary

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

Bridget Ziva Phillips
Finance and Accounts Manager

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

Callixta Branford
Internal Audit Manager

CPA, CGA, CIA

Cornelius Edmund
Planning Manager

MSc (Elec. Eng. - Systems and Networks); Fellow of the Assoc. of Pro. Engineers of Saint Lucia, Reg. Pro. Engineer, Saint Lucia

(retired Jul. 1, 2020 and was appointed on contract from Aug. 3, 2020 to Aug. 2, 2021)

Maxine Leon
System Control Engineer (Ag)

BSc Electrical & Computer Engineering

Operations Review

2020 was a period of major disruption to the status quo in most organisations globally. It was a time to reposition the corporate compass and adapt, with urgency, to unprecedented changes in the business environment.

For LUCELEC, the year began with a programme of activities aimed at wrapping up the 2020 strategic business plan and starting work on a new plan to span the period 2021 to 2035. However, this was dramatically interrupted in March when the COVID-19 pandemic became a reality for Saint Lucia.

The national lock down brought commercial and other activities to a halt. The hotel sector was hardest hit with virtually every hotel shutting down over a two-day period. The direct impact on the Company was average peak demand slumped immediately from 58.4 megawatts (MW) in March 2020 to 35.3MW in early April 2020.

With the uncertainty regarding the severity and duration of the pandemic, the immediate contraction of the global and local economy, and the reduction in electricity sales, the Company revisited its 2020 capital and operating work programmes to focus only on what was absolutely necessary to manage risks, ensure safe operations and reliable service, and preserve LUCELEC as a viable business. Several strategic initiatives and projects including the new strategic plan were deferred.

The Company's well-established practice of planning ahead saw a COVID-19 Task Force established early in the year, well before the global pandemic was formally announced by the World Health Organisation (WHO), to manage the Company's response and ensure business continuity. By the time the national lockdown was announced, the Company had already initiated remote working and equipped staff for this, and restricted access to the Cul De Sac facility to only critical operations staff.

In the ensuring months, the COVID-19 Task Force developed various internal protocols, reviewed work processes and adjusted work spaces to ensure that the Company's operations could continue safely and effectively within the requirements for social distancing and other protocols for minimising the spread of the virus. At the end of the year, save for a couple of isolated COVID-19 infections among the staff, the Company avoided a COVID-19 outbreak in its operations.

Corporate Performance

Despite the significant challenges of operating in a COVID-19 environment, and the associated adjustments to operations, as of December 31, 2020 the Company exceeded target on nine (9) measures of success and achieved threshold on the other three (3). The Company performed better than target for Customer Satisfaction, System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) (both measures of reliability), Fuel Efficiency and MWh Sold/FTE (its measures of efficiency and productivity), System Losses and Total Operating Cost/kWh Sold (its measures for cost management), All Injury/Illness Frequency Rate (AIFR) (safety) and Employee Engagement Levels.

The Company achieved threshold performance for Profit After Tax, Working Capital Ratio and the Implementation of the Employee Engagement Plan.

The overall performance score at the end of 2020 was 117.87%.

Strategy Management

In light of the immediate impact of the pandemic, the Company set aside its 2020 strategic plan and developed a COVID-19 Short to Medium Term Action Plan using a scenario planning approach.

The plan outlined four potential scenarios for how the pandemic and its impact on the local economy were likely to unfold, identified data to be tracked and triggers that would suggest which scenario was emerging, and actions the Company should take in response. The plan was updated regularly to provide the Company with relevant information for decision making.

The Company adjusted its schedule for developing a new strategic business plan to begin in January 2021 to span the period 2022 to 2035. This revision allowed for adjustments to work programmes resulting from COVID-19.

Update on Strategic Initiatives

The Company's Strategic Business Plan looking towards 2020 identifies seven key strategic themes as the highest priorities for focused action by the Company. These are: System Improvement and Enhancements (includes renewable energy), Developing a Culture of Customer Care, Corporate Diversification, Implementation of the Human Resource Strategic Plan, Cost Optimisation and Management, Development of an Enterprise-wide Risk Management System (includes regulatory reform), and Environmental Stewardship. The Company's efforts in these areas are led by various cross functional teams who engage additional expertise as required.

For 2020, much of the work associated with these was deferred as a result of a combination of cost management imperatives and the unavailability of resources due to travel restrictions. The updates on the various strategic initiatives are summarised below.

System Improvements and Enhancements (including renewable energy)

At the beginning of the year the Company was focused on rolling out project plans for the introduction of utility scale battery storage systems, finalising the designs for harnessing waste heat from the generation process for cooling the buildings, setting the groundwork for the emergence of a Smart Grid, and to continue efforts to develop a 12 MW wind farm and a 10 MW solar photovoltaic (PV) system with battery storage. By mid-February it became evident that the Company would need to scale back these projects because the rapid spread of the corona virus internationally was negatively affecting supply chains.

For the remainder of the year, with disruptions from lockdowns and curfews, the Company decided to concentrate on projects and initiatives that would be less impacted by supply chain uncertainties and would provide jobs for local contractors. Phase 1 of the 7.5MW/3 MWh utility grade Battery Storage System (BESS) entailed the laying of 8.34 km of underground cable between the Vieux Fort Substation and the La Tourney Solar Farm where the BESS will be located. Delays in receiving the cables and accessories, which were ordered in 2019, held back the start of the works. Nonetheless, by the end of the year the laying of the underground cable was 90% completed.

During the year LUCELEC's island wide fibre optic network went through testing but could not be commissioned due to various defects in the workmanship that needed correcting. The corrective work will be done in 2021 as the supply chain disruptions delayed the materials required for the job. This fibre optic network will provide significant improvement in information management and data acquisition in the company's operations. It will allow for the real time interactions with the increasing number of distributed energy resources on the grid.

In 2021, the next phase of the BESS will be implemented. The Company expects to commission that system in the first quarter of 2022 which will further reduce fuel usage in the generation of electricity.

The Company also expects to develop project plans for the replacement of the Castries Substation switchgear and issue an engineering, procurement, and construction (EPC) contract for the removal of the old, damaged switchgear and installation of the new switchgear, to improve the resilience of power supply to the city of Castries.

Customer Care

During 2020, between challenges in resolving air quality issues and COVID-19, the Company provided a limited walk-in service because the Sans Souci and Vieux Fort customer service offices remained closed for business. COVID-19, characterised by disruption and uncertainty for the Company and customers alike, tested the resilience and adaptability of the Company and staff. Notwithstanding its relatively small size, the Rodney Bay office quickly became the service hub

for customers island wide, but by reconfiguring and empowering work teams and introducing alternative and electronic options for customer transactions, the team was able to cushion the negative impact on service efficiency and quality.

In response to the strict national social distancing and hygiene protocols mandated from March 2020 to mitigate the risk of COVID-19 infection, the Customer Service team working with the Company's COVID-19 Task Force adapted its business continuity plan, revised business procedures and ensured their full implementation. In short order, the Company introduced remote working and electronic options that allowed customers to access general services via mobile phone, WhatsApp messaging, and a dedicated customer support email. This was supported by a wide-ranging customer information campaign to actively encourage customers to embrace the new methods. The Company also upgraded the online MyAccount customer interface to include direct online e-payment service in October 2020. Monthly customer subscriptions to MyAccount showed a steady and encouraging increase up to year end. These efforts positioned the Company to maintain acceptable service standards, even in the midst of an unprecedented crisis.

As a result, the Company exceeded its target performance by achieving 87.8% on the annual customer satisfaction survey conducted during the period September to October. Customers conveyed their high level of satisfaction with the mitigation strategies and other initiatives pursued by LUCELEC to ensure that service reliability, quality and efficiency were not significantly compromised during the COVID-19 pandemic. When compared with 5 other local entities including utility companies, banks and credit unions, LUCELEC emerged as the overall leader, with a mean score of 8.58 out of 10, and also the leader in all of the five categories - empathy, responsiveness to customer requests, reliability and displaying genuine interest in customers.

As part of the necessary cost control measures, the planned call management system was deferred. The project scope will be revisited in light of the heightened demand for online and remote service delivery options.

Major initiatives planned for 2021 and 2022 include the upgrade of the Cayenta Utilities Customer Information System which will provide enhanced functionality and compatibility with current and future software interfaces, and the enhancement of electronic and remote service options including a mobile app for payments and service requests processing.

Enterprise Risk Management

The Company uses an Enterprise Risk Management framework for identifying and managing risks to Company objectives. In addition to the Risk Framework, management also applies the PEMBOK guidelines for managing risks specific to project design and execution. In 2020, in addition to the routine maintenance of risk registers, the Company placed great focus on assessing risks to staff, customers and the business, in a COVID-19 environment. The COVID-19 Task Force was a critical part of the framework to manage business continuity and ensure a safe and reliable supply of electricity to our customers.

Energyze Holding Inc.
In 2020 there was no activity with the subsidiary company as all efforts were focused on LUCELEC's continued operations. The Company will be developing its new strategic business plan to 2035 with a view to identify business opportunities to be pursued. It is expected that the subsidiary will take the lead on these opportunities.

Human Resources (HR) Strategic Plan
The full impact of the COVID-19 pandemic on the Company's workforce is yet to be fully realised. Initially, 27% of the Company's staff had to transition overnight to full-time remote working, whilst 63% were scheduled to work on site on rotation. Of the remaining 10%, some worked remotely on rotation, while some could not do their work from home nor come into the work place to get it done. Despite the various challenges with the new work arrangements, the staff maintained a high level of productivity in achieving their respective work programmes.

In supporting the transition to remote work and virtual meetings, the Company introduced the virtual LUCELEC Manager Toolbox to provide supervisors and managers with practical and actionable tools and resources for managing remote workers. The Company also initiated a digital upskilling programme to provide employees with the new skills needed to perform their jobs in a virtual environment.

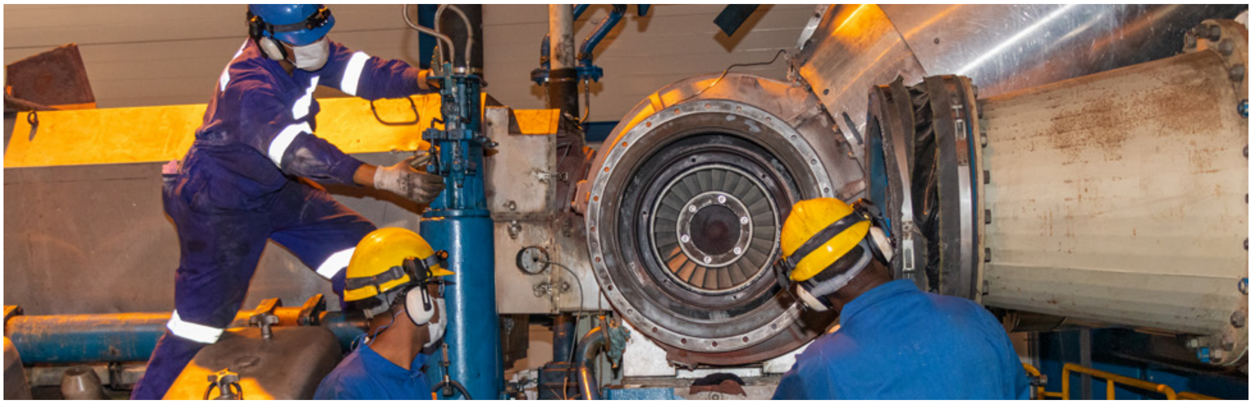
Recognizing the potential for COVID-19 to inflict much emotional stress, the HR Team provided employees with tips and strategies on how to cope with COVID-19 and introduced a personalized virtual engagement plan dubbed "ENerGAGE" which incorporated physical, educational and fun activities to provide a balance between work and employee wellbeing.

Despite the disruptive work arrangements, the Company used social platforms, including WhatsApp and a closed Facebook user group, to connect with employees. The success of these initiatives is evidenced by the Company attaining its highest Employee Engagement score to date of 81.2%.

With the impending retirement of some of our senior employees, the Company has enrolled a number of managers and senior staff in various levels of the Leadership Management International's leadership development programme. This programme of training continues in 2021 and will ensure that our internal talent pool is prepared to fill critical positions in the future.

Noting that COVID-19 will continue to be a disruptive force, in 2021 the Employee Engagement Plan will focus on addressing the gaps identified in the 2020 Employee Engagement Survey and employees will continue to be supported through initiatives that promote their emotional wellbeing.

Operational Performance
Not taking away anything from the Company as a whole, if any single division demonstrated reliability in disruption, it was the Technical Division. COVID-19 and a less-than-optimal network for most of 2020, did not prevent the Division from helping the Company deliver one of its best reliability performances on record. System reliability as



measured by SAIDI (6.31 hours) and SAIFI (5.83) exceeded the stretch targets (lower SAIDI and SAIFI figures are better). Fuel Efficiency of 4.29 kWh/litre was at the stretch target, as was System Losses at 5.94%.

Generation Department

Given the circumstances,the department's performance was outstanding. The impact of forced outages of engines on reliability was minimal and overall plant availability was 88.8%.

Planned maintenance, including overhauls of the plant engines and auxiliaries, is driven by the hours run and cannot be delayed without the risk of costly failures. As such, unlike other areas, the Generation Department did not have as much flexibility in when certain works were carried out and had to make changes very early to how the work got done, to minimize the risk posed by COVID-19 to the health and safety of staff and ensuring the lights remained on.

The department undertook normal planned maintenance on all engines and related auxiliary systems at the plant when they were due. Whilst the new work arrangements reduced the available work hours for staff, the 12.6% reduction in demand caused by COVID-19 resulted in engines taking longer to reach the hours for maintenance. Thus, there was less planned maintenance to be done, which helped.

The department was also able to complete some major capital works, including upgrading the turbochargers on two engines, G4 and G7, that had become obsolete and to enhance fuel efficiency. The team also completed a planned overhaul on G4, completed 90% of a planned overhaul of G10, and upgraded the Engine Control System (DCS) to improve the remote operations of the engines from the Control Room.

The Garage and Laboratory also functioned with minimal disruptions to their services in support of the Company's operations.

Three engine overhauls on G8, G9 and G3 are planned for 2021 to ensure the continued optimal operations of these engines.

Transmission and Distribution Department

Like other departments, the Transmission and Distribution Department (T&D) had to implement changes to how work was carried out and to defer planned maintenance and capital works, attempting to find a delicate balance between safety, business continuity and ensuring acceptable levels of customer service, reliability and power quality.

In addition to COVID-19, the department had to deal with some major network issues in 2020. These included a fault on a 66kV cable at the Cul De Sac substation (CDSSS), separate 11kV cable faults on two 11/66 kV transformers at CDSSS (IBT3 and IBT4) and restoring the northern 66 kV transmission ring following the damage to an underground cable at Carellie caused by a third party during the last quarter of 2019.

In an attempt to reduce risks of failure of the northern transmission ring, the department installed a temporary overhead line to restore the northern transmission ring. The team was also able to return the two 11/66 kV transformers at CDSSS to service. Unfortunately, the failed 66kV cable at CDSSS remains out of service. Efforts to procure the necessary materials and engage the services of an expert have been impacted by the COVID-19 travel restrictions. Two options are being explored to ensure that the redundancy and flexibility provided by the cable is reinstated at the soonest.

The department's work programmes across the board were well executed and despite the challenges faced, the T&D network was very reliable as the results for SAIDI show.

In 2021, the department in collaboration with the Planning department will begin the process of replacing substation equipment that has reached the end of their useful lives, including the 66kV gas insulated switchgear at the Castries Substation. The department also plans to replace the damaged underground 66 kV cable at Carellie. Efforts to further reduce system losses which started towards the end of 2020, by the installation of capacitors and leveraging Advanced Metering Infrastructure (AMI) data, will continue.

The department is also finalising efforts to dispose of decommissioned equipment including transformers and associated oil and to improve the construction standards used by telecommunications providers that share the Company's poles, in order to enhance safety and reliability.

System Control Department

Life in the System Control department for most of 2020 was characterized by restricted Control Room access, reduced system demand, adjustments to capital programmes, new work arrangements and social distancing as a result of COVID-19.

The system faults highlighted above left the transmission network in a less than optimal state and threatened the reliability of the supply to customers during the first half of 2020. Notwithstanding, these challenges and a total system shutdown in January, the Company realized one of its best reliability performances.

Limited planned maintenance work on the distribution system as part of efforts to reduce the risk of COVID-19, contributed to this performance.

As part of plans to upgrade the protection and control schemes for the entire network, 10 out of 19 outdated relays were replaced and two auto-reclosers were upgraded. In addition, two new auto-reclosers were installed at Reunion and York Hill to help improve reliability.

The COVID-19 changes in operations impacted the Geographic Information System (GIS) Section most. The section was forced to forgo the majority of its planned data verification and pole labelling work to focus on data capture required to reflect system changes completed by the Transmission & Distribution department during the period. Nevertheless, the GIS Section was able to complete a GIS server upgrade in order to provide quicker response times for GIS desktop editing and data retrieval using the in-house GIS web portal.

In 2021, seven new auto-reclosers are expected to be deployed to improve reliability and the outstanding upgrades and replacements of relays at five substations should be completed. The department will also continue to work diligently to complete all GIS application development, process re-engineering and training necessary to facilitate streamlining of processes and procedures, workforce management and update of GIS data across all operating departments.

Facilities & Construction Management Section
COVID-19 compounded the air quality challenges that the Company has been plagued with over the last few years resulting in our Vieux Fort and Sans Souci customer service offices being closed for the better part of 2020. There was increased demand on the team to clean and sanitize workspaces. The Company's acquisition of electrostatic sprayers, procured in the last quarter, significantly increased efficiency and reduced cost, as such services would normally have been outsourced.

The Company expects to work towards having Customer Services Offices in Vieux Fort and at Sans Souci ready for reopening by the end of April 2021.

Information Systems
The onset of the pandemic in March 2020, meant the Company's operations had to change quickly. This was achieved because of the investments in information technology that has become the backbone of the Company's operations over the years. The IS department led the transitions required for working in a new socially distanced environment by procuring the additional laptops and enhancing network capacity to support as many as over one hundred persons working remotely.

The department also facilitated the transition to electronic approvals of documents and electronic payment platforms both for outgoing payments to suppliers, vendors, contractors and customer claims and incoming payments from customers. This latter was achieved with the upgrade of the MyAccount platform to allow direct payments to LUCELEC via credit and debit cards. The Company's business processes were quickly adapted to accommodate these adjustments.

To facilitate efficient collaboration among employees who had become a newly dispersed workforce, the department quickly deployed the right tools, including remote access to the Company's PBX systems, new mobile numbers as well as WhatsApp as a new medium for communicating with customers, to allow employees to continue to be highly productive in the new work environment.

Underpinning all the changes is cyber security. COVID-19 with the rapid deployment of new electronic modes of working provided the perfect opportunity to malicious actors attempting to take advantage of the many novice users, employees and students who are now working from home and navigating new tools and new environments. The Company's commitment to security with several technical layers combined with ongoing staff security awareness training, left it well placed to manage this threat.

The Company is well underway to fully adapting to this new normal and customers can expect many more conveniences being added to the service offerings as the Company seeks to make more customer facing technologies available.

Industrial Relations

In 2020 the Company was unable to commence negotiations with the CSA and the NWU as planned due to the need to respond to varied work challenges as a result of the COVID-19 pandemic. Nonetheless, the Company was able to resolve some dated Union matters, including the meal interval for Trouble Call Operators, Shift Attendants, System Control Operators and Shift Operations Supervisors, and looks forward to progressing collective bargaining negotiations with both unions for outstanding trienniums in 2021.

Financial Operations Summary

EC$ 260.2M Total Revenues	EC$ 180.0M Retained Earnings	10.9% Return on Equity (ROE)
13.3% LUCELEC Return on Contributed Capital (Rate of Return)	EC$ 36.6M Profit after Tax (PAT)	EC$ 0.95 Total Dividend per Share declared for 2019
EC$ 0.39 Interim Dividend per Share declared for 2020	EC$ 25.8M Capital Expenditure	EC$ 1.60 Earnings per Share (EPS)
21:79 Debt to Equity Ratio	61 DSO (days)	CariBBB- (Adequate) Credit Rating (CariCRIS)

Financial Operations

As with many of the businesses operating in the country, 2020 was a challenging year for the Company. 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 a reduction in sales by 8.8% in 2020 compared to a 2.0% increase in 2019. Sales decreased in the Hotel (36.9%), Industrial (3.1%), Commercial (6.4%) and Street Lighting (0.4%) sectors, while there was an increase in sales in the Domestic sector (4.9%). This performance is largely due to the ongoing COVID-19 pandemic, with the hotel sector being the worst hit, given the effect that the pandemic has had on the tourism industry.

Total revenue of EC$260.2M was lower than 2019's EC$312.4M by EC$52.2M (16.7%) due to the reduction in unit sales and the electricity tariff. The overall average tariff decreased by 8.3% from EC$0.84 in 2019 to EC$0.77 in 2020, driven by lower fuel prices during the year compared to the previous year.

The average hedged fuel price per gallon for the year was EC$6.31, a decrease of 16.4% compared to the average hedged fuel price of EC$7.55 per gallon in 2019.

Generation costs of EC$25.0M (excluding fuel costs) were lower than the previous year's costs of EC$28.8M by EC$3.8M (13.2%) mainly as a result of the reduction in payroll costs of EC$2.4M, maintenance on the generation plant of EC$1.1M, building maintenance of EC$0.5M, despite an increase in depreciation of EC$0.2M.

Transmission and distribution costs of EC$29.1M decreased by EC$11.6M (28.5%) compared to the prior year's EC$40.7M due to decreases in depreciation of EC$10.0M, payroll costs of EC$2.8M and motor vehicle expenses of EC$0.2M despite an increase in T&D maintenance costs of EC$1.4M.

Administrative expenditure of EC$34.7M increased by EC$0.7M (2.1%) from the prior year's EC$34.0M. This was primarily due to increases in bad debts provision (EC$3.6M), depreciation and amortisation (EC$0.3M), insurance costs (EC$0.2M), stock losses (EC$0.4M) and repairs and maintenance costs (EC$0.1M). These increases were offset by reductions in payroll and other employee costs (EC$2.5M), debt collection costs (EC$0.4M), public relations and sponsorship costs (EC$0.3M), meter reading costs (EC$0.2M), security costs (EC$0.2M) and other costs of EC$0.3M.

Finance costs decreased by EC$0.4M (7.3%) from EC$5.5M in 2019 to EC$5.1M in 2020 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 in 2020 remained unchanged from 2019 (4.6%).

Profit

The Group achieved a Profit before Tax of EC$50.4M, which was lower than the previous year's result of EC$51.7M by 2.5%.

The Group's Profit after Tax of EC$36.6M decreased by 3.7% compared to the previous year's achievement of EC$38.0M.

Earnings per share for the year for the Group was EC$1.60 (2019 – EC$1.66), a decrease of 3.6% compared to the prior year.

The Group achieved a Return on Equity of 10.9% (2019 - 12.7%). The deterioration in this ratio is a result of the increase in the revaluation reserve ($44.5M). However, the Company achieved a Return on Contributed Capital (Rate of Return) of 13.30% as compared to 12.81% in 2019. The Rate of Return achieved is within the allowable range of 10% to 14.25% as stipulated by the existing legislation.

The Return on Property, Plant and Equipment and Intangible Assets for the Group was 9.0% (2019 - 10.4%) and Return on Total Assets was 6.5% (2019 - 7.2%). These ratios are impacted by the increase in the revaluation reserve ($44.5M).

Retained Earnings for the Group increased from EC$169.1M to EC$180.0M while the Debt to Equity ratio was 21:79 (2019 - 27:73).

Capital Expenditure

Total expenditure for the year amounted to EC$25.8M (2019 - EC$40.3M), which was primarily related to upgrades to the Transmission and Distribution network, station improvements, engine overhauls and Information Technology system upgrades.

Working Capital Management

The Company's Days Sales Outstanding (DSO) of 61 days, worsened from the prior year's 38 days, as total trade receivables increased from EC$36.0M at the end of 2019 to EC$48.1M at the end of 2020. The deterioration of this indicator is a direct result of the ongoing pandemic and the impact on the economy, job losses and reductions in family incomes. The Company experienced an increase in the DSO in all sectors, the hotel sector exhibiting the most significant increase despite the reduction in revenue from this sector.

Capital Financing

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

Credit Rating

A credit rating exercise was conducted by CariCRIS, the Caribbean credit rating agency at the end of 2020. The Company achieved a credit rating of CariBBB- (Adequate).

Risk Management

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

Fuel Hedging

During the year, the Company utilised Fixed Price Swaps to hedge against fluctuations in the price of diesel fuel used for generating electricity. On December 31, 2020, swap contracts existed for the hedging of 15% of the fuel to be purchased in the first quarter of 2021.

Shareholders' Equity

The Company's shares closed at EC$20 (2019 – EC$20) resulting in a price earnings (P/E) ratio of 12.5 times (2019 – 12.0 times). The Company has issued share capital of 22,920,000 ordinary shares.

Energyze Holdings Inc.

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

LUCELEC Cap-Ins. Inc.

LUCELEC Cap-Ins. Inc., a wholly owned subsidiary of St. Lucia Electricity Services Limited, was incorporated on December 29, 2014 as a vehicle for managing the self-insurance of the Company's transmission and distribution assets. At December 31, 2020 LUCELEC Cap-Ins Inc. had net assets of EC$46.4M (2019 – EC$41.8M). The fund's investment portfolio comprised US Treasury bills and commercial paper and regional investment grade securities. Money market and income funds held experienced an increase in the market value giving rise to a significant increase in profit for this entity.

Outlook

It is expected that over the next two years, the country will attempt to rebuild the economy in a COVID-19 environment. Lower unit sales growth is anticipated together with increases in the bad debts provision. There will also be increasing costs to maintain safety and reliability of the transmission and distribution network. Although there is the expectation of economic recovery as visitor arrivals increase, it may take a couple of years to return to pre COVID-19 unit sales.

Taking into account these challenges, the following broad strategic objectives have been identified as priorities in 2021:

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

Conclusion

Despite the pandemic the Group's overall performance was remarkable. Its future performance is dependent on the successful execution of its strategy which is focused on maintaining an acceptable level of reliability, power quality, safety and customer care despite the anticipated economic fallout caused by the global pandemic.

Corporate Social Responsibility

6.58M	337,424.8	EC$ 2.13M
Units Generated by Solar Farm (kWh)	Reduction in Diesel Used (Imp. Gallons)	Fuel Cost Saved
EC$ 0.67M	51	0
Sponsorship & Donations	Volunteer Hours	AIFR

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

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

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

Governance

Corporate governance requires us to do the right thing, the right way, each time, every time for the benefit of the institution and every stakeholder. At no other time in the 56-year existence of the Company has its processes, customs, and policies been more tested and proven to be more right.

Towards the end of 2019, the Management of LUCELEC in its customary proactive approach began actively monitoring the spread of the COVID 19 virus from Wuhan, China across the globe and by January 2020 had put in place a COVID-19 task force charged with the responsibility for maintaining safe and reliable operations, in what was envisaged to be a disruptive non-technical interruption.

By March 2020, it was becoming increasingly apparent that there would be a financial impact on the Company and further scenario planning began in earnest. The main goals were to keep the lights on and to keep the Company stable for the country, the staff, investors and all stakeholders.

Current and past performance shows this to be a forwarding thinking Company and in the late 1990s when By Law No. 1 of the Company was passed, the Company had envisaged that technology would evolve to such a stage that there would come a time, when a Board meeting could be done virtually. With that provision in place, the Board was able to meet and deal with the business of the Company without interruption. As the highest decision-making body and its decision-making mechanisms remained unaffected, the Board was able to recommend to shareholders an amendment to the Amended and Restated By Law No. 1 to permit virtual and hybrid meetings of shareholders. At a Special Meeting of Shareholders held on November 6, 2020, shareholders approved this amendment, and whilst the Annual Meeting may have been convened later than usual, it was more importantly convened and in observance of the national protocols in effect at the time.

The tremendous team effort that got the Company through 2020 allows us to look to 2021 with caution, but confidence.

Environmental Responsibility

LUCELEC continues to take active steps to minimise the impact of its operations on the environment.

The 6.58 million kWh of electricity produced by the solar farm in 2020 reduced fuel consumption by 337,424.8 gallons for the year. To date the solar farm has produced 18.43 million kWh since it went live in 2018. At the end of 2020 there were 142 distributed generation (roof top solar PV) systems connected to the LUCELEC grid providing 1.23 MW of renewable energy capacity.

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

Corporate Philanthropy

COVID-19 restricted many of the activities that the Company would usually support in the course of a normal year. In 2020 our attention shifted very quickly to how we could support the country and vulnerable groups with navigating the impact of the pandemic and so we disconnected no one for arrears.

We contributed more than half a million dollars to the national COVID-19 effort including contributions to the GOSL Telethon, a national feeding programme coordinated through the Chamber of Commerce and the St. Lucia Hotel & Tourism Association (SLHTA), purchase of digital devices for students in need to facilitate online schooling at home, purchase of equipment and associated supplies to improve PCR testing capacity at the OKEU hospital, and support for the GOSL Quarantine Centres.

The purchase of the PCR testing equipment and supplies for the OKEU Laboratory helped to dramatically increase the lab's processing capacity from 16 patient samples in 60 - 120 minutes to 188 patient samples in 80 minutes.

Despite the focus on COVID-19 support, the Company also met its commitment to support the Our Boys Matter programme designed to give at-risk male youth opportunities to change the course of their lives. Administered by the Saint Lucia Social Development Fund (SSDF), the programme provides psychological and social intervention in the areas of parenting, life skills training, mentorship, assessment and intervention of the family dynamics, housing and educational assistance as needed.

The Company also gave its usual support for a scholarship for a top St. Lucian science student to participate in the annual regional Student Programme for Innovation in Science and Engineering (SPISE). In 2020, the programme was conducted virtually.

Conclusion

LUCELEC's corporate social responsibility thrust for 2020 was driven by the Company's deep commitment to be a reliable partner to our customers and our communities in the midst of the disruptions to their lives and livelihoods, ensuring they had the electricity to power their homes, keep their children in school mostly from home, and to work remotely.

Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of St. Lucia Electricity Services Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of St. Lucia Electricity Services Limited and its Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of changes in equity, comprehensive income and cashflow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the St. Lucia Electricity Services Limited and its subsidiaries (the Group) as at December 31, 2020, and the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Energy Sales

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

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

Audit response

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

Impairment of Trade and Other Receivables

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

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

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

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

INDEPENDENT AUDITOR’S REPORT (CONT’D)

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.

Revaluation of Land

In accordance with the policy of the Company, land was revalued. The revaluation was conducted between February 1, 2021 and April 8, 2021 and the independent valuer provided representation that the valuation results remain unchanged as at December 31, 2020. The revaluation matter is significant to our audit because the results indicated a significant increase in the carrying amount of the land at the revalued amounts. In addition, the assumptions underlying valuations require a significant amount of judgment.

Audit response

We communicated with the valuer of the Company our plans to use as audit evidence the results of his work as property valuer of the Company. We reviewed the valuation reports presented and held meetings with the valuer to confirm our understanding of the valuation reports. In addition, we engaged an independent valuer to review the valuation report for property valuation that fell outside our range of expectation.

Provisions and contingencies

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

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

Audit response

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

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

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

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

Other Information Included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 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 2020 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charges with governance.

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.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

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.

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

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

BDO

Chartered Accountants
Castries, St. Lucia
May 14, 2021

St. Lucia Electricity Services Limited

Consolidated Statement of Financial Position

As at December 31, 2020

(Expressed in thousands of Eastern Caribbean Dollars)

	Notes	2020 $'000	2019 $'000
Assets			
Non-current			
Property, plant and equipment	7	398,287	351,729
Right-of-use assets	8	1,723	1,738
Intangible assets	9	10,492	12,345
Total non-current assets		410,502	365,812
Current			
Inventories	10	12,551	12,435
Trade, other receivables and prepayments	11	64,084	53,636
Other financial assets	12	44,767	41,840
Derivative financial instruments	26	571	2,549
Cash and cash equivalents	13	29,441	48,020
Total current assets		151,414	158,480
Total assets		561,916	524,292
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	14	80,163	80,163
Retained earnings		179,963	169,119
Fair value reserve	15	2,158	981
Revaluation reserve	16	59,862	15,351
Self-insurance reserve	17	44,212	40,805
Total shareholders' equity		366,358	306,419
Liabilities			
Non-current			
Lease liabilities	18	1,399	1,318
Borrowings	19	76,981	94,633
Consumer deposits	20	20,206	19,488
Provision for other liabilities	21	1,485	1,485
Deferred tax liability	22	34,059	32,492
Post-employment medical benefit liabilities	24(b)	2,464	2,220
Total non-current liabilities		136,594	151,636
Current			
Lease liabilities	18	377	440
Borrowings	19	17,652	16,891
Trade and other payables	25	39,591	44,491
Dividends payable		379	326
Income tax payable		965	4,089
Total current liabilities		58,964	66,237
Total liabilities		195,558	217,873
Total shareholders' equity and liabilities		561,916	524,292

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

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:-

Director

Director

St. Lucia Electricity Services Limited

Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2020
(Expressed in thousands of Eastern Caribbean Dollars)

	Notes	2020 $'000	2019 $'000
Revenue			
Energy sales		257,349	309,186
Other revenue		2,825	3,254
		260,174	312,440
Operating expenses			
Fuel costs	34	117,806	155,874
Transmission and distribution		29,078	40,727
Generation		24,971	28,810
	34	171,855	225,411
Gross income		88,319	87,029
Administrative expenses	34	(34,734)	(34,036)
Operating profit		53,585	52,993
Interest income		725	836
Fair value gain on FVTPL financial assets	12	1,192	2,474
Other (loss)/gain, net	27	(2)	901
Profit before finance costs and taxation		55,500	57,204
Finance costs	28	(5,129)	(5,486)
Profit before taxation		50,371	51,718
Taxation	29	(13,786)	(13,730)
Net profit for the year		36,585	37,988
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Fair value (loss)/gain on FVTOCI financial assets	12	(15)	28
Items that will not be reclassified to profit or loss:			
Re-measurement losses of defined benefit pension plans, net of tax	29	(743)	(439)
Gain on property revaluation		44,511	-
Total other comprehensive income/(loss):		43,753	(411)
Total comprehensive income for the year		80,338	37,577
Basic and diluted earnings per share ($)	30	1.60	1.66

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, 2020
(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, 2019		80,163	161,609	(1,521)	15,351	36,617	292,219
Total comprehensive income for the year		-	37,549	28	-	-	37,577
Transfer to fair value reserve	15	-	(2,474)	2,474	-	-	-
Transfer to self-insurance reserve	17	-	(4,188)	-	-	4,188	-
Ordinary dividends	32	-	(23,377)	-	-	-	(23,377)
Balance at December 31, 2019		80,163	169,119	981	15,351	40,805	306,419
Balance at January 1, 2020		80,163	169,119	981	15,351	40,805	306,419
Total comprehensive income for the year		-	35,842	(15)	44,511	-	80,338
Transfer to fair value reserve	15	-	(1,192)	1,192	-	-	-
Transfer to self-insurance reserve	17	-	(3,407)	-	-	3,407	-
Ordinary dividends	32	-	(20,399)	-	-	-	(20,399)
Balance at December 31, 2020		80,163	179,963	2,158	59,862	44,212	366,358

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, 2020
(Expressed in thousands of Eastern Caribbean Dollars)

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Profit before taxation		50,371	51,718
Adjustments for:			
Depreciation on property, plant and equipment	7	23,727	33,551
Depreciation on right-of-use assets	8	511	547
Amortisation of intangible assets	9	2,319	2,030
Interest income		(725)	(836)
Finance costs	28	5,129	5,486
Impairment losses on trade and other receivables	34 & 36	4,363	717
Net pension costs	23(h) & 24(d)	818	863
Fair value gain on FVTPL financial assets	12	(1,192)	(2,474)
Gain on disposal of property, plant and equipment	27	-	(88)
Gain on disposal of financial assets	27	-	(725)
Operating profit before working capital changes		85,321	90,789
Increase in inventories		(115)	(253)
(Increase)/decrease in trade, other receivables and prepayments		(14,811)	2,159
(Decrease)/increase in trade and other payables		(2,924)	8,729
Cash generated from operations		67,471	101,424
Interest received		547	747
Benefits paid on post-employment medical plan	24(f)	(54)	(52)
Pension funding contributions	23(j)	(1,581)	(1,332)
Finance costs paid		(4,920)	(5,297)
Income tax paid		(15,025)	(6,733)
Net cash from operating activities		46,438	88,757
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(25,774)	(37,066)
Proceeds from disposal of property, plant and equipment		-	95
Acquisition of intangible assets	9	(466)	(3,282)
Acquisition of other financial assets	12	(81,297)	(24,036)
Proceeds from disposal of other financial assets	12	79,725	20,807
Net cash used in investing activities		(27,812)	(43,482)
Cash flows from financing activities			
Repayment of lease liabilities		(478)	(528)
Proceeds from borrowings		-	21,600
Repayment of borrowings		(16,891)	(12,279)
Dividends paid		(20,347)	(24,768)
Net collection of consumer deposits		511	1,061
Net cash used in financing activities		(37,205)	(14,914)
Net (decrease)/increase in cash and cash equivalents		(18,579)	30,361
Cash and cash equivalents at beginning of year	13	48,020	17,659
Cash and cash equivalents at end of year	13	29,441	48,020

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

St. Lucia Electricity Services Limited

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St. Lucia Electricity Services Limited

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St. Lucia Electricity Services Limited

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2020
(Expressed in thousands of Eastern Caribbean Dollars)

1. Incorporation and Principal Activity

St. Lucia Electricity Services Limited (the "Company") was incorporated under the laws of Saint Lucia on November 9, 1964 and re-registered as a public company on August 11, 1994. The Company was continued under the Companies Act 1996 of Saint Lucia on October 22, 1997 and is listed on the Eastern Caribbean Securities Exchange. The Company operates under the Electricity Supply Act, 1994 (as amended) (ESA). The principal activities of the Company and its subsidiaries (the "Group") include the generation, transmission, distribution and sale of electricity and the operation of a self-insurance fund and a trust.

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

2. Date of Authorisation of Issue

These financial statements were authorised for issue by the Board of Directors on May 14, 2021.

3. Basis of Preparation

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

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

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

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

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

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

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

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

St. Lucia Electricity Services Limited

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2020
(Expressed in thousands of Eastern Caribbean Dollars)

3. Basis of Preparation (Cont'd)

(d) *Functional and presentation currency*

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

(e) *Use of estimates and judgments*

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

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

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

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

4. Significant Accounting Policies

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

(a) *Foreign currency*

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

St. Lucia Electricity Services Limited

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2020
(Expressed in thousands of Eastern Caribbean Dollars)

4. Significant Accounting Policies (Cont'd)

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

St. Lucia Electricity Services Limited

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2020
(Expressed in thousands of Eastern Caribbean Dollars)

4. Significant Accounting Policies (Cont'd)

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

(iii) Depreciation

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

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

The annual rates of depreciation are as follows:

	2020	2019
Buildings	$2^1/_2$% - $12^1/_2$% per annum	$2^1/_2$% - $12^1/_2$% per annum
Plant and machinery		
- Generator overhauls	$33^1/_3$% per annum	$33^1/_3$% per annum
- Other	4% - 10% per annum	4% - 10% per annum
Motor vehicles	20% - $33^1/_3$% per annum	20% - $33^1/_3$% per annum
Furniture and fittings		
- Computer hardware	20% per annum	20% per annum
- Other	10% per annum	10% per annum

(iv) Revaluation reserve

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

(c) Leases

The Group as a lessee

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains a lease. 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.

St. Lucia Electricity Services Limited

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2020
(Expressed in thousands of Eastern Caribbean Dollars)

4. Significant Accounting Policies (Cont'd)

(c) Leases (Cont'd)

Accounting policy applicable from January 1, 2019 (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

The Group's accounting policy under the new standard has not changed from the comparative period. 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. Significant Accounting Policies (Cont'd)

(d) Intangible assets (Cont'd)

(iii) Amortisation

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

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

(e) Employee benefits

(i) Defined benefit plans

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

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

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

(ii) Pension benefits assumptions

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

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

St. Lucia Electricity Services Limited

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

(Expressed in thousands of Eastern Caribbean Dollars)

4. Significant Accounting Policies (Cont'd)

(e) Employee benefits (Cont'd)

(ii) Pension benefits assumptions (Cont'd)

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

(iii) Defined contribution plan

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

(iv) Termination benefits

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

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

(f) Financial instruments

(i) *Non-derivative financial instruments*

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

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

FVTOCI financial assets

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

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4. Significant Accounting Policies (Cont'd)

(f) Financial instruments (Cont'd)

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

FVTPL financial assets

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

Trade and other receivables

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

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

Cash and cash equivalents

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

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

Borrowings

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

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

Trade and other payables

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

4. Significant Accounting Policies (Cont'd)

(f) Financial instruments (Cont'd)

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

Consumer deposits

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

Dividends payable

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

(ii) Share capital

Ordinary shares

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

(g) Impairment

(i) Financial assets

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

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

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

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

St. Lucia Electricity Services Limited

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4. Significant Accounting Policies (Cont'd)

(g) Impairment (Cont'd)

(i) Financial assets

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

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

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

The key elements of the ECL calculations are outlined below:

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

Forward-looking information:

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

- GDP growth
- Inflation
- Unemployment rates

Given that the investment funds are classified as FVTPL, 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").

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4. Significant Accounting Policies (Cont'd)

(g) Impairment (Cont'd)

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

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

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

(h) Inventories

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

(i) Prepayments

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

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

(j) Provision for other liabilities

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

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

(k) Derivative financial instruments

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

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

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.

4. Significant Accounting Policies (Cont'd)

(k) Derivative financial instruments (Cont'd)

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.

(l) Revenue recognition

Sale of energy

Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. A provision for the current month's billings, excluding the fuel surcharge, is made to record unbilled energy sales at the end of each month. This estimate is based upon actual information for the preceding months and is reviewed periodically to assess reasonableness and adjusted where required. The provision for unbilled sales is included in accrued income.

In addition to the normal tariff rates charged for energy sales, a fuel surcharge is calculated which is based on the difference between the cost of fuel used to generate energy sales in the current month and the average fuel price for the 12 months preceding January of the current year. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month. The provision for unbilled fuel surcharge revenue/rebate is included in accrued income.

Consumer contributions

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

(m) 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.

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4. Significant Accounting Policies (Cont'd)

(n) Interest income and finance costs

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

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

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

(o) 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.

(p) 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.

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4. Significant Accounting Policies (Cont'd)

(q) Amendments to standards

(i) Amendments effective in the 2020 financial year are as follows:

A number of amendments to standards effective for annual periods beginning on or after January 1, 2020 have been adopted in these consolidated financial statements. Note: those new standards, amendments and interpretations effective for annual periods beginning on or after January 1, 2020 which do not affect the Group's consolidated financial statements have not been disclosed below.

- IAS 1, *'Presentation of Financial Statements'* and IAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'* were amended to clarify when information is material. In particular, the amendments clarify:

  - That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

  - The meaning of "primary users of general-purpose financial statements" to whom those financial statements are directed, by defining them as "existing and potential investors, lenders and other creditors" that must rely on general purpose financial statements for much of the financial information they need.

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

- *IFRS 16, 'Leases'* was amended to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification

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

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4. Significant Accounting Policies (Cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

5. Determination of Fair Values

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

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

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

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

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5. Determination of Fair Values (Cont'd)

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

	As at December 31, 2020 $'000	As at December 31, 2019 $'000	Level	Valuation techniques and key inputs
Non-Financial Assets Measured at Fair Value				
Land (Note 7)	73,417	28,478	2	Market comparable approach. Key inputs-Price per square foot
Financial Instruments Measured at Fair Value				
Financial Assets				
FVTOCI financial assets (Note 12)	21,617	20,269	2	Rate index based on quoted yields for similar instruments
FVTPL financial assets (Note 12)	23,150	21,571	3	Discounted cash flows using unobservable inputs
Derivative financial asset (Note 26)	571	2,549	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				
Lease liabilities (Note 36)	1,729	1,680	2	Present value of future lease payments, discounted at the implicit rate of the lease and incremental borrowing rate
Borrowings (Note 36)	73,063	85,946	2	Present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date

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

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6. Financial Risk Management

Overview

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

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

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

Risk management framework

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

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

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6. Financial Risk Management (Cont'd)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's amounts due from subsidiary companies, receivables from customers, 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.

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.

Cash and cash equivalents

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

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6. Financial Risk Management (Cont'd)

Liquidity risk

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

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

- An overdraft facility of EC$10,000 which is secured. Interest is payable at the rate of 5.0% (2019 – 3.95%) per annum.
- Customs bond valued at $600.

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

Market risk

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

Currency risk

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

Interest rate risk

There is no significant interest rate risk arising on the Group's cash and cash equivalents as at December 31, 2020 and 2019. The Group's interest-bearing financial liabilities are its lease liabilities, borrowings and consumer deposits which have fixed rates of interest as disclosed in Notes 18, 19 and 20, respectively.

Equity risk

The Group is not exposed to equity price risk as at December 31, 2020 and 2019.

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6. Financial Risk Management (Cont'd)

Market risk (Cont'd)

Commodity price risk

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

Operational risk

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

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

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

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 was in compliance with this requirement as at December 31, 2020 and 2019.

There were no changes in the Group's approach to capital management in 2020 and 2019.

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7. Property, Plant and Equipment

	Land $'000	Buildings $'000	Plant and Machinery $'000	Motor Vehicles $'000	Furniture and Fittings $'000	Work In Progress $'000	Total $'000
Cost							
Balance at January 1, 2019	28,477	87,341	816,468	4,719	21,405	23,117	981,527
Additions	1	-	132	23	119	36,791	37,066
Transfers	-	7	31,681	349	611	(32,648)	-
Reclassifications from intangibles (Note 9)	-	-	-	-	135	-	135
Disposals	-	-	-	(614)	(48)	-	(662)
Balance at December 31, 2019	28,478	87,348	848,281	4,477	22,222	27,260	1,018,066
Balance at January 1, 2020	28,478	87,348	848,281	4,477	22,222	27,260	1,018,066
Revaluation	44,511	-	-	-	-	-	44,511
Additions	428	48	65	-	45	25,188	25,774
Transfers	-	-	18,877	180	557	(19,614)	-
Balance at December 31, 2020	73,417	87,396	867,223	4,657	22,824	32,834	1,088,351
Accumulated Depreciation							
Balance at January 1, 2019	-	47,401	566,506	3,851	15,684	-	633,442
Depreciation charge (Note 34)	-	2,114	29,666	445	1,326	-	33,551
Eliminated on disposals	-	-	-	(614)	(42)	-	(656)
Balance at December 31, 2019	-	49,515	596,172	3,682	16,968	-	666,337
Balance at January 1, 2020	-	49,515	596,172	3,682	16,968	-	666,337
Depreciation charge (Note 34)	-	2,115	19,872	419	1,321	-	23,727
Balance at December 31, 2020	-	51,630	616,044	4,101	18,289	-	690,064
Carrying Amounts							
January 1, 2019	28,477	39,940	249,962	868	5,721	23,117	348,085
December 31, 2019	28,478	37,833	252,109	795	5,254	27,260	351,729
December 31, 2020	73,417	35,766	251,179	556	4,535	32,834	398,287

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

Fair value measurement of the Group's land

The Group's lands are stated at their revalued amounts, being the fair value at the date of revaluation at various dates between February 1, 2021 and April 8, 2021. The fair value measurements were performed by an independent valuation practitioner /quantity surveyor. The valuer has represented that the fair value as at December 31, 2020 would not differ from the results obtained at the valuation dates. 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 (2019 - $13,127) had they been measured at the historical cost basis.

Assets pledged as security

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

8. Right-of-use Assets

	Buildings $'000	Moto. Vehicles $'000	Total $'000
Cost			
Balance at January 1, 2019	102	740	842
Additions	1,040	403	1,443
Balance at December 31, 2019	1,142	1,143	2,285
Balance at January 1, 2020	1,142	1,143	2,285
Additions	-	529	529
Disposals	(141)	(186)	(327)
Adjustments	(43)	10	(33)
Balance at December 31, 2020	958	1,496	2,454
Accumulated Depreciation			
Balance at January 1, 2019	-	-	-
Depreciation charge for the year (Note 34)	127	420	547
Balance at December 31, 2019	127	420	547
Balance at January 1, 2020	127	420	547
Depreciation charge for the year (Note 34)	117	394	511
Eliminated on disposals	(141)	(186)	(327)
Balance at December 31, 2020	103	628	731
Carrying Amounts			
January 1, 2019	102	740	842
December 31, 2019	1,015	723	1,738
December 31, 2020	855	868	1,723

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

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

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

	No. of leases	Range of remaining term	Average remaining lease terms	No. of leases with renewal options
Buildings	2	1-9 years	4 years	1
Motor vehicles	13	0-5 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 2020 was $45 (2019-$44) and is included in administrative expenses of $34,734 (2019-$34,036) as disclosed in the consolidated statement of comprehensive income. Total cash outflow for leases for 2020 was $478 (2019-$528) 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, 2019	22,138	5,981	1,145	29,264
Additions	4	701	2,577	3,282
Transfers	2,366	-	(2,366)	-
Reclassification to PPE (Note 7)	-	-	(135)	(135)
Balance at December 31, 2019	24,508	6,682	1,221	32,411
Balance at January 1, 2020	24,508	6,682	1,221	32,411
Additions	-	116	350	466
Transfers	544	-	(544)	-
Balance at December 31, 2020	25,052	6,798	1,027	32,877
Accumulated Amortization				
Balance at January 1, 2019	18,036	-	-	18,036
Amortized for the year (Note 34)	2,030	-	-	2,030
Balance at December 31, 2019	20,066	-	-	20,066
Balance at January 1, 2020	20,066	-	-	20,066
Amortized for the year (Note 34)	2,319	-	-	2,319
Balance at December 31, 2020	22,385	-	-	22,385
Carrying Amounts				
January 1, 2019	4,102	5,981	1,145	11,228
December 31, 2019	4,442	6,682	1,221	12,345
December 31, 2020	2,667	6,798	1,027	10,492

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9. Intangible Assets (Cont'd)

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.

10. Inventories

	2020 $'000	2019 $'000
Fuel inventories	2,857	3,092
Generation spare parts	5,093	5,369
Transmission, distribution and other spares	5,823	5,317
Goods-in-transit	830	772
	14,603	14,550
Provision for inventory obsolescence	(2,052)	(2,115)
	12,551	12,435

11. Trade, Other Receivables and Prepayments

	2020 $'000	2019 $'000
Trade receivables, gross	48,079	35,979
Less: provision for impairment of trade receivables (Note 36)	(15,569)	(10,781)
Trade receivables, net	32,510	25,198
Other receivables, gross	13,897	10,510
Less: provision for impairment of other receivables (Note 36)	(1,069)	(1,494)
Other receivables, net	12,828	9,016
Accrued income	16,411	17,248
	61,749	51,462
Prepayments	2,335	2,174
	64,084	53,636

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

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12. Other Financial Assets

	2020 $'000	2019 $'000
Financial assets measured at FVTOCI		
Treasury bills	9,459	9,729
Commercial paper	12,158	10,540
	21,617	20,269
Financial assets measured at FVTPL		
Investments funds	23,150	21,571
	44,767	41,840

The weighted average effective interest rate was 1.02% (2019 – 1.63%) per annum.

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

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

	2020 $'000	2019 $'000
Beginning balance	41,840	35,294
Purchases	81,297	24,036
Redemptions	(79,725)	(20,806)
Amortisation of discount	178	89
Realised fair value gain on redemption	-	725
Unrealised fair value (loss)/gain on financial assets measured at FVTOCI	(15)	28
Unrealised fair value gain on financial assets measured at FVTPL	1,192	2,474
Ending balance	44,767	41,840

13. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	2020 $'000	2019 $'000
Cash on hand	16	15
Cash at bank	29,425	48,005
	29,441	48,020

Cash at bank is non-interest bearing.

Included in cash at bank are $1,701 (2019 - $1,013) that are not available for the day-to-day operations of the Group (Note 17).

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

(Expressed in thousands of Eastern Caribbean Dollars)

13. Cash and Cash Equivalents (Cont'd)

Reconciliation of liabilities arising from financing activities:

	Non-current lease liabilities (Note 18) $'000	Current lease liabilities (Note 18) $'000	Non-current borrowings (Note 19) $'000	Current borrowings (Note 19) $'000	Consumer deposits (Note 20) $'000	Total $'000
Balance at January 1, 2019	842	-	89,924	12,279	18,240	121,285
Cash flows during the year	(610)	-	21,600	(17,389)	957	4,558
Non-cash flows during the year:						
-New leases	1,443	-	-	-	-	1,443
-Lease liabilities classified as non-Current becoming current in 2019	(440)	440	-	-	-	-
-Borrowings classified as non-current becoming current in 2019	-	-	(16,891)	16,891	-	-
-Interest accrued in 2019	83	-	-	5,110	291	5,484
Balance at December 31, 2019	1,318	440	94,633	16,891	19,488	132,770
Balance at January 1, 2020	1,318	440	94,633	16,891	19,488	132,770
Cash flows during the year	(38)	(566)	-	(21,586)	413	(21,777)
Non-cash flows during the year:	-	-	-	-	-	-
-New leases	528	-	-	-	-	528
-Lease adjustment	(32)	-	-	-	-	(32)
-Lease liabilities classified as non-current becoming current in 2020	(377)	377	-	-	-	-
-Borrowings classified as non-current becoming current in 2020	-	-	(17,652)	17,652	-	-
-Interest accrued in 2020	-	126	-	4,695	305	5,126
Balance at December 31, 2020	1,399	377	76,981	17,652	20,206	116,615

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14. Share Capital

	2020	2019
Authorised		
Voting ordinary shares	100,000	100,000
Ordinary non-voting shares	800	800
Preference shares	1,214	1,214

	2020 $'000	2019 $'000
Issued and fully paid		
22,400,000 voting ordinary shares	77,563	77,563
520,000 non-voting ordinary shares	2,600	2,600
	80,163	80,163

15. Fair Value Reserve

	2020 $'000	2019 $'000
Balance at beginning of year	981	(1,521)
Fair value (loss)/gain on FVTOCI financial assets	(15)	28
Transferred from retained earnings	1,192	2,474
Balance at end of year	2,158	981

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

16. Revaluation Reserve

	2020 $'000	2019 $'000
Balance at beginning of year	15,351	15,351
Gain on revaluation of land	44,511	-
Balance at end of year	59,862	15,351

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

17. Self-insurance Reserve

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

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17. Self-insurance Reserve (Cont'd)

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

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

The fund balance comprises the following:

	2020 $'000	2019 $'000
FVTOCI financial assets (Note 12)	21,617	20,269
FVTPL financial assets (Note 12)	23,150	21,571
Cash and cash equivalents (Note 13)	1,701	1,013
	46,468	42,853

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

	2020 $'000	2019 $'000
Balance at beginning of year	40,805	36,617
Transferred from retained earnings	3,407	4,188
Balance at end of year	44,212	40,805

18. Lease Liabilities

	2020 $'000	2019 $'000
Current	377	440
Non-current	1,399	1,318
	1,776	1,758

The weighted average rate of interest applied to lease liabilities is 7.23% (2019-6.62%).

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

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18. Lease Liabilities (Cont'd)

Future minimum lease payments at year end were as follows:

	2020 $'000	2019 $'000
Between 1 and 2 years	312	301
Between 2 and 5 years	671	504
Greater than 5 years	416	513
	1,399	1,318

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

19. Borrowings

	2020 $'000	2019 $'000
Current		
Bank borrowings	9,087	8,760
Related parties	8,565	8,131
	17,652	16,891
Non-current		
Bank borrowings	35,154	44,241
Related parties	41,827	50,392
	76,981	94,633
Total borrowings		
Bank borrowings	44,241	53,001
Related parties (Note 33(d)(v))	50,392	58,523
	94,633	111,524

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

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19. Borrowings (Cont'd)

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

	2020 %	2019 %
Bank borrowings	3.66	3.67
Related parties	5.35	5.35

Maturity of non-current borrowings:

	2020 $'000	2019 $'000
Between 1 and 2 years	18,448	17,652
Between 2 and 5 years	49,058	54,856
Over 5 years	9,475	22,125
	76,981	94,633

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

20. Consumer Deposits

Consumers requesting energy connections are required to pay a deposit that is refundable when the service is terminated. Interest is accrued on these deposits at the rate of 2% (2019 - 2%) per annum.

	2020 $'000	2019 $'000
Consumer deposits	15,655	15,144
Interest accrual	4,551	4,344
	20,206	19,488

21. Provision for Other Liabilities

	2020 $'000	2019 $'000
Balance at beginning and end of year	1,485	1,485

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

(Expressed in thousands of Eastern Caribbean Dollars)

22. Deferred Tax Liability

Deferred tax liability is calculated in full on temporary differences under the statement of financial position liability method using a principal tax rate of 30% (2019 - 30%). The movement on the deferred tax liability account is as follows:

	2020 $'000	2019 $'000
Balance at beginning of year	32,492	32,572
Recognised in profit and loss (Note 29)	1,885	108
Recognised in other comprehensive income (Note 29)	(318)	(188)
Balance at end of year	34,059	32,492

Deferred tax liability is attributed to the following items:

	2020 $'000	2019 $'000
Property, plant and equipment	34,813	33,164
Post-employment medical benefit liabilities	(739)	(666)
Leased assets	517	521
Lease liabilities	(532)	(527)
	34,059	32,492

23. Retirement Benefit Liabilities

(a) Background

Grade I Employees

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

Grade II Employees

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

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

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23. Retirement Benefit Liabilities (Cont'd)

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

	Grade II		Grades I	
	2020	2019	2020	2019
	%	%	%	%
Discount rates	7.5	7.5	7.5	7.5
Future salary increases	4.0	4.0	4.0	4.0
Future NIS earnings increases	-	-	2.0	2.0

Assumptions regarding future mortality are based on standard mortality tables.

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

	Grade II		Grade I		Total	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligations	(18,261)	(17,622)	(14,529)	(13,928)	(32,790)	(31,550)
Fair value of plan assets	24,473	22,748	17,806	16,984	42,279	39,732
Effect of asset ceiling	(6,212)	(5,126)	(3,277)	(3,056)	(9,489)	(8,182)
Defined benefit liabilities	-	-	-	-	-	-

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23. Retirement Benefit Liabilities (Cont'd)

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

	Grade II		Grade I		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Defined benefit obligation as at January 1, 2019	17,622	17,034	13,928	13,101	31,550	30,135
Current service cost	431	433	52	98	483	531
Interest cost	1,283	1,229	1,031	965	2,314	2,194
Members' contributions	193	209	220	131	413	340
Benefits paid	(1,038)	(1,326)	(454)	(520)	(1,492)	(1,846)
Re-measurements: experience adjustments	(230)	43	(248)	153	(478)	196
Defined benefit obligation as at December 31, 2020	18,261	17,622	14,529	13,928	32,790	31,550

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

	Grade II		Grade I		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Fair value of plan assets at January 1, 2019	22,748	21,803	16,984	16,248	39,732	38,051
Contributions paid - employer	988	1,066	593	266	1,581	1,332
Contributions paid - members	193	209	220	131	413	340
Interest income	1,709	1,631	1,285	1,213	2,994	2,844
Return on plan assets, excluding interest income	(68)	(573)	(780)	(312)	(848)	(885)
Benefits paid	(1,038)	(1,326)	(454)	(520)	(1,492)	(1,846)
Expense allowance	(59)	(62)	(42)	(42)	(101)	(104)
Fair value of plan assets at December 31, 2020	24,473	22,748	17,806	16,984	42,279	39,732

(Expressed in thousands of Eastern Caribbean Dollars)

23. Retirement Benefit Liabilities (Cont'd)

(f) Composition of plan assets

	Grade II		Grade I		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Overseas equity	3,657	3,134	-	-	3,657	3,134
Government issued nominal bonds	12,750	15,902	-	-	12,750	15,902
Corporate bonds	989	1,047	-	-	989	1,047
Cash/money market	5,572	1,103	-	-	5,572	1,103
Immediate annuity policies	1,505	1,562	-	-	1,505	1,562
Deposit administration account	-	-	17,806	16,984	17,806	16,984
	24,473	22,748	17,806	16,984	42,279	39,732

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23. Retirement Benefit Liabilities (Cont'd)

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

Grade I

The asset value as at December 31, 2020 was estimated using the asset value as at November 30, 2020 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, 2020 were estimated using the asset value as at November 30, 2020 provided by the Plan's Investment Manager (RBC) and an estimate of the value of the Grade II Plan's immediate annuity policies which was calculated using the same assumptions used to calculate the defined benefit obligation (it is assumed that these annuities have not been impaired). The Investment Manager calculates the fair value of the Government bonds by discounting expected future proceeds using a constructed yield curve.

All of the Grade II Plan's government bonds were issued by the governments of countries within Caricom. The value of immediate annuity policies is reliant on CLICO's financial strength and its ability to pay the pension secured. It is therefore exposed to CLICO's current financial difficulties.

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

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23. Retirement Benefit Liabilities (Cont'd)

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

	Grade II		Grade I		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Return on plan assets	1,641	1,058	505	901	2,146	1,959

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

	Grade II		Grade I		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current service cost	431	433	52	98	483	531
Administration expenses	59	62	42	42	101	104
Net pension costs	490	495	94	140	584	635

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

	Grade II		Grade I		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Experience losses	(162)	616	532	465	370	1,081
Effect of asset ceiling	660	(45)	(33)	(339)	627	(384)
Total amount recognised in other comprehensive income	498	571	499	126	997	697

(Expressed in thousands of Eastern Caribbean Dollars)

23. Retirement Benefit Liabilities (Cont'd)

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

	Grade II		Grade I		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Opening defined benefit liabilities	-	-	-	-	-	-
Net pension cost	(490)	(495)	(94)	(140)	(584)	(635)
Re-measurements recognised in other comprehensive income	(498)	(571)	(499)	(126)	(997)	(697)
Employer contributions paid	988	1,066	593	266	1,581	1,332
Closing defined benefit liabilities	-	-	-	-	-	-

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23. Retirement Benefit Liabilities (Cont'd)

(k) Sensitivity Analysis

The calculation of the defined benefit obligations for Grades I to II is sensitive to the assumptions used. The following tables summarise how the defined benefit obligations as at December 31, 2020 would have changed as a result of a change in the assumptions used.

Grade I

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

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

Grade II

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

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

(l) Duration

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

	2020	2019
Grade 1	10.9 years	11.6 years
Grade II	11.9 years	12.3 years

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23. Retirement Benefit Liabilities (Cont'd)

(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 $573 to the pension plan during 2021.

Grade II

The Group meets the balance of the cost of funding the defined benefit pension plan and the Group must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $1,000 to the pension plan during 2021.

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24. Post-employment Medical Benefit Liabilities

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

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

	2020 %	2019 %
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:

	2020 $'000	2019 $'000
Present value of defined benefit obligations	2,464	2,220
Defined benefit liabilities	2,464	2,220

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

	2020 $'000	2019 $'000
Defined benefit obligations as at January 1,	2,220	2,114
Current service costs	70	71
Interest costs	164	157
Benefits paid	(54)	(52)
Re-measurements: experience adjustments	64	(70)
Defined benefit obligations as at December 31,	2,464	2,220

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

	2020 $'000	2019 $'000
Current service costs	70	71
Interest on defined benefit obligations	164	157
Net medical benefit costs	234	228

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

	2020 $'000	2019 $'000
Experience loss/(gain)	64	(70)
Total amount recognized in other comprehensive income	64	(70)

(Expressed in thousands of Eastern Caribbean Dollars)

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

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

	2020 $'000	2019 $'000
Opening defined benefit liabilities	2,220	2,114
Net medical benefit costs	234	228
Re-measurement gains recognised in other comprehensive income	64	(70)
Benefits paid	(54)	(52)
Closing defined benefit liabilities	2,464	2,220

(g) Sensitivity Analysis

The calculation of the defined benefit obligations is sensitive to the assumptions used. The following tables summarise how the defined benefit obligations as at December 31, 2020 would have changed as a result of a change in the assumptions used.

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

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

(h) Duration

The weighted average duration of the defined benefit obligation was 18.4 years (2019 - 19.1 years).

(i) Funding Policy

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

The Group expects to pay $69 to the plan in 2021.

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25. Trade and Other Payables

	2020 $'000	2019 $'000
Trade payables	13,721	22,930
Accrued expenses	16,154	11,821
Other payables	9,145	7,191
	39,020	41,942
Deferred fuel costs (Note 26)	571	2,549
	39,591	44,491

Deferred fuel costs relate to fair value adjustments of derivative financial instruments as disclosed in Notes 4(k) and Note 26.

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

26. Derivative Financial Instruments

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

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

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

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

	2020 $'000	2019 $'000
Fixed price swaps	571	2,549

27. Other Gains, Net

	2020 $'000	2019 $'000
Gain on disposal of property, plant and equipment	-	88
Gain on disposal of financial assets	-	725
Foreign exchange (loss)/gain	(2)	88
	(2)	901

28. Finance Costs

	2020 $'000	2019 $'000
Interest expense on:		
-lease liabilities	126	83
-borrowings	4,696	5,110
-consumer deposits	305	291
-pole rental deposits	2	2
	5,129	5,486

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29. Taxation

	2020 $'000	2019 $'000
Current tax	11,901	13,622
Deferred tax (Note 22)	1,885	108
	13,786	13,730

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

	2020 $'000	2019 $'000
Profit before taxation	50,371	51,718
Tax at the statutory rate of 30% (2019 - 30%)	15,111	15,516
Tax effect of non-deductible expenses	97	247
Tax effect of non-taxable income	(523)	(1,138)
Tax effect of self-insurance appropriation	(900)	(900)
Deferred tax asset unrecognised on tax loss	1	5
Tax charge	13,786	13,730

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

	2020 $'000			2019 $'000		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Re-measurement of defined benefit pension plans (Note 22)	(1,061)	318	(743)	(627)	188	(439)

30. Basic and Diluted Earnings per Share

Basic and diluted earnings per share is calculated by dividing the net profit for the year of $36,585 (2019 - $37,988) by the weighted average number of shares outstanding during the year of 22,920 (2019 - 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% to 14.33% in respect of 2020 (2019 - 10% to 14.25%).

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

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31. Tariff Reduction (Cont'd)

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

32. Ordinary Dividends

	2020 $	2020 $'000	2019 $	2019 $'000
	Dividends Per share	Total	Dividends Per share	Total
Final - relating to 2018	-	-	0.57	13,064
Interim - relating to 2019	-	-	0.45	10,313
Final - relating to 2019	0.50	11,460	-	-
Interim - relating to 2020	0.39	8,939	-	-
	0.89	20,399	1.02	23,377

The final dividend for the year 2020 had not been declared as at December 31, 2020.

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.

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33. Related Parties (Cont'd)

(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:

	2020 $'000	2019 $'000
Short-term employee benefits	4,395	4,588
Post-employment benefits	155	513
Directors' remuneration	340	337
	4,890	5,438

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

	2020 $'000	2019 $'000
Supply of electricity services	126	112
Supply of other services	79	-
	205	112

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

	2020 $'000	2019 $'000
Supply of electricity services	9	8

(d) Transactions with shareholders

The Group's major shareholders are as follows:

	2020 %	2019 %
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% (2019 - 14.45%) of the shares is widely held.

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33. Related Parties (Cont'd)

(d) Transactions with shareholders (Cont'd)

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

Supply of Electricity Services

	2020 $'000	2019 $'000
First Citizens Bank Ltd	90	-
National Insurance Corporation	1,516	1,873
Castries Constituency Council	1,409	1,569
Government of Saint Lucia	24,934	26,119
	27,949	29,561

The Government of Saint Lucia receives a 10% (2019 - 10%) discount on electricity charges in respect of all accounts other than Street lighting, except where the minimum charges apply.

Supply of Other Services

	2020 $'000	2019 $'000
Government of Saint Lucia	332	253

Services Rendered to the Group

	2020 $'000	2019 $'000
Castries Constituency Council	1	5

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

	2020 $'000	2019 $'000
First Citizens Bank Ltd	6	-
National Insurance Corporation	7	7
Castries Constituency Council	20	-
Government of Saint Lucia	8,207	6,526
	8,240	6,533

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33. Related Parties (Cont'd)

(d) Transactions with shareholders (Cont'd)

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

	2020 $'000	2019 $'000
Government of Saint Lucia	597	895

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

	2020 $'000	2019 $'000
Provision for impairment	598	3,929
Impairment (gain)/loss	(3,331)	469
Amounts written off	-	22

(v) Loans from shareholders

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

	2020 $'000	2019 $'000
National Insurance Corporation		
At beginning of year	58,523	66,240
Repayments during year	(11,045)	(11,044)
	47,478	55,196
Interest expense	2,914	3,327
At end of year	50,392	58,523

The above loans are fully secured (Note 19).

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33. Related Parties (Cont'd)

(d) Transactions with shareholders (Cont'd)

(v) Loans from shareholders (Cont'd)

Finance Costs

Details of the related finance costs are as follows:

	2020 $'000	2019 $'000
National Insurance Corporation	2,914	3,327

These charges are included in the finance costs of $5,129 (2019 - $5,486) as disclosed in the consolidated statement of comprehensive income.

34. Expenses by Nature

	2020 $'000	2019 $'000
Operating expenses		
Fuel costs	117,806	155,874
Depreciation on property, plant and equipment (Note 7)	22,970	32,794
Depreciation on leased assets (Note 8)	60	74
Repairs and maintenance	11,897	11,592
Employee benefits	16,872	21,926
Other operating expenses	2,250	3,151
	171,855	225,411
Administrative expenses		
Depreciation on property, plant and equipment (Note 7)	757	757
Depreciation on leased assets (Note 8)	451	473
Amortisation of intangible assets (Note 9)	2,319	2,030
Repairs and maintenance	2,594	2,469
Research costs	28	24
Employee benefits	12,447	13,920
Impairment losses on trade receivables (Note 36)	4,329	699
Debt collection expenses	1,042	1,225
Insurance	2,591	2,387
Professional fees	1,299	1,373
Other operating expenses	6,877	8,679
	34,734	34,036
	206,589	259,447

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35. Employee Benefit Expenses

	2020 $'000	2019 $'000
Wages and salaries	22,226	28,167
Pension contributions	1,917	2,313
Medical contributions	930	886
Other employee benefits	4,246	4,480
	29,319	35,846

The number of permanent employees at December 31, 2020 was 239 (2019 - 261).

36. Financial Instruments

Credit risk

Exposure to credit risk

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

	Notes	2020 $'000	2019 $'000
Trade and other receivables	11	61,749	51,462
Other financial assets	12	44,767	41,840
Derivative financial instruments	26	571	2,549
Cash at bank	13	29,441	48,020
		136,528	143,871

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

	2020 $'000	2019 $'000
Business, before deducting provision	30,219	23,614
Residential, before deducting provision	17,860	12,365
	48,079	35,979

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36. Financial Instruments (Cont'd)

Credit risk (Cont'd)

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

	2020 $'000	2019 $'000
Balance at January 1 (Note 11)	10,781	12,757
Impairment loss recognized per IFRS 9	4,788	467
Amounts written off	-	(2,443)
Balance at December 31 (Note 11)	15,569	10,781

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

	2020 $'000	2019 $'000
Balance at January 1 (Note 11)	1,494	1,364
Impairment (gain)/loss recognized per IFRS 9	(425)	250
Amounts written off	-	(120)
Balance at December 31 (Note 11)	1,069	1,494

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.

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36. Financial Instruments (Cont'd)

Liquidity risk

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

December 31, 2020

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

December 31, 2019

	Notes	Carrying amounts $'000	Total contractual cash flows $'000	Contractual cash flow: Under 1 year $'000	1-2 years $'000	2-5 years $'000	>5 years $'000
Non-derivative financial liabilities							
Lease liabilities	18	1,758	2,072	548	364	600	560
Borrowings	19	111,524	128,249	21,586	21,586	61,778	23,299
Trade and other payables	25	41,942	41,942	41,942	-	-	-
		155,224	172,263	64,076	21,950	62,378	23,859

The Group also has liabilities totaling $20,206 (2019 - $19,488) relating to consumer deposits (Note 20) that are refundable upon the cessation of the supply of services. It is not practicable to determine the contractual maturities of these liabilities, including estimated interest payments.

(Expressed in thousands of Eastern Caribbean Dollars)

36. Financial Instruments (Cont'd)

Fair values

Fair values versus carrying amounts

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

	Notes	Carrying amounts As at December 31, 2020 $'000	Fair values As at December 31, 2020 $'000	Carrying amounts As at December 31, 2019 $'000	Fair values As at December 31, 2019 $'000
Trade and other receivables	11	61,749	61,749	51,462	51,462
Other financial assets	12	44,767	44,767	41,839	41,839
Cash and cash equivalents	13	29,441	29,441	48,020	48,020
Derivative financial instruments	26	571	571	2,549	2,549
Lease liabilities	5 & 18	(1,776)	(1,729)	(1,758)	(1,680)
Borrowings	5 & 19	(94,633)	(73,063)	(111,524)	(85,946)
Trade and other payables	25	(39,020)	(39,020)	(41,942)	(41,942)
		1,099	22,716	(11,354)	14,302

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

Interest rates used for determining fair values

The interest rates used to discount estimated cash flows of lease liabilities are the rate implicit in the lease or the Group's incremental borrowing rate.

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

The Group also has liabilities totaling $20,206 (2019 - $19,488) relating to consumer deposits (Note 20) that are refundable upon the cessation of the supply of services. It is not practicable to determine the fair values of these liabilities.

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37. Commitments

Capital commitments

The Group had capital commitments at December 31, 2020 of $1,324 (2019 - $2,133).

Operating lease commitments

(i) Pole rental

The Group expects to earn annual income from pole rentals of $1,075 (2019 - $1,055) for the foreseeable future.

38. Contingent Liabilities

Claims

The Group has been named a defendant to a number of claims as at December 31, 2020, the most significant being a claim alleging unlawful interference by the Group. The claimant alleges that the Group has abused its position as the sole distributor of electricity to force the claimant's customers to breach contracts for the installation of photovoltaic systems. While it is impossible to be certain of the outcome of this and any particular case or of the amount of any possible adverse verdict, the Group believes that their defenses to all these various claims are meritorious on both the law and the facts. Having regard to the foregoing, the Group (i) does not consider it appropriate to make any provision in respect of any pending matters and (ii) does not believe that the ultimate outcome of these matters will significantly impair the Group's financial condition. Payments, if any, arising from these claims will be recorded in the period that the payment is made.

Wage Negotiations

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

Pension benefits

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

39. Subsidiary Companies

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

Financial Statistics

	2020	2019	2018	Restated 2017	2016	Restated 2015	2014	Restated 2013	Restated 2012	2011
Units Sold (kWh x 1000)	336,473	368,938	361,623	359,653	348,229	337,540	331,939	334,479	333,324	333,378
Tariff Sales (Cents per kWh)	83.3	84.8	76.8	74.9	91.6	97.7	98.7	98.3	95.5	84.0
Fuel Charge (Cents per kWh)	(6.8)	(1.0)	8.4	2.7	(17.0)	(6.1)	(1.1)	0.4	6.6	11.8
Operating costs (Cents per kWh)	61.4	70.3	71.0	63.9	59.4	77.4	84.1	85.2	88.8	82.8
Summarised Balance Sheet (EC$000's)										
Fixed Assets (Net)	376,641	337,331	342,611	327,219	332,804	338,838	334,388	336,395	328,030	250,154
Retirement Benefit Asset	-	-	-	-	-	-	4,765	2,448	3,650	9,135
Other Financial Assets	-	-	-	-	-	172	171	170	168	166
Capital Work in Progress	33,861	28,481	16,702	33,574	15,151	15,736	17,594	21,080	33,891	50,846
Current Assets	151,414	158,479	135,732	134,289	131,547	135,680	161,683	130,558	142,353	124,642
Current Liabilities	(58,964)	(66,235)	(58,491)	(68,999)	(46,011)	(50,084)	(84,853)	(55,418)	(75,535)	(68,511)
Total	502,952	458,056	436,554	426,083	433,491	440,342	433,748	435,233	432,557	366,432
Share Capital	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163
Retained Earnings	179,963	169,120	161,609	159,185	150,518	135,374	130,137	123,614	109,375	84,267
Other Reserves & Consumer Contributions	106,232	57,137	50,447	49,654	45,516	43,555	29,460	23,604	21,421	40,670
Long Term Debt	78,380	95,951	89,924	82,202	100,181	121,713	137,726	153,072	167,797	123,396
Other Long Term Liabilities	58,214	55,685	54,411	54,879	57,113	59,537	56,262	56,780	53,801	37,937
Total	502,952	458,056	436,554	426,083	433,491	440,342	433,748	437,233	432,557	366,432
Summarised Income Statement (EC$000's)										
Operating Revenues										
Electricity	280,290	312,842	277,614	269,308	319,001	329,767	327,570	328,735	318,265	280,177
Fuel Surcharge	(22,941)	(3,656)	30,266	9,673	(59,115)	(20,618)	(3,671)	1,172	22,083	39,185
Other	2,825	3,254	2,795	4,084	1,984	2,624	3,662	3,207	3,677	1,657
Total	260,174	312,440	310,675	283,065	261,870	311,773	327,561	333,114	344,025	321,019

Financial Statistics (continued)

	2020	2019	2018	Restated 2017	2016	Restated 2015	2014	Restated 2013	Restated 2012	2011
Operating Costs										
Fuel	117,806	155,873	156,065	127,594	114,854	172,061	190,235	195,798	209,310	185,733
Generation	10,767	14,809	12,566	12,437	9,989	10,943	9,948	10,708	10,918	10,587
Transmission & Distribution	20,252	21,860	20,368	21,835	18,180	15,379	15,418	16,530	15,778	19,318
Administrative & Selling	31,207	30,776	30,225	31,625	28,441	28,654	30,509	29,426	27,286	26,148
Depreciation and amortisation	26,557	36,129	37,526	36,206	35,389	34,301	33,150	32,656	32,625	34,264
Total	206,589	259,447	256,750	229,697	206,853	261,338	279,260	285,118	295,917	276,050
Operating Income	53,585	52,993	53,925	53,368	55,017	50,435	48,301	47,996	48,108	44,969
Interest Expense (net)	(4,404)	(4,650)	(4,514)	(5,278)	(7,626)	(10,789)	(11,368)	(13,163)	(9,389)	(8,761)
Other Gains/(Losses)	1,190	3,375	(1,783)	67	45	307	67	66	67	66
Net Income before Tax	50,371	51,718	47,628	48,157	47,436	39,953	37,000	34,899	38,786	36,274
Taxation	(13,786)	(13,730)	(12,662)	(13,471)	(13,468)	(11,044)	(10,192)	(9,584)	(9,972)	(10,003)
Net Income after Tax	36,585	37,988	34,966	34,686	33,968	28,909	26,808	25,315	28,814	26,271
Other Comprehensive (loss)/income	(743)	(439)	(5,169)	385	1,567	(6,719)	1,615	(872)	856	(192)
Dividend Declared	(20,399)	(23,377)	(21,774)	(23,149)	(17,878)	(17,190)	(16,044)	(8,022)	(17,648)	(18,107)
Retained Earnings for Year	15,443	14,172	8,023	11,922	17,657	5,000	12,379	16,421	12,022	7,972
Retained Earnings beginning of Year	169,119	161,609	159,185	150,518	135,374	130,137	123,614	109,375	84,267	76,970
Transfer (to)/from Reserves	(4,599)	(6,662)	(800)	(3,255)	(2,513)	197	(5,856)	(2,182)	(5,039)	(118)
Tariff Reduction Reserve	-	-	-	-	-	-	-	-	-	(557)
Prior Year Adjustment	-	-	(4,799)	-	-	40	-	-	18,125	-
Retained Earnings end of Year	179,963	169,119	161,609	159,185	150,518	135,374	130,137	123,614	109,375	84,267
Rate of Return	13.30%	12.81%	14.93%	13.41%	13.56%	11.64%	10.02%	13.42%	14.20%	15.12%
Earnings per share (EC$)	1.60	1.66	1.53	1.51	1.48	1.26	1.17	1.10	1.26	1.15
Dividend per share (EC$)	0.89	1.02	0.95	1.01	0.78	0.75	0.70	0.35	0.77	0.79
Debt/Equity Ratio	21/79	27/73	26/74	26/74	30/70	35/65	39/61	43/57	47/53	40/60
Capital expenditure (EC$000's)	25,811	40,348	36,070	49,044	28,771	21,545	27,658	28,211	97,243	45,390

Operating Statistics

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Generating Plant (kW)										
Available Capacity	88,400	88,400	88,400	88,400	88,400	88,400	88,400	88,400	88,400	76,000
Firm Capacity	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	55,600
Peak Demand	59,000	62,550	60,600	61,700	60,300	59,000	58,900	59,700	59,800	60,300
Percentage growth in peak demand	-5.7%	3.2%	-1.8%	2.3%	2.2%	0.2%	-1.3%	-0.2%	-0.8%	1.9%
Sales (kWh x 1000)										
Domestic	136,525	130,156	126,916	127,732	123,839	116,133	111,922	112,743	112,272	113,505
Commercial (including Hotels)	171,887	210,114	206,320	202,770	194,966	192,442	191,294	193,199	192,847	190,846
Industrial	17,764	18,326	17,494	18,256	18,519	17,999	17,673	17,624	17,679	18,761
Street Lighting	10,297	10,342	10,893	10,896	10,905	10,966	11,050	10,913	10,526	10,263
Total Sales	336,473	368,938	361,623	359,654	348,229	337,540	331,939	334,479	333,324	333,375
Power Station and Office Use (kWh x 1000)	13,059	12,325	12,288	13,196	13,770	13,715	13,918	14,706	14,511	14,599
Losses (kWh x 1000)	22,067	26,658	25,317	27,450	29,432	30,013	33,574	33,791	36,948	37,234
Units Generated/Purchased (kWh x 1000)	371,599	407,921	399,228	400,300	391,431	381,268	379,431	382,976	384,783	385,208
Percentage growth in units generated	-8.9%	2.2%	-0.3%	2.3%	2.7%	0.5%	-0.9%	-0.5%	-0.1%	1.1%
Percentage growth in sales	-8.8%	2.0%	0.5%	3.3%	3.2%	1.7%	-0.8%	0.3%	0.0%	0.8%
Percentage Losses (excl. prior year sales adjs.)	5.9%	6.5%	6.3%	6.9%	7.5%	7.9%	8.8%	8.8%	9.6%	9.7%
Number of Consumers at Year End										
Domestic	61,850	60,968	60,726	59,620	58,867	59,766	59,790	58,648	55,110	54,415
Commercial (Including Hotels)	7,282	7,267	6,465	7,052	6,994	7,128	7,193	7,096	6,629	6,641
Industrial	87	90	91	93	94	98	98	98	100	101
Street Lighting (accounts)	21	21	19	19	19	19	19	20	10	9
	69,240	68,346	67,301	66,784	65,974	67,011	67,100	65,862	61,849	61,166
Percentage growth	1.3%	1.6%	0.8%	1.2%	-1.5%	-0.1%	1.9%	6.5%	1.1%	1.6%
Average Annual Consumption										
Per Customer (kWh)										
Domestic	2,207	2,135	2,090	2,142	2,104	1,943	1,872	1,922	2,037	2,086
Commercial (including Hotels)	23,604	28,913	31,913	28,754	27,876	26,998	26,594	27,226	29,091	28,738
Industrial	204,184	203,622	192,242	196,301	197,011	183,663	180,337	179,837	176,790	185,752
Diesel fuel consumed (Imp. Gall.)	18,574,877	20,618,895	20,251,915	20,491,272	19,938,352	19,612,984	19,402,934	19,448,764	19,541,743	19,712,324

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

DEVELOPED BY SAVVY CARIBBEAN MARKETING LTD.