St. Lucia Electricity Services Limited

Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in thousands of Eastern Caribbean Dollars)

Contents

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

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of St. Lucia Electricity Services Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Energy Sales

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

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

Audit response

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

Impairment of Trade and Other Receivables

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

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

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

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

Audit response

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

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

Provisions and contingencies

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

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

Audit response

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

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

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

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

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

Other Information Included in the Group's 2021 Annual Report

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

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

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

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

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

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

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

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

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

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

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

BDO

Chartered Accountants
Castries, St. Lucia
March 18, 2022

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

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

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

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:-

Director

Director

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

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

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

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

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

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

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

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

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

1. Incorporation and Principal Activity

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

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

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

2. Date of Authorisation of Issue

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

3. Basis of Preparation

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

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

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

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

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

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

3. Basis of Preparation (Cont'd)

(c) Basis of consolidation (Cont'd)

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

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

(d) Functional and presentation currency

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

(e) Use of estimates and judgments

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

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

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

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

4. Significant Accounting Policies

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

(a) Foreign currency

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

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(Expressed in thousands of Eastern Caribbean Dollars)

4. Significant Accounting Policies (Cont'd)

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

(iii) Depreciation

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

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

The annual rates of depreciation are as follows:

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

(iv) Revaluation reserve

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

(c) Leases

The Group as a lessee

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

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

Right-of-use assets

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

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

4. Significant Accounting Policies (Cont'd)

(c) Leases (Cont'd)

Lease liabilities

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

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

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

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

The Group as a lessor

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

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

(d) Intangible assets

(i) *Recognition and measurement*

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

(ii) Subsequent expenditure

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

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.

4. Significant Accounting Policies (Cont'd)

(e) Employee benefits (Cont'd)

(ii) Pension benefits assumptions (Cont'd)

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

(iii) Defined contribution plan

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

(iv) Termination benefits

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

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

(f) Financial instruments

(i) *Non-derivative financial instruments*

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

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

FVTOCI financial assets

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

4. Significant Accounting Policies (Cont'd)

(f) Financial instruments (Cont'd)

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

FVTPL financial assets

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

Trade and other receivables

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

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

Cash and cash equivalents

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

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

Borrowings

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

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

Trade and other payables

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

4. Significant Accounting Policies (Cont'd)

(f) Financial instruments (Cont'd)

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

Consumer deposits

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

Dividends payable

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

(ii) Share capital

Ordinary shares

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

(g) Impairment

(i) Financial assets

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

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

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

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

4. Significant Accounting Policies (Cont'd)

(g) Impairment (Cont'd)

(i) Financial assets

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

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

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

The key elements of the ECL calculations are outlined below:

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

Forward-looking information:

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

- GDP growth
- Inflation
- Unemployment rates

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

(ii) Non-financial assets

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

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

4. Significant Accounting Policies (Cont'd)

(g) Impairment (Cont'd)

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

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

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

(h) Inventories

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

(i) Prepayments

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

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

(j) Provision for other liabilities

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

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

(k) Derivative financial instruments

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

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

4. Significant Accounting Policies (Cont'd)

(l) Deferred fuel costs

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

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

(m) Revenue recognition

Sale of energy

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

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

Consumer contributions

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

4. Significant Accounting Policies (Cont'd)

(n) Expenses

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

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

(o) Investment income and finance costs

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

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

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

(p) Income tax

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

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

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

4. Significant Accounting Policies (Cont'd)

(p) Income tax (Cont'd)

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

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

(q) Earnings per share

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

(r) New standards, amendments to standards and interpretations

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

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

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

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

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

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

4. Significant Accounting Policies (Cont'd)

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

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

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

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

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

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

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

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

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

4. Significant Accounting Policies (Cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

4. Significant Accounting Policies (Cont'd)

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

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

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

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

5. Determination of Fair Values

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

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

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

5. Determination of Fair Values (Cont'd)

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

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

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

6. Financial Risk Management

Overview

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

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

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

Risk management framework

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

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

6. Financial Risk Management (Cont'd)

Credit risk

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

Trade and other receivables

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

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

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

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

Other financial assets

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

Cash and cash equivalents

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

6. Financial Risk Management (Cont'd)

Liquidity risk

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

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

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

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

Market risk

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

Currency risk

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

Interest rate risk

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

Equity price risk

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

6. Financial Risk Management (Cont'd)

Market risk (Cont'd)

Commodity price risk

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

Operational risk

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

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

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

6. Financial Risk Management (Cont'd)

Capital management

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

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

7. Property, Plant and Equipment

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

(Expressed in thousands of Eastern Caribbean Dollars)

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

Fair value measurement of the Group's land

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

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

Assets pledged as security

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

8. Right-of-use Assets

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

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

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

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

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

9. Intangible Assets

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

10. Inventories

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

11. Trade, Other Receivables and Prepayments

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

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

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

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

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

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

12. Other Financial Assets

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

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

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

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

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

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

13. Cash and Cash Equivalents

Cash and cash equivalents comprise:

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

Cash at bank is non-interest bearing.

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

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

13. Cash and Cash Equivalents (Cont'd)

Reconciliation of liabilities arising from financing activities:

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

(Expressed in thousands of Eastern Caribbean Dollars)

14. Share Capital

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

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

15. Fair Value Reserve

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

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

16. Revaluation Reserve

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

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

17. Self-insurance Reserve

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

(Expressed in thousands of Eastern Caribbean Dollars)

17. Self-insurance Reserve (Cont'd)

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

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

The fund balance comprises the following:

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

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

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

18. Lease Liabilities

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

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

18. Lease Liabilities (Cont'd)

Future minimum lease payments at year end were as follows:

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

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

19. Borrowings

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

19. Borrowings (Cont'd)

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

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

Maturity of non-current borrowings:

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

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

20. Consumer Deposits

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

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

21. Provision for Other Liabilities

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

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

(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% (2020 - 30%). The movement on the deferred tax liability account is as follows:

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

Deferred tax liability is attributed to the following items:

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

23. Retirement Benefit Liabilities

(a) Background

Grade I Employees

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

Grade II Employees

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

23. Retirement Benefit Liabilities (Cont'd)

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

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

Assumptions regarding future mortality are based on standard mortality tables.

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

23. Retirement Benefit Liabilities (Cont'd)

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

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

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

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

(Expressed in thousands of Eastern Caribbean Dollars) 46

23. Retirement Benefit Liabilities (Cont'd)

(f) Composition of plan assets

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

23. Retirement Benefit Liabilities (Cont'd)

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

Grade I

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

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

Grade II

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

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

23. Retirement Benefit Liabilities (Cont'd)

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

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

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

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

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

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

(Expressed in thousands of Eastern Caribbean Dollars) 49

23. Retirement Benefit Liabilities (Cont'd)

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

23. Retirement Benefit Liabilities (Cont'd)

(k) Sensitivity Analysis

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

Grade I

December 31, 2021

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

December 31, 2020

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

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

Grade II

December 31, 2021

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

December 31, 2020

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

23. Retirement Benefit Liabilities (Cont'd)

(l) Duration

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

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

(m) Funding Policy

Grade I

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

Grade II

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

(Expressed in thousands of Eastern Caribbean Dollars)

24. Post-employment Medical Benefit Liabilities

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

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

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

Assumptions regarding future mortality are based on standard mortality tables.

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

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

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

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

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

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

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

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

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

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

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

December 31, 2021

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

December 31, 2020

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

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

(g) Duration

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

(h) Funding Policy

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

25. Trade and Other Payables

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

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

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

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

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

26. Derivative Financial Instruments

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

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

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

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

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

27. Other Gains, Net

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

28. Finance Costs

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

29. Taxation

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

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

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

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

30. Basic and Diluted Earnings per Share

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

31. Tariff Reduction

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

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

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

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

32. Ordinary Dividends

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

33. Related Parties

(a) Identification of related party

A party is related to the Group if:

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

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

(b) Related party transactions and balances

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

(c) Transactions with key management personnel

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

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

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

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

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

33. Related Parties (Cont'd)

(d) Transactions with shareholders

The Group's major shareholders are as follows:

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

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

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

Supply of Electricity Services

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

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

Supply of Other Services

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

Services Rendered to the Group

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

(Expressed in thousands of Eastern Caribbean Dollars)

33. Related Parties (Cont'd)

(d) Transactions with shareholders (Cont'd)

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

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

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

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

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

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

(v) Loans from shareholders

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

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

The above loans are fully secured (Note 19).

(Expressed in thousands of Eastern Caribbean Dollars)

33. Related Parties (Cont'd)

(d) Transactions with shareholders (Cont'd)

(v) Loans from shareholders (Cont'd)

Finance Costs

Details of the related finance costs are as follows:

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

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

34. Expenses by Nature

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

(Expressed in thousands of Eastern Caribbean Dollars)

35. Employee Benefit Expenses

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

Allocated as follows:

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

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

36. Financial Instruments

Credit risk

Exposure to credit risk

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

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

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

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

(Expressed in thousands of Eastern Caribbean Dollars)

36. Financial Instruments (Cont'd)

Credit risk (Cont'd)

Expected credit loss assessment

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

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

December 31, 2021

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

December 31, 2020

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

36. Financial Instruments (Cont'd)

Liquidity risk

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

December 31, 2021

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

December 31, 2020

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

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

36. Financial Instruments (Cont'd)

Fair values

Fair values versus carrying amounts

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

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

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

Interest rates used for determining fair values

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

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

36. Financial Instruments (Cont'd)

Equity price risk

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

37. Commitments

Capital commitments

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

Operating lease commitments

(i) Pole rental

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

38. Contingent Liabilities

Claims

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

Wage Negotiations

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

Pension Benefits

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

38. Contingent Liabilities (Cont'd)

Income Tax

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

39. Subsidiary Companies

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

40. Comparatives

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