**Schedule 1**

**FORM ECSRC – K**

**ANNUAL REPORT**
**PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001**

For the financial year ended
December 31, 2017

Issuer Registration number
St. Lucia Electricity Services Limited

(Exact name of reporting issuer as specified in its charter)

Saint Lucia
(Territory of incorporation)

John Compton Highway, Sans Soucis, Castries, Saint Lucia
(Address of principal office)

<ins>REPORTING ISSUER'S</ins>:

Telephone number (including area code): 758-457-4400

Fax number: 758-457-4409

Email address: lucelec@candw.lc

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes [X] No [ ]

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

| CLASS | NUMBER |
|---|---|
| Ordinary Shares | 22,400,000 |
| Non Voting ordinary shares | 520,000 |
| | |
| | |

## SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Trevor M. Louisy

Signature

Date 2/15/2018

Name of Director: LESLIE P. K. PROSPERE

Signature

Date 23 - 4 - 2018

Name of Chief Financial Officer:

Ian Peter

Signature

23 - 4 - 2018

Date

## INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. **Business.**

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

In many ways, the operating environment for the Company remained unchanged from that of the previous year. Except for two major hotels coming on stream in the latter part of the year which redounded to an increase in electricity sales, energy demand remained fairly stable. Sales grew 3.3% over the prior year.

Two (2) overhauls were commenced during the year with one successfully completed and the other nearing completion at year end. These overhauls are part of the manufacturer recommended Preventative Maintenance Programme and serve to reduce forced outages of the generation plant and maintain plant efficiency. Two additional overhauls (CDSPS #8 and #10) are scheduled for 2018.
The engine manufacturer (Wärtsilä) will also be engaged to undertake an audit of the power station at the Cul de Sac Facility (engines, alternators and auxiliaries) to ensure that best practices are being adhered to and to identify opportunities for maximizing plant efficiency.

The company is pursuing a study to ascertain the potential to harness the waste heat from its diesel-based operations for cooling the buildings at the Cul De Sac Power facility

Preliminary work on the Machine Maintenance Management System and Distributed Control System software upgrades were at an advanced stage and both initiatives are scheduled for completion by the middle of 2018.

The SCADA replacement project continued in 2017. The new system is scheduled to be commissioned in April 2018.

The department successfully extended the travelling wave fault location system to the northern 66kV transmission ring. The entire island-wide transmission system is now equipped with a fault location system that enables precise fault locating for all types of faults on the 66kV transmission lines to within 50 metres, thereby enabling more rapid fault location and repair.

Implementation of the Automatic Metering Infrastructure (AMI) was essentially 97% completed by year end, and all that remains are the replacement of the first version of AMI meters installed. As a result of this initiative the Company has benefited from a reduction in System Losses, meter reading costs and disconnection/reconnection costs.

Work continued on the rerouting of a section of the 66kV West Transmission Line that had either collapsed or were at risk of collapsing, due to land slippage.

Work continued on executing major changes to the GIS system in order to ensure that it is capable of meeting the rigorous requirements of a fast-growing list of present and impending uses of the technology. In 2017, the GIS database was upgraded and a new server was ordered for commissioning early in 2018. The database upgrade will allow multiple users to update data simultaneously to reduce delays in updating data, and improve the quantity and quality of services provided to internal users.

The 3 MW solar PV farm in Vieux Fort commenced during the year and is expected to be commissioned by end May 2018. This will be the first utility scale RE generation initiative on island.

A study is presently being conducted in collaboration with one of our overseas partners to determine the optimum location for interconnecting a large battery storage system on the grid to complement the solar farm initiative.

The company has also been planning for the introduction of charging stations at key locations around the island to facilitate the charging of electric vehicles.

During the year LUCELEC negotiated and signed a fibre network contract for the construction of a backbone fibre optic network on its distribution network poles. When completed this fibre network will provide significant improvements in information management and data retrieval. It will also provide an essential platform for smart grid initiatives.

## 2. Properties

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

| PROPERTIES | PRODUCTIVE CAPACITY | FUTURE PROSPECTS |
|---|---|---|
| Cul De Sac Complex | Power station and Transmission substation | Completion of development of generation and related activity |
| Union Complex | Transmission Substation | As existing |
| Union Complex | Retired generation station | Station to be demolished and the site to be cleared |
| Faux a Chaud | NIL | For construction of sub station |
| Soufriere Power Station | Former Power Station | Site to be disposed of |
| Vieux Fort Power Station | Former Power Station | Station to be demolished and site to be cleared |
| Cantonement Complex | Transmission Substation and Technical Office | As existing |
| Soufriere Substation | Transmission Substation | Upgrade facility |
| Reduit Substation | Transmission Substation | As existing |
| Praslin Substation | Transmission Substation | Upgrade facility |
| Castries Substation | Transmission Substation | As existing |
| Sans Soucis Office | Head Administration Office | As existing |
| Vieux Fort Admin Office | Sub Office | Refurbishment of building |
| Monchy | NIL | Site to be disposed of |
| Bocage | NIL | For construction of sub-station |

**3. Legal Proceedings**

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

The Company was the defendant in various legal actions some of which were concluded during the year. In the opinion of Management, after taking appropriate legal advice, the results of the outstanding matters will not have a material effect on the Company's financial position. There were no significant pending legal actions against the Company as at the end of the financial year.

**4. Submission of Matters to a Vote of Security Holders.**

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

(a) The date of the meeting and whether it was an annual or special meeting.

Annual Meeting – May 5th 2017

(b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

**Election of Directors**

- Mr. Nicholas John
- Mr. Leslie Prospere
- Mr. Charles Serieux

| Directors whose term in office continued |
|---|
| Stephen Mc Namara |
| Trevor Louisy |
| Karen Darbasie |
| Carole Eleuthere Jn Marie |
| Sharon Christopher |
| Matthew Lincoln Mathurin |
| John Joseph |
| Roger Blackman |

(c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

Votes are on a show of hands and not votes unless a ballot is called for. The follow matters were tabled and unanimously passed on a show of hands:

1. To consider and adopt the Directors' Report.
2. To consider and adopt the Auditors' Report and the Financial Statements for the year ended 31st December 2016.
3. To re-appoint the auditor.
4. To sanction a final dividend in respect of the year ended 31st December 2016.
5. To re-elect Directors:
6. To elect Directors

(d) A description of the terms of any settlement between the registrant and any other participant.

N/A

(e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

| |
|---|
| N/A |

**5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.**

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

| |
|---|
| N/A |

**6. Financial Statements and Selected Financial Data.**

Attach Audited Financial Statements, which comprise the following:

**<u>For the most recent financial year</u>**

(i) Auditor's report; and
(ii) Statement of Financial Position;

**<u>For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed</u>**

(iii) Statement of Profit or Loss and other Comprehensive Income;
(iv) Statement of Cash Flows;
(v) Statement of Changes in Equity; and
(vi) Notes to the Financial Statements.

7. **Disclosure about Risk Factors.**

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

The Company had identified certain risks in the process of preparing for the new regulatory framework. To mitigate this risk, the Company established a Regulatory Reform Team to spearhead the Company's involvement in the regulatory reform process. This risk is considered stable

A significant portion of the total electricity price to consumers is the cost of fuel. The company has identified this as well as the volatility of fuel prices on the world market to be significant risks. The Company has therefore engaged in fuel price hedging to help mitigate volatility and rising fuel prices. The strategy has proven to be successful in achieving the Company's objectives.
This risk is considered stable

The inability to meet consumer demand for electricity is considered a major risk to the Company. This can be brought on by either an unforeseen increase in the demand for power or the loss of generators or substations. The company employs a robust preventative maintenance programme to mitigate the risk of unplanned asset downtime.
The likelihood of this risk materializing is low.

The annual hurricane season between June and November remains a constant risk factor. As far as practicable the Company continued to design its systems to minimize the impact from hurricanes. The company continues to maintain a robust disaster recovery plan, in the event of extensive damage resulting from a weather system. Obtaining insurance coverage for the Transmission & Distribution (T&D) plant on the market, at a cost effective rate, continues to be a challenge. As such, the Company established a Self-Insurance Fund as a vehicle to mitigate losses in the event of catastrophic events. As at December 31st 2017, the Fund balance was EC$34.6M. The Company also has access to a standby credit facility of EC$10.0M to meet any emergency asset restoration costs should the need arise. The Net Book Value of the T&D assets was estimated at EC$140.5M at the end of 2017.
This risk is considered high.

With a new regulatory framework, the threat of loss of sales due to the introduction of renewables and competition for generation, is becoming more likely. Management has made significant progress in establishing the requisite legal, operational and structural systems that will allow the Subsidiary Holding Company to explore other revenue opportunities, that would help mitigate against this risk. Management expects to see some of those opportunities materialize in 2018.
This risk is considered to be low at this time.

Receivable management remains a priority for the Company. All accounts continue to be monitored on an on-going basis to keep delinquency at its minimum.
Credit risk is considered to be low.

The Company utilizes Return on Equity as one of the measures of its performance. As shareholders' equity increases and profit levels remain fairly constant, the Company is faced with the risk of diminishing Return On Equity. The Company will continue exploring cost optimisation opportunities that are the output of comprehensive process analysis, as a means of mitigating this risk.
This risk is considered low.

System Losses, specifically due to electricity theft, continue to be a concern for the Company, given the implications for unrecognized revenues and ultimately reduced shareholder returns.
This risk is stable and does not show any sign of worsening.

The company has always recognized the risk of industrial action and its potential impact on all aspects of service delivery. The fallout from industrial action can affect the company's reputation and by extension that of the country, particularly with regards to foreign direct investment. To this end, the company has established an industrial action response plan. Employee engagement and staff relations continues to be a priority in its 2018 annual work plan.
Until all Union negotiations are satisfactorily concluded, the risk of industrial action continues to be high.

## 8. Changes in Securities and Use of Proceeds.

(a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

NONE

(b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

  ______________________________

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

  ______________________________

- Name and address of underwriter(s)

  ______________________________________________

  ______________________________________________

- Amount of expenses incurred in connection with the offer ____________

- Net proceeds of the issue and a schedule of its use

  ______________________________________________

  ______________________________________________

- Payments to associated persons and the purpose for such payments

  ______________________________________________

  ______________________________________________

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

Reserves have been set up for the Company's self-insurance and retirement benefits, distribution of which is not permitted.

**9. Defaults upon Senior Securities.**

(a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

| |
|---|
| N/A |

(b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

| |
|---|
| N/A |

## 10. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

**It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.**

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non- financial indicators.

*General Discussion and Analysis of Financial Condition*

The Company recorded a profit before tax for the year of $48.2M, which was greater than prior year profit of $47.4M.

Electricity sales for 2018 are forecasted at 374.0 million kWh, 4.0% higher than the 2017 results. The domestic sector is expected to grow due to increased housing activity and increased usage rates among existing customers. The commercial sector is forecasted to grow due mainly to new office space being occupied and the upsurge of other commercial entities mainly in the north and south of the island. Growth is also expected in the hotel sector due to the construction of new hotels, guesthouses, condominiums and the upgrading of existing properties.

## Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.

ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.

iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.

iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.

vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.

vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.

viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.

ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

*Discussion of Liquidity and Capital Resources*

(1) Liquidity

The main revenue source of the Company continued to be from the sale of electricity to customers in Saint Lucia.

The capital expenditure programmes of the Company are usually financed by long term bank loans on a competitive tender offer basis. However, Capital programmes for 2017 were funded from operational cash flows.

Trends in economic activity and performance were continually monitored to gauge the effects on the Company's operations and where necessary corrective actions taken.

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

In December 2018 CariCRIS reaffirmed its CariBBB rating of LUCELEC, testimony to the Company's sound financial management practices.

Electricity sales grew in 2017, with a 3.3% increase achieved compared to a 3.2% increase in 2016. Increases were recorded in the Domestic (3.1%), Commercial (0.9%) and Hotel (9.6%) sectors while sales declined to the Industrial (1.4%) and Street Lights (0.1%) sectors. The increase in the hotel sector's consumption is primarily due to the connection of the Royalton Hotel; other sectors experienced increases due to the increased use of cooling equipment.

(2) Capital Resources

The Company had capital commitments at December 31, 2017 of EC$11.2M primarily relating to works associated with the 3MW Solar Farm. This project was initially being financed from working capital in 2017, however, in 2018 the working capital position will be bolstered by the inflow of funds from the EC$20M, secured to finance this project.

The Company is covenanted to its financiers to a 2:1 debt/equity gearing. The Company does not foresee potential violation of those covenants.

**Off Balance Sheet Arrangements**

Provide a narrative explanation of the following (but not limited to):

i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.

ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.

iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.

iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.

ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.

iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.

v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.

vi) Matters that will have an impact on future operations and have not had an impact in the past.

vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations

viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ix) Performance goals, systems and, controls, *Overview of Results of Operations*

Results of Operations

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

Sales & Revenues

Electricity sales grew in 2017, with a 3.3% increase achieved compared to a 3.2% increase in 2016. Increases were recorded in the Domestic (3.1%), Commercial (0.9%) and Hotel (9.6%) sectors while sales declined to the Industrial (1.4%) and Street Lights (0.1%) sectors. The increase in the hotel sector's consumption is primarily due to the connection of the Royalton Hotel; other sectors experienced increases due to the increased use of cooling equipment..

Total revenue of EC$283.1M exceeded 2016's EC$261.9M by EC$21.2M (8.1%) primarily due to the increase in unit sales and tariffs. The overall average tariff increased by 4% from EC$0.75 in 2016 to EC$0.78 in 2017, driven by higher fuel prices incurred during the year compared to the previous year. Movements in the tariff reflect the effect of changes in the price of fuel including charges associated with derivative financial instruments employed by the Company.

Generation costs of EC$24.3M (excluding fuel costs) were higher than the previous year's costs of EC$21.4M by EC$2.9M (13.6%) mainly as a result of increases in payroll costs of EC$1.8M, maintenance costs on the generation engines of EC$0.5M and depreciation of EC$0.7M.

Transmission and distribution costs of EC$43.6M grew by EC$4.4M (11.2%) compared to the prior year of EC$39.2M due to increases in payroll costs of EC$3.4M, depreciation costs of EC$0.7M and maintenance costs of EC$0.1M.

Administrative expenditure of EC$34.3M increased by EC$2.9M (9.2%) from prior year of EC$31.4M; an increase in employee costs of EC$2.2M, bad debts provision of EC$0.8M and repairs and maintenance of EC$0.3M were greater than the reductions in meter reading costs of EC$0.3M, depreciation and amortisation of EC$0.3M.

Finance costs decreased by EC$2.3M (27.4%) from EC$8.4M in 2016 to EC$6.1M in 2017 due to lower interest rates negotiated during the second half of 2016 in addition to the reducing balance of the existing loans. The weighted average interest rate incurred for 2017 was 5.1% compared to 5.2% incurred in 2016.

The Company achieved a Profit before Tax of EC$48.2M which was higher than the previous year's result of EC$47.4M by 1.7%.

The Company's Profit after Tax of EC$34.7M increased by 2.1% over the previous year's achievement of EC$34.0M.

Earnings per share for the year for the Company was EC$1.51 (2016 – EC$1.48), an increase of 2.0% over the prior year.

The Company achieved a Return on Equity of 12.3% (2016 – 12.7%) and a Return on Contributed Capital (Rate of Return) of 13.4% as compared to 13.6% in 2016.

The interim dividend per share is EC$0.45 (2016 - EC$0.39). The Board of Directors will be make a recommendation to the shareholders on the 2017 final dividend at the Annual Meeting of Shareholders usually held in May of the following year.

Capital Expenditure

Expenditure for the year 2017 amounted to EC$49.0M (2016 – EC$28.8M) comprising mainly of the Solar Farm Project costs, engine overhauls, improvements to the Transmission & Distribution network and continuation of the Automated Metering Infrastructure Project.

**11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.**

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

| |
|---|
| N/A |

**12. Directors and Executive Officers of the Reporting Issuer.** (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer)*

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

## 13. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information.

## 14. List of Exhibits

List all exhibits, financial statements, and all other documents filed with this report.

| |
|---|
| Audited Financial Statements for the year ended December 31, 2017 |

## APPENDIX 1 – BIOGRAPHICAL DATA FORMS

**Information concerning Non-executive Directors:**

Name: Stephen David Rupert McNamara

Age: 66 years

Position: Chairman

Mailing Address: P. O. Box 189, Castries, St. Lucia

Telephone No.: (758) 452-2662

**List jobs held during past five years. Give brief description of responsibilities. Include names of employers.**

Partner in the law firm of – McNamara & Company
Generally the responsibility of the Senior Partner

**Education (degrees or other academic qualifications, schools attended, and dates):**

Lincoln's Inn – Inn's of Court School of Law, England – 1969 to 1972 Barrister-at-law

***Use additional sheets if necessary.***

**Information concerning Non-executive Directors:**

Name: Matthew Lincoln Mathurin Age: 55 years

Position: Director

Mailing Address: C/o National Insurance Corporation

Francis Compton Building, Waterfront, Castries, St. Lucia

Telephone No.: (758) 452-2808

**List jobs held during past five years. Give brief description of responsibilities. Include names of employers.**

2007 – Present: Director/Chief Executive Officer – National Insurance Corporation – leading organization- Planning and ensuring realisation of organization's goals, performing role of member of NIC's Board, guiding the Board in matters of policy, managing 120 staff members.

**Education (degrees or other academic qualifications, schools attended, and dates):**

2001-2002 MBA –Specialization in Finance (with Distinction) Edinburgh Business School of Heriott Watt University

1983-1985 FCCA Emile Woolf College of Accountancy

***Use additional sheets if necessary.***

**Information concerning Non-executive Directors:**

Name: John A. C. Joseph Position: Director

Age: 62

Mailing Address: P.O. Box 577
Castries LC04101
St. Lucia

Telephone No: (758) -716 1584

List jobs held during the past five years. Give brief description of responsibilities. Include name of employers.

Managing Director - Water and Sewerage Company Inc.

Education (degrees or other qualifications, schools attended, and dates):

Bsc. Economics (Hons) UWI Cave Hill 1977MBA Corporate Finance Fairleigh Dickinson University USA 986

***Use additional sheets if necessary.***

**Information concerning non-Executive Directors:**

Name: Charles Serieux Position: Director

Age: 56

Mailing Address: P.O. Box CP 5775
Castries
St Lucia

Telephone No: (758) 285-2431

List jobs held during the past five years. Give brief description of responsibilities. Include name of employers.

Managing Director – Ultramart Inc. 13Years

Education (degrees or other qualifications, schools attended, and dates):

Chartered Accountant - Association of Certified Chartered Accountants of UK

***Use additional sheets if necessary.***

**Information concerning non-Executive Directors:**

**Name**: Sharon L Christopher Age: 61 years

**Position**: CEO Sharon Christopher & Associates

**Mailing Address:** 31 Starboard Drive, Westmoorings, Trinidad

**Telephone Nos.:** (868-633-3669 (home) 868-678-7338 (mobile).

**List jobs held during the past five years. Give brief description of responsibilities.**

**Include names of employers.**

Chief Executive Officer - Sharon Christopher and Associates

First Citizens Bank Limited – Deputy Chief Executive Officer / Group Corporate Secretary. Holds Executive Management responsibility for the following areas:
Legal, Group Operational Risk & Compliance, Human Resources, Group Facilities Management Services, Security Services, Marketing and Information & Communication Technology

**Education (degrees or other academic qualifications, schools attended, and dates):**

London School of Economics & Political Science, University of London – 1980-1981.
Masters of Laws (LLM) Corporate Law
Hugh Wooding Law School – 1978 – 1980, Legal Education of Certificate (LEC)
University of the West Indies, Faculty of Law, Cave Hill, Barbados – 1975-1978
Bachelors of Law (LL.B) Upper Second Class Honours

***Use additional sheets if necessary.***

**Information concerning non-Executive Directors:**

Name: Leslie Prospere Position: Attorney At Law

Age: 42

Mailing Address: P.O. Box 161
Castries, LC04 101
Saint Lucia

Telephone No: (758) 285 4122 (m) (758) 452 2311

**List jobs held during the past five years. Give brief description of responsibilities. Include name of employers.**

Gordon, Gordon & Co: Associate attorney (2010 to 2014) Partner (2014 to present)
Providing legal advice and representation to clients in all areas of the law.
Appearing before all Courts in the judicial hierarchy in Saint Lucia including the Judicial Committee of the Privy Council

**Education (degrees or other qualifications, schools attended, and dates):**

Bachelor of Laws University of London (1997 to 2000)
Legal Education Certificate Hugh Wooding Law School (2000 to 2002)
Certified Country Assessor (Caribbean Financial Action Task Force (CFATF) (2010) Member of the CFATF team that undertook the country assessment for Belize in 2010.
Attorney General's nominee on Engineers Registration Board (2006), Saint Lucia Road Transport Board (2007 to 2010) and Central Tenders Board (2006 to 2010)

*Use additional sheets if necessary.*

**Information concerning non-Executive Directors:**

Name: Nicholas John Position: Attorney at Law

Age: 62

Mailing Address: P.O. Box 1209
Castries, LC04 101
Saint Lucia

Telephone No: (758) 451 9237 (Office)
(758) 451 7573 (Office)
(758) 452 9070 (Residence)

**List jobs held during the past five years. Give brief description of responsibilities. Include name of employers.**

| | | |
|---|---|---|
| Trainee Chartered Accountant | Peat Marwick Mitchell (UK) | 1978-79 |
| Partner Deterville, John & Co. | 1979-94 | |
| Principal | Nicholas John & Co. 1994-present | |
| Managing Director | Hewanorra Fiduciary Services Group 1999 –present | |

**Education (degrees or other qualifications, schools attended, and dates):**

| | | |
|---|---|---|
| University | London School of Economics | 1973-77 |
| Law School | Council of Legal Education of England | 1977-78 |

*Use additional sheets if necessary.*

**Information concerning Non-executive Directors:**

Name: Carole Eleuthere-Jn Marie Position: Director

Age: 50

Mailing address: P.O. Box 527, Castries, St. Lucia

Telephone No.: 758-450-2662 Ext. 4400, 758-285-4347

**List jobs held during past five years. Give a brief description of responsibilities. Include name of employers**

December 2016 to present – Interim Chief Executive Officer, First Citizens Bank (Barbados) Limited

December 2016 Regional Manager EC & Barbados – First Citizens Investment Services Limited

Responsibilities

- Lead and define a rapidly growing Caribbean Regional Investment Brokerage Operation which caters for the investment needs of a wide range of financial and non-bank financial institutions, large corporations and high net worth retail clients
- Lead and drive Capital Market transactions for Regional Caribbean Governments and Large corporations
- Coach and direct the Country Heads in Regional territories
- Lead and drive the execution of comprehensive business plans and strategies that create, develop, educate and nature the Capital markets of the Eastern Caribbean and Barbados
- Maintain a highly driven, motivated and customer focused regional team with a customer centric and proactive sales culture
- Provide regional leadership and guidance with respect to HR, Brand and marketing policies, Compliance, etc.

**Education (degrees or other academic qualifications, schools attended, and dates):**

FCCA – Emile Woolf College 1992
BSC (Hons) – UWI Cavehill 1987 - 1990

***Use additional sheets if necessary.***

**Information concerning non-Executive Directors:**

Name: Roger Blackman | Position: Managing Director - BLPC

Age: 47

Mailing Address: Barbados Light & Power Co Ltd
Garrison Hill, St Michael
Barbados, BB11000

Telephone No: (246) 626-4210

**List jobs held during the past five years. Give brief description of responsibilities. Include name of employers.**

2014: Senior Director Business Development - Emera Inc. Focused on clean energy and transmission development in the US Northeast.
2010: Business Development Manager - The Barbados Light & Power Co. Ltd. Responsible for providing leadership and oversight of the Company's power generation and transmission planning activities.

**Education (degrees or other qualifications, schools attended, and dates):**

2008: Master of Business Administration - Durham University, UK
1991: Bachelor of Science in Engineering - The University of the West Indies, St. Augustine

***Use additional sheets if necessary.***

**Information concerning non-Executive Directors:**

Name: Karen Darbasie Position: Group Chief Executive Officer

Age: 53

Mailing Address: First Citizens Bank Limited
9 Queen's Park East
Port of Spain

Telephone No: (868) 621-5333 Mobile: (868) 680-9495

**List jobs held during the past five years. Give brief description of responsibilities. Include name of employers.**

Jan 2005 - March 2015 Country Treasurer and Local Markets Head; Citibank (Trinidad & Tobago) Limited
Managing Director; Citicorp Merchant Bank Limited

In addition to providing the executive leadership for Citicorp Merchant Bank Limited, in the role of Country Treasurer the position has responsibility for managing the asset and liability positions of the bank in Trinidad, Barbados and Bahamas for each currency in which the bank funds its operations.

Responsible for regulatory interaction, with both Central Bank of Trinidad & Tobago and Trinidad & Tobago Securities & Exchange Commission, to resolve queries and obtain guidance or approval as required.

Primarily responsible for the management and marketing of the following products to ensure structures are suitable and appropriate to client needs:-

- FX trading - including Spot and Forwards
- Derivatives - including local and foreign Structured Investments
- Local Debt Capital Markets

**Education (degrees or other qualifications, schools attended, and dates):**

| | |
|---|---|
| 1982-1985 | UNIVERSITY OF THE WEST INDIES<br>B.Sc. (Hons) Electrical Engineering |
| 1986-1987 | UNIVERSITY OF ESSEX<br>MSc (Dist.) Telecommunications and Information Systems |
| 1990-1991 | UNIVERSITY OF WARWICK<br>MBA (Dist.) |

***Use additional sheets if necessary.***

## SPECIAL ACADEMIC ACHIEVEMENTS:

TRINIDAD AND TOBAGO GOVERNMENT SCIENCE SCHOLARSHIP based on results of Cambridge GCE A' Level Examination (1982).

UNIVERSITY OF THE WEST INDIES SCHOLARSHIP based on results of U.W.I. Scholarship Examination (1982).

CHARLES D. MASSEY PRIZE for FIRST PLACE – FACULTY OF ENGINEERING based on results of final year examination (1985).

TEXTEL PRIZE for top mark Telecommunication Systems based on results of final year examinations (1985).

COMMONWEALTH SCHOLARSHIP awarded for postgraduate study at University of Essex (1986).

***Use additional sheets if necessary.***

## APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

### EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Trevor Louisy

Position: Managing Director

Age: 55 years

Mailing Address: P.O. Box 230, Castries. St. Lucia

Telephone No.: ( 758 ) 457-4400

**List of jobs held during past five years. Give brief description of responsibilities. Include names of employers.**

*St. Lucia Electricity Services Limited* - Managing Director 2004 to present

Responsible for the management of the business operations and strategic positioning of LUCELEC

*St. Lucia Electricity Services Ltd.* - Chief Engineer - 1997- December 31, 2003

Responsible for all engineering functions.

**Education (degrees, or other academic qualifications, schools attended, and dates)**

B. Sc. Electrical Engineering, University of the West Indies

Also a Director of the Company [X] Yes [ ] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

N/A

***Use additional sheets if necessary.***

**EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY**

Name: Ian Peter Position : Chief Financial Officer

Age: 48 years

Mailing Address: P.O. Box 230. Castries, St. Lucia

Telephone No.: ( 758 ) 457-4400

**List jobs held during past five years. Give brief description of responsibilities. Include names of employers.**
St. Lucia Electricity Services Limited – Chief Financial Officer – January 2016 to present

Responsible for the financial management and fiscal integrity of the company

Unicomer (Saint Lucia) Limited formerly Courts (St. Lucia Limited) – OECS Director of Finance & Technical Services - April 2014 to December 2015

Unicomer (Saint Lucia) Limited formerly Courts (St. Lucia) Ltd – OECS Director of Finance – January 2008 to March 2014

**Education (degrees or other academic qualifications, schools attended, and dates):**

Fellow of the Association of Certified Chartered Accountants (FCCA)

BSc (Hons) Management Studies from the University of the West Indies, Cave Hill Campus – 1989 to 1992

Also a Director of the company [ ] Yes [X ] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

***Use additional sheets if necessary.***

Name: Sharon Narcisse Position: Senior Human Resources Officer

Age: 42
Mailing Address: P.O. Box 230, Castries LC04 101 St. Lucia
Telephone No.: ( 758 ) 457-4400

**List of jobs held during past five years. Give brief description of responsibilities. Include names of employers.**

**Key responsibilities:**

September 2017 to Present
Senior Human Resources Manager - St. Lucia Electricity Services Limited (LUCELEC)
Sans Souci, Castries, Saint Lucia

- Strategic HR Management - Creates and enhances human resource management strategy and programmes that align with LUCELEC's corporate strategy in support of its mission, vision and values, and recommends and implements new approaches to effect continual improvements in the attainment of business objectives.
- Workforce Planning - Develops and implements workforce and succession planning models to attract and retain the human capital required for the organization.
- Talent Development - Develops and implements customized talent management and development programmes to ensure maximum return on investment of LUCELEC's human capital.
- Performance Management - Ensures planning, monitoring, and evaluation of employee work results by developing and overseeing appropriate performance management systems, and training managers to coach, develop and where necessary discipline employees.
- Industrial Relations - Determines and champions employee relations practices to ensure a positive employee-employer relationship that promotes a high level of employee commitment and an effective Industrial Relations environment. Leads negotiations for Collective Agreements and manages the local dispute resolution process through constant interaction with the company's negotiating partners.
- Compensation & Benefits - Establishes and maintains company compensation programmes to ensure internal and external equity and competitiveness is maintained.
- Risk Management & Statutory Compliance – Proactively identifies potential Human Resource risk areas, root causes of these and takes measured actions to mitigate these risks. Ensures compliance with local labour legislation by enforcing adherence to requirements, monitoring statutory changes and advising and educating management on needed actions.
- Change Management - Facilitates change management strategies to ensure continued employee engagement, productivity and support of the corporate culture.

***Use additional sheets if necessary.***

- Senior Leader – Manages the operations of the HR Department and leads the HR Team to provide progressive HR client services across the organization. Develops aligned department goals, objectives, and systems, manages department and project budgets and produces timely and comprehensive management reporting.

Key responsibilities:

April 2015 to September 8, 2017
Senior Manager – Human Resources
Saint Lucia Air and Sea Ports Authority
Manoel Street, Castries, Saint Lucia

- Develop, coordinate and monitor the implementation of human resource programs, policies and procedures that support the organization's strategic objectives;
- Initiate, develop, and lead all change initiatives pertaining to human resources management for improved efficiency, productivity and service delivery;
- Lead the Authority's employee relations and disciplinary programs and meet regularly with three (3) Trade Unions and one (1) employee association to resolve employee grievances and gain support for key organizational initiatives;
- Coordinate the administration and negotiation of trade union agreements and serve as a member of the Management Team for negotiation of collective agreements; led discussions at the level of the technical committee which was set up for the purpose of reviewing salaries;
- Direct the Authority's talent management program and ensure the alignment of employee needs with the overarching goals of the organization;
- Recommend and maintain an organizational structure and staffing levels to accomplish company goals and objectives;
- Develop and manage annual budgets for the Human Resources Department and perform periodic cost and productivity analyses;
- Coach, supervise and monitor the work of five (5) direct reports in undertaking all human resource transactions through the assignment of work, constant review, dialogue and guidance for the achievement of established performance targets.
- Provide advice and support to 14 senior managers and approximately 440 employees on the interpretation and application of HR policies, rules and regulations;

Key responsibilities:

November 2012 to March 2015

***Use additional sheets if necessary.***

## EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Victor E. Emmanuel Position: Business Development Manager

Age: 56 years

Mailing Address: P.O. Box 230, Castries. St. Lucia

Telephone No.: ( 758 ) 457-4400

**List of jobs held during past five years. Give brief description of responsibilities. Include names of employers.**

St. Lucia Electricity Services Limited – Business Development Manager – September 2008 to present
Responsible for the identification and development of new business ventures for the Company

St. Lucia Electricity Services Limited - Chief Engineer – January 2004 to August 2008.
Responsible for all engineering functions

St. Lucia Electricity Services Limited - Generation Engineer - 1994 – 2003 - Responsible for the generation of electricity within the Company

**Education (degrees, or other academic qualifications, schools attended, and dates)**

B. Eng Electrical Engineering, Mc Gill University – 1981-1985

M.Sc. Information System Engineering – UMIST – 1994-1995

Also a Director of the Company [ ] Yes [X] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

***Use additional sheets if necessary.***

## EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Goodwin d' Auvergne Position: Chief Engineer
Age: 57 years
Mailing Address: P.O. Box 230, Castries, St. Lucia

Telephone No.: (758 ) 457-4400

**List jobs held during past five years. Give brief description of responsibilities. Include names of employers.**

St. Lucia Electricity Services Limited: Chief Engineer 2008 – Present - Responsible for coordinating the activities of the Engineering Division (Operations).

**Education (degrees, or other qualifications, schools attended and dates):**

**Master of Business Administration (Finance) – Durham University (2014)**

Bachelor of Science - Electrical Engineering - University of Hartford (1984-1988)

Associates in Applied Science - Electronic Technology - University of Hartford (1982-1984)

Also a Director of the Company [ ] Yes [X] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

***Use additional sheets if necessary.***

Director - Human Resource Management
Ministry of the Public Service, Information and Broadcasting,
Greaham Louisy Administrative Building, Waterfront, Castries, Saint Lucia

- Developed, coordinated and monitored the implementation of human resource programs, policies and procedures for 17 ministries and 6 departments with a total staff complement of over 9,000 employees;
- Directed and performed recruitment and selection activities, including vacancy adverts, shortlisting and interviewing through consultation with senior officers in 17 ministries and 6 departments to determine job competencies for the selection of the best candidate;
- Administered the public service's compensation plan through the assignment of salary and allowances to approximately 7,000 public officers on the permanent establishment;
- Met with the relevant trade unions to discuss staff grievances and agree on resolutions.
- Provided advice and support to the Permanent Secretary and Deputy Permanent Secretary of the Ministry of the Public Service on the development, modification and application of existing HR policies, rules and regulations and recommends new policies;
- Provided advice and support to over 30 senior public officers and staff on the interpretation and application of HR policies, rules and regulations through monthly targeted meetings and regular dialogue with over 50 heads of ministries and departments;
- Conducted research into human resources matters such as benefits (pension and employment contracts) and disciplinary matters and submits a comprehensive report on the findings and recommends the relevant course of action;
- Coached, supervised and monitored the work of 5 direct reports and 12 indirect reports in undertaking all human resource transactions through the assignment of work, constant review, dialogue and guidance to ensure that the established performance targets are achieved and to facilitate staff development;
- Produced quarterly and annual reports to evaluate the progress, achievements and challenges of the Human Resources Division and submits the same to the Permanent Secretary for the assessment of the Division's progress towards attaining its goals.

Education (degrees, or other academic qualifications, schools attended, and dates)

- Master of Management Studies (with First Class Honours)
  Major: Human Resource Management
  School: The University of Waikato, Hamilton, New Zealand
  Date: 2004-2005

- Postgraduate Diploma in Human Resource Management (with Distinction)
  School: The University of Waikato, Hamilton, New Zealand
  Date: 2003-2004

- Bachelor of Business Administration

Major: Management

***Use additional sheets if necessary.***

School: Andrews University, Berrien Springs, Michigan, USA
Date: 1991-1996

- Associate of Science Degree
  Major: Computer Information Systems
  School: Andrews University, Berrien Springs, Michigan, USA
  Date: 1991-1996

Also a Director of the Company [] Yes [ X ] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters: N/A

***Use additional sheets if necessary.***

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Consolidated Financial Statements
December 31, 2017
(Expressed in Eastern Caribbean Dollars)

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

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PKF St. Lucia

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Tel. (758) 450 - 7777
Fax (758) 451 - 3079
Email: admin@pkf.lc

PKF

Accountants & business advisers

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of St. Lucia Electricity Services Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of **St. Lucia Electricity Services Limited** (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

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

### Key Audit Matters

There were no key audit matters to communicate.

### Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

Chartered Accountants
Castries, Saint Lucia
March 9, 2018

**ST. LUCIA ELECTRICITY SERVICES LIMITED**
Consolidated Statement of Financial Position
As at December 31, 2017
***(Expressed In Eastern Caribbean Dollars)***

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current** | | | |
| Property, plant and equipment | 6 | $ **348,357,260** | 336,182,410 |
| Intangible assets | 7 | **12,436,257** | 11,772,829 |
| **Total non-current assets** | | **360,793,517** | 347,955,239 |
| **Current** | | | |
| Inventories | 8 | **13,719,898** | 11,881,268 |
| Trade, other receivables and prepayments | 9 | **49,598,104** | 53,396,370 |
| Other financial assets | 10 | **40,671,992** | 36,669,002 |
| Derivative financial instruments | 11 | **4,288,440** | - |
| Income tax recoverable | | **428,722** | - |
| Cash and cash equivalents | 12 | **22,644,177** | 29,600,146 |
| **Total current assets** | | **131,351,333** | 131,546,786 |
| **Total assets** | | $ **492,144,850** | 479,502,025 |
| **Shareholders' equity and liabilities** | | | |
| **Shareholders' equity** | | | |
| Share capital | 13 | $ **80,162,792** | 80,162,792 |
| Retained earnings | | **159,185,591** | 150,517,899 |
| Fair value reserve | 14 | **331,278** | (551,394) |
| Revaluation reserve | 15 | **15,350,707** | 15,350,707 |
| Self-insurance reserve | 16 | **33,972,285** | 30,717,043 |
| **Total shareholders' equity** | | **289,002,653** | 276,197,047 |
| **Liabilities** | | | |
| **Non-current** | | | |
| Borrowings | 17 | **82,202,503** | 100,181,035 |
| Consumer deposits | 18 | **17,761,450** | 16,441,756 |
| Deferred tax liability | 19 | **33,596,207** | 33,364,975 |
| Pension benefit liabilities | 20(c) | **-** | 4,035,000 |
| Post-employment medical benefit liabilities | 21(b) | **2,036,000** | 1,786,000 |
| **Total non-current liabilities** | | **135,596,160** | 155,808,766 |
| **Current** | | | |
| Borrowings | 17 | **18,562,878** | 19,585,036 |
| Trade and other payables | 22 | **47,057,472** | 22,614,479 |
| Provision for other liabilities | 23 | **1,485,493** | 1,485,493 |
| Dividends payable | | **440,194** | 444,886 |
| Income tax payable | | **-** | 3,366,318 |
| **Total current liabilities** | | **67,546,037** | 47,496,212 |
| **Total liabilities** | | **203,142,197** | 203,304,978 |
| **Total shareholders' equity and liabilities** | | $ **492,144,850** | 479,502,025 |

**Approved on behalf of the Board of Directors:**

Director

Director

*The notes on pages 8 to 63 are an integral part of these financial statements.*

**ST. LUCIA ELECTRICITY SERVICES LIMITED**
Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2017
***(Expressed In Eastern Caribbean Dollars)***

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **Revenue** | | | |
| Energy sales | | $ 278,981,385 | 259,885,129 |
| Other revenue | | 4,083,657 | 1,984,207 |
| | | 283,065,042 | 261,869,336 |
| **Operating expenses** | | | |
| Fuel costs | 31 | 127,594,290 | 114,854,090 |
| Transmission and distribution | | 43,552,010 | 39,245,421 |
| Generation | | 24,293,205 | 21,364,047 |
| | 31 | 195,439,505 | 175,463,558 |
| **Gross income** | | 87,625,537 | 86,405,778 |
| Administrative expenses | 31 | (34,257,466) | (31,389,207) |
| **Operating profit** | | 53,368,071 | 55,016,571 |
| Interest income | | 786,618 | 727,339 |
| Other gains, net | 24 | 66,610 | 44,925 |
| **Profit before finance costs and taxation** | | 54,221,299 | 55,788,835 |
| Finance costs | 25 | (6,063,545) | (8,352,870) |
| **Profit before taxation** | | 48,157,754 | 47,435,965 |
| Taxation | 26 | (13,470,620) | (13,468,323) |
| **Net profit for the year** | | 34,687,134 | 33,967,642 |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified to profit or loss:** | | | |
| Fair value gain/(loss) on available-for sale financial assets | 14 | 882,672 | (551,394) |
| **Items that will not be reclassified to profit or loss:** | | | |
| Re-measurements of defined benefit plans, net of tax | 26 | 385,000 | 1,566,600 |
| **Total other comprehensive income** | | 1,267,672 | 1,015,206 |
| **Total comprehensive income for the year** | | $ 35,954,806 | 34,982,848 |
| **Basic and diluted earnings per share** | 27 | $ 1.51 | 1.48 |

*The notes on pages 8 to 63 are an integral part of these financial statements.*

**ST. LUCIA ELECTRICITY SERVICES LIMITED**
Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2017
***(Expressed In Eastern Caribbean Dollars)***

| | Notes | Share Capital | Retained Earnings | Fair Value Reserve | Revaluation Reserve | Self-insurance Reserve | Total |
|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2016** | | $ 80,162,792 | 135,373,798 | - | 15,350,707 | 28,204,502 | 259,091,799 |
| Net profit for the year | | - | 33,967,642 | - | - | - | 33,967,642 |
| Fair value loss on available-for sale financial assets | 14 | - | - | (551,394) | - | - | (551,394) |
| Re-measurements of defined benefit plans, net of tax | 26 | - | 1,566,600 | - | - | - | 1,566,600 |
| Total comprehensive income for the year | | - | 35,534,242 | (551,394) | - | - | 34,982,848 |
| Transfer to self-insurance reserve | 16 | - | (2,512,541) | - | - | 2,512,541 | - |
| Ordinary dividends | 29 | - | (17,877,600) | - | - | - | (17,877,600) |
| **Balance at December 31, 2016** | | $ 80,162,792 | 150,517,899 | (551,394) | 15,350,707 | 30,717,043 | 276,197,047 |
| **Balance at January 1, 2017** | | **$ 80,162,792** | **150,517,899** | **(551,394)** | **15,350,707** | **30,717,043** | **276,197,047** |
| Net profit for the year | | - | **34,687,134** | - | - | - | **34,687,134** |
| Fair value gain on available-for sale financial assets | 14 | - | - | **882,672** | - | - | **882,672** |
| Re-measurements of defined benefit plans, net of tax | 26 | - | **385,000** | - | - | - | **385,000** |
| Total comprehensive income for the year | | - | **35,072,134** | **882,672** | - | - | **35,954,806** |
| Transfer to self-insurance reserve | 16 | - | **(3,255,242)** | - | - | **3,255,242** | - |
| Ordinary dividends | 29 | - | **(23,149,200)** | - | - | - | **(23,149,200)** |
| **Balance at December 31, 2017** | | **$ 80,162,792** | **159,185,591** | **331,278** | **15,350,707** | **33,972,285** | **289,002,653** |

*The notes on pages 8 to 63 are an integral part of these financial statements.*

**ST. LUCIA ELECTRICITY SERVICES LIMITED**
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017
***(Expressed In Eastern Caribbean Dollars)***

| | Notes | | 2017 | 2016 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit before taxation | | $ | **48,157,754** | 47,435,965 |
| **Adjustments for:** | | | | |
| Depreciation | 6 | | **34,291,418** | 33,110,236 |
| Amortisation of intangible assets | 7 | | **1,914,935** | 2,278,547 |
| Interest income | | | **(786,618)** | (727,339) |
| Interest expense | 25 | | **6,055,886** | 8,352,870 |
| Movement in allowance for impairment | | | **1,343,610** | 538,231 |
| Gain on disposal of property, plant and equipment | 24 | | **(44,285)** | (12,929) |
| Loss on disposal of other financial assets | 25 | | **7,659** | - |
| Post-retirement benefits | | | **(3,235,000)** | 60,000 |
| **Operating profit before working capital changes** | | | **87,705,359** | 91,035,581 |
| (Increase)/decrease in inventories | | | **(1,838,630)** | 2,499,884 |
| Decrease in trade, other receivables and prepayments | | | **2,454,656** | 3,685,549 |
| Increase/(decrease) in trade and other payables | | | **20,154,053** | (3,214,209) |
| **Cash generated from operations** | | | **108,475,438** | 94,006,805 |
| Interest income received | | | **783,018** | 893,610 |
| Interest expense paid | | | **(5,896,888)** | (8,298,868) |
| Income tax paid | | | **(17,199,428** | (13,492,640) |
| **Net cash from operating activities** | | | **86,162,140** | 73,108,907 |
| **Cash flows from investing activities** | | | | |
| Acquisition of property, plant and equipment | 6 | | **(46,466,466)** | (27,800,940) |
| Proceeds from disposal of property, plant and equipment | | | **44,483** | 13,217 |
| Acquisition of intangible assets | 7 | | **(2,578,363)** | (969,667) |
| Acquisition of other financial assets | | | **(4,816,971)** | (33,625,294) |
| Proceeds from disposal of other financial assets | | | **1,692,594** | 15,402,661 |
| **Net cash used in investing activities** | | | **(52,124,723)** | (46,980,023) |
| **Cash flows from financing activities** | | | | |
| Repayment of borrowings | | | **(19,042,074)** | (18,008,714) |
| Dividends paid | | | **(23,153,892)** | (17,856,485) |
| Consumer deposits, net | | | **1,202,580** | 237,566 |
| **Net cash used in financing activities** | | | **(40,993,386)** | (35,627,633) |
| **Net decrease in cash and cash equivalents** | | | **(6,955,969)** | (9,498,749) |
| Cash and cash equivalents at beginning of year | 12 | | **29,600,146** | 39,098,895 |
| **Cash and cash equivalents at end of year** | 12 | $ | **22,644,177** | 29,600,146 |

*The notes on pages 8 to 63 are an integral part of these financial statements.*

## 1. Incorporation and Principal Activity

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

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

## 2. Basis of Preparation

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

The consolidated financial statements were approved for issue by the Board of Directors on March 9, 2018.

*(b)* *Basis of measurement*
The consolidated financial statements have been prepared using the historical cost basis except for land, available-for-sale financial assets and derivative financial instruments which are measured at fair value. The methods used to measure fair values are discussed further in Note 4.

*(c)* *Basis of consolidation*
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company as disclosed in Note 37. Control is achieved when the Company:

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

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

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

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

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

## 2. Basis of Preparation (Cont'd)

*(d) Functional and presentation currency*

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

*(e) Use of estimates and judgments*

The preparation of 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 financial statements is included in the following notes:

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

## 3. Significant Accounting Policies

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

*(a) Foreign currency*

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

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

*(b) Property, plant and equipment*

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, 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 separate items (major components) of property, plant and equipment.

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

(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 profit or loss as incurred.

(iii) *Depreciation*

Depreciation is recognised in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and are available for use.

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

The annual rates of depreciation are as follows:

| | **2017** | **2016** |
|---|---|---|
| ▪ Buildings | **2½% - 12½% per annum** | 2½% -12½% per annum |
| ▪ Plant and machinery | | |
| - Generator overhauls | **33⅓% per annum** | 33⅓% per annum |
| - Other | **4% - 10% per annum** | 4% - 10% per annum |
| ▪ Motor vehicles | **20% - 33⅓% per annum** | 20% - 33⅓% per annum |
| ▪ Furniture and fittings | | |
| - Computer hardware | **20% per annum** | 20% per annum |
| - Other | **10% per annum** | 10% per annum |

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

*(c) Intangible assets*

(i) *Recognition and measurement*

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

(ii) *Subsequent expenditure*

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

(iii) *Amortisation*

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

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

*(d) Employee benefits*

*(i) Defined benefit plans*

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

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

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

*(d) Employee benefits (Cont'd)*

*(ii) Pension benefits assumptions*

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

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

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

*(iii) Defined contribution plans*

For its defined contribution plan, the Group pays contributions to a privately administered pension insurance plan on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit 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.

*(e) Financial instruments*

(i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise available-for-sale financial assets, loans and receivables, borrowings, trade and other payables and consumer deposits.

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

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

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

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

*Available-for-sale financial assets*

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

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include trade and other receivables, deposits held in banks and cash and cash equivalents.

*(i) Trade and other receivables*

Trade and other receivables are carried initially at fair value and subsequently measured at amortised cost less a provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is recognised in profit or loss.

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

*(ii) Deposits held in banks*

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

*(iii) 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 statement of cash flows.

Accounting for finance income and expense is discussed in Note 3(l).

*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.

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

*(e) Financial instruments (Cont'd)*
(i) *Non-derivative financial instruments (Cont'd)*
*Trade and other payables*
Liabilities for trade and other payables which are normally settled on 30 – 90 day terms and conditions are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Group.

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

(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.

*(f) Impairment*
(i) *Financial assets*
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the asset. Interest on the impaired asset continues to be recognised through the unwinding of the discount rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

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

*(f) Impairment (Cont'd)*

(i) *Financial assets (Cont'd)*

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) *Non-financial assets*

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

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

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

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

*(g) Inventories*

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

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

(h) *Provision for other liabilities*

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

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

(i) *Derivative financial instruments*

The Group holds derivative instruments to manage the volatility of its fuel costs. Further details of derivative financial instruments are disclosed in Note 11.

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

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

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

(j) *Interests in joint operations*

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

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

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

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

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

*(k) Revenue recognition*

*Sale of energy*

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

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

*Consumer contributions*

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

*(l) Finance income and costs*

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on disposal of other financial assets and changes in the fair value of financial assets at fair value through profit or loss that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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

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

*(m)* *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 balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

*(n)* *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 period. Diluted EPS is calculated by adjusting the inputs to the basic EPS computation for the effects of all dilutive potential ordinary shares, if any.

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

*(o) New standards, amendments to standards and interpretations*

*(i) New standards, amendments and interpretations effective in the 2017 financial year are as follows:*

A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after January 1, 2017 have been adopted in these consolidated financial statements. Note: those new standards, amendments and interpretations effective for annual periods beginning on or after January 1, 2017 which do not affect the Group's consolidated financial statements have not been disclosed below.

- *IAS 7, Statement of Cash Flows* was amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. One way is to provide a reconciliation of the opening and closing carrying amounts for each item for which cash flows have been classified as financial activities. The reconciliation should include (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

  This reconciliation has been disclosed in Note 12.

- *IAS 12, Income Taxes* was amended to clarify the following aspects:

  (a) Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
  (b) The carrying amount of an asset does not limit the estimation of probable future taxable profits.
  (c) Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
  (d) An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

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

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

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

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

Note: Those new standards, amendments and interpretations that are issued but not effective which do not affect the Group's consolidated financial statements have not been disclosed below.

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

- *IFRS 9, Financial Instruments* issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 to mainly include the impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

  It is anticipated that the application of IFRS 9 in the future may have a material impact on amounts reported in respect to the Group's consolidated financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review is undertaken

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

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

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

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

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

  This new standard is applicable for annual periods beginning on or after January 1, 2018. It is anticipated that the application of IFRS 15 in the future may have a material impact on amounts reported in respect to the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review is undertaken.

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

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

## 4. Determination of Fair Values (Cont'd)

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

| | | As at December 31, 2017 | As at December 31, 2016 | Level | Valuation techniques and key inputs |
|---|---|---|---|---|---|
| **Financial Instruments Measured at Fair Value** | | | | | |
| **Non-Financial Assets** | | | | | |
| Land (Note 6) | $ | **28,394,803** | 22,138,928 | 2 | Market comparable approach. Key inputs-Price per square foot |
| **Financial Assets** | | | | | |
| Available-for-sale (Note 10) | $ | **34,209,425** | 30,694,784 | 2 | Quoted prices in an inactive market |
| Derivative financial instruments (Note 11) | $ | **4,288,440** | - | 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 17) | $ | **94,283,376** | 109,987,131 | 2 | Present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date |

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

## 5. Financial Risk Management

### Overview

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

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

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

### Risk management framework

The Board of Directors 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 Committee is assisted in its oversight role by the Internal Audit Department, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

## 5. Financial Risk Management (Cont'd)

### Credit risk

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

*Trade and other receivables*
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry in which customers operate, have less of an influence on credit risk.

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

These payment terms are stipulated under the provisions of the Electricity Supply Act, 1994 (as amended) and include providing discretion to the Group to require a deposit not exceeding an estimated two month's supply of electricity from any consumer as security for sums due from time to time, and which is refundable with interest upon permanent termination of services . Customers that fail to meet the Group's benchmark creditworthiness may have their electricity supply withdrawn or terminated in accordance with the provisions of the Act.

More than 85 percent of the Group's customers have been transacting with the Group for over four years, and losses have occurred infrequently. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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

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

**5. Financial Risk Management (Cont'd)**

**Liquidity risk**

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

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

- An overdraft facility of EC$10 million which is secured. Interest is payable at the rate of 3.95% (2016 - 5.00%) per annum;
- Customs bond valued at $600,000.

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

**Market risk**

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

*Currency Risk*
The Group is exposed to currency risk on purchases and borrowings 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 and deposits. The Group is exposed to interest rate risk on its available-for-sale financial assets as at December 31, 2017. The Group's only interest-bearing financial liabilities are its borrowings and consumer deposits which have fixed rates of interest as disclosed in Notes 17 and 18, respectively.

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

## 5. Financial Risk Management (Cont'd)

### Market risk (Cont'd)

*Commodity price risk*
Commodity price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in commodity prices. Prices for these commodities are impacted by world economic events that dictate the levels of supply and demand. The Group is not exposed to commodity price risk on its derivative financial instruments as, although these instruments are affected by changes in the price of fuel, the changes in the value of these instruments are recoverable from customers as disclosed in Note 3(i).

### Operational risk

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

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

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

## 5. Financial Risk Management (Cont'd)

### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net profit after tax 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 Company was in compliance with this requirement at year-end.

There were no changes in the Group's approach to capital management during the year.

## 6. Property, Plant and Equipment

| | Land | Buildings | Plant and Machinery | Motor Vehicles | Furniture and Fittings | Work-in-Progress | Total |
|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | |
| Balance at January 1, 2016 | $ 22,138,928 | 84,539,981 | 729,415,712 | 3,810,019 | 17,063,902 | 15,501,650 | 872,470,192 |
| Additions | - | 5,913 | 1,357,059 | 7,629 | 562,482 | 25,867,857 | 27,800,940 |
| Transfers | - | 41,445 | 25,835,664 | 168,652 | 422,614 | (26,468,375) | - |
| Disposals | - | - | - | (105,000) | (14,933) | - | (119,933) |
| Balance at December 31, 2016 | 22,138,928 | 84,587,339 | 756,608,435 | 3,881,300 | 18,034,065 | 14,901,132 | 900,151,199 |
| Balance at January 1, 2017 | **22,138,928** | **84,587,339** | **756,608,435** | **3,881,300** | **18,034,065** | **14,901,132** | **900,151,199** |
| Additions | **6,255,875** | **56,276** | **107,760** | **4,246** | **97,900** | **39,944,409** | **46,466,466** |
| Transfers | - | **2,634,258** | **18,844,019** | **770,237** | **595,706** | **(22,844,220)** | - |
| Disposals | - | - | - | **(109,800)** | **(47,717)** | - | **(157,517)** |
| Balance at December 31, 2017 | **$ 28,394,803** | **87,277,873** | **775,560,214** | **4,545,983** | **18,679,954** | **32,001,321** | **946,460,148** |
| **Accumulated Depreciation** | | | | | | | |
| Balance at January 1, 2016 | $ - | 41,149,144 | 473,790,249 | 3,074,206 | 12,964,599 | - | 530,978,198 |
| Charge for the year | - | 2,051,915 | 29,909,008 | 248,070 | 901,243 | - | 33,110,236 |
| Eliminated on disposals | - | - | - | (105,000) | (14,645) | - | (119,645) |
| Balance at December 31, 2016 | - | 43,201,059 | 503,699,257 | 3,217,276 | 13,851,197 | - | 563,968,789 |
| Balance at January 1, 2017 | - | **43,201,059** | **503,699,257** | **3,217,276** | **13,851,197** | - | **563,968,789** |
| Charge for the year | - | **2,086,927** | **30,904,671** | **372,656** | **927,164** | - | **34,291,418** |
| Eliminated on disposals | - | - | - | **(109,800)** | **(47,519)** | - | **(157,319)** |
| Balance at December 31, 2017 | $ - | **45,287,986** | **534,603,928** | **3,480,132** | **14,730,842** | - | **598,102,888** |
| **Carrying Amounts** | | | | | | | |
| At January 1, 2016 | $ 22,138,928 | 43,390,837 | 255,625,463 | 735,813 | 4,099,303 | 15,501,650 | 341,491,994 |
| At December 31, 2016 | $ 22,138,928 | 41,386,280 | 252,909,178 | 664,024 | 4,182,868 | 14,901,132 | 336,182,410 |
| At January 1, 2017 | **$ 22,138,928** | **41,386,280** | **252,909,178** | **664,024** | **4,182,868** | **14,901,132** | **336,182,410** |
| At December 31, 2017 | **$ 28,394,803** | **41,989,887** | **240,956,286** | **1,065,851** | **3,949,112** | **32,001,321** | **348,357,260** |

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

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

The Group's lands are stated at their revalued amounts, being the fair value at the date of revaluation of June 3, 2015. The fair value measurements were performed by an independent and qualified quantity surveyor. The fair values of the lands were determined based on the market comparable approach that reflects recent transactions prices for similar properties.

The carrying amounts of the Group's lands would have been $13,044,096 had they been measured at a historical cost basis as at December 31, 2017 (2016 - $6,788,221).

**Assets pledged as security**

As stated in Note 17, borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over all immovable properties and floating charges over all other assets, all ranking *pari passu* pursuant to a security sharing agreement and the assignment of insurance policies.

## 7. Intangible Assets

| | Information Systems | Wayleave Rights | Work-in-Progress | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at January 1, 2016 | $ 20,887,129 | 3,819,946 | 233,665 | 24,940,740 |
| Additions | 338,995 | 579,489 | 51,183 | 969,667 |
| Transfers | 34,329 | - | (34,329) | - |
| Balance at December 31, 2016 | 21,260,453 | 4,399,435 | 250,519 | 25,910,407 |
| Balance at January 1, 2017 | **21,260,453** | **4,399,435** | **250,519** | **25,910,407** |
| Additions | **106,856** | **1,027,563** | **1,443,944** | **2,578,363** |
| Transfers | **121,278** | **-** | **(121,278)** | **-** |
| Balance at December 31, 2017 | **$ 21,488,587** | **5,426,998** | **1,573,185** | **28,488,770** |
| **Accumulated Amortisation** | | | | |
| Balance at January 1, 2016 | $ 11,859,031 | - | - | 11,859,031 |
| Amortised for the year | 2,278,547 | - | - | 2,278,547 |
| Balance at December 31, 2016 | 14,137,578 | - | - | 14,137,578 |
| Balance at January 1, 2017 | **14,137,578** | **-** | **-** | **14,137,578** |
| Amortised for the year | **1,914,935** | **-** | **-** | **1,914,935** |
| Balance at December 31, 2017 | **$ 16,052,513** | **-** | **-** | **16,052,513** |
| **Carrying Amounts** | | | | |
| At January 1, 2016 | $ 9,028,098 | 3,819,946 | 233,665 | 13,081,709 |
| At December 31, 2016 | $ 7,122,875 | 4,399,435 | 250,519 | 11,772,829 |
| At January 1, 2017 | **$ 7,122,875** | **4,399,435** | **250,519** | **11,772,829** |
| At December 31, 2017 | **$ 5,436,074** | **5,426,998** | **1,573,185** | **12,436,257** |

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.

## 8. Inventories

| | | 2017 | 2016 |
|---|---|---|---|
| Fuel inventories | $ | **3,302,400** | 3,015,114 |
| Generation spare parts | | **4,590,693** | 4,476,768 |
| Transmission, distribution and other spares | | **7,499,676** | 6,140,946 |
| Goods-in-transit | | **422,764** | 436,617 |
| | | **15,815,533** | 14,069,445 |
| Less: provision for inventory obsolescence | | **(2,095,635)** | (2,188,177) |
| | $ | **13,719,898** | 11,881,268 |

## 9. Trade, Other Receivables and Prepayments

| | | 2017 | 2016 |
|---|---|---|---|
| Trade receivables due from related parties (Note 30) | $ | **6,421,732** | 8,591,897 |
| Other trade receivables | | **27,704,150** | 32,078,671 |
| Trade receivables, gross | | **34,125,882** | 40,670,568 |
| Less: allowance for impairment of trade receivables (Note 33) | | **(8,071,974)** | (7,239,988) |
| Trade receivables, net | | **26,053,908** | 33,430,580 |
| Other receivables due from related parties (Note 30) | | **858,672** | 858,073 |
| Other receivables | | **6,295,280** | 5,554,004 |
| Other receivables, gross | | **7,153,952** | 6,412,077 |
| Less: allowance for impairment of other receivables (Note 33) | | **(1,290,349)** | (885,197) |
| Other receivables, net | | **5,863,603** | 5,526,880 |
| Accrued income | | **16,040,935** | 12,615,904 |
| | | **47,958,446** | 51,573,364 |
| Prepayments | | **1,639,658** | 1,823,006 |
| | $ | **49,598,104** | 53,396,370 |

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

## 10. Other Financial Assets

| | | 2017 | 2016 |
|---|---|---|---|
| **Available-for-sale** | | | |
| Treasury bills | $ | **1,050,000** | - |
| Equity investments | | **33,159,425** | 30,694,784 |
| | | **34,209,425** | 30,694,784 |
| **Deposits** | | | |
| Term deposits | | **6,462,567** | 5,974,218 |
| | $ | **40,671,992** | 36,669,002 |

The available-for-sale financial assets are not available for the day-to-day operations of the Group.

The term deposits earn interest of 1.75% (2016 - 1.75% to 2.00%) per annum and mature between 6 to 11 months (2016 - 6 to 11 months) after year end.

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

## 11. 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:

| | | 2017 | 2016 |
|---|---|---|---|
| Fixed price swaps | $ | **4,288,440** | - |

## 12. Cash and Cash Equivalents

Cash and cash equivalents comprise:

| | | 2017 | 2016 |
|---|---|---|---|
| Cash at bank and in hand | $ | 22,644,177 | 29,600,146 |

Included in cash and cash equivalents are $384,341 (2016 - $262,258) that are not available for the day-to-day operations of the Group.

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

Reconciliation of liabilities arising from financing activities:

| | Non-current borrowings (Note 17) | Current borrowings (Note 17) | Consumer Deposits (Note 18) | Total |
|---|---|---|---|---|
| Balance at January 1, 2016 | $ 121,712,672 | 16,101,653 | 16,111,107 | 153,925,432 |
| Cash Flows | - | (26,122,775) | 52,759 | (26,070,016) |
| Non-cash flows | | | | |
| -Borrowings classified as non-current becoming current in 2016 | (21,531,637) | 21,531,637 | - | - |
| -Interest accruing in 2016 | - | 8,074,521 | 277,890 | 8,352,411 |
| Balance at December 31, 2016 | $ 100,181,035 | 19,585,036 | 16,441,756 | 136,207,827 |
| **Balance at January 1, 2017** | **$ 100,181,035** | **19,585,036** | **16,441,756** | **136,207,827** |
| Cash Flows | **-** | **(24,798,511)** | **1,062,130** | **(23,736,381)** |
| Non-cash flows | | | | |
| -Borrowings classified as non-current becoming current in 2017 | **(17,978,532)** | **17,978,532** | **-** | **-** |
| -Interest accruing in 2017 | **-** | **5,797,821** | **257,564** | **6,055,385** |
| Balance at December 31, 2017 | **$ 82,202,503** | **18,562,878** | **17,761,450** | **118,526,831** |

## 13. Share Capital

| | 2017 | 2016 |
|---|---|---|
| *Authorised:* | | |
| Voting ordinary shares | **100,000,000** | 100,000,000 |
| Ordinary non-voting shares | **800,000** | 800,000 |
| Preference shares | **1,214,128** | 1,214,128 |

| | | 2017 | 2016 |
|---|---|---|---|
| *Issued and fully paid* | | | |
| 22,400,000 voting ordinary shares | $ | **77,562,792** | 77,562,792 |
| 520,000 non-voting ordinary shares | | **2,600,000** | 2,600,000 |
| | $ | **80,162,792** | 80,162,792 |

## 14. Fair Value Reserve

| | | 2017 | 2016 |
|---|---|---|---|
| Balance at beginning of year | $ | **(551,394)** | - |
| Fair value gain/(loss) on available-for-sale financial assets | | **882,672** | (551,394) |
| Balance at end of year | $ | **331,278** | (551,394) |

The fair value reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed.

## 15. Revaluation Reserve

| | | 2017 | 2016 |
|---|---|---|---|
| Balance at beginning and end of year | $ | **15,350,707** | 15,350,707 |

The revaluation reserve represents the 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.

## 16. Self-insurance Reserve

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

During 2011, the Group received formal notification from the Registrar of Insurances of the approval in principle, subject to certain conditions, for the establishment of the fund in accordance with the Insurance Act of Saint Lucia. Payments into the fund are exempted from income tax under 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:

| | | 2017 | 2016 |
|---|---|---|---|
| Other financial assets: available-for-sale (Note 10) | $ | **34,209,425** | 30,694,784 |
| Cash and cash equivalents (Note 12) | | **384,341** | 262,258 |
| | $ | **34,593,766** | 30,957,042 |

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

| | | 2017 | 2016 |
|---|---|---|---|
| Balance at January 1, | $ | **30,717,043** | 28,204,502 |
| Transferred from retained earnings | | **3,255,242** | 2,512,541 |
| Balance at December 31, | $ | **33,972,285** | 30,717,043 |

## 17. Borrowings

| | 2017 | 2016 |
|---|---|---|
| **Current** | | |
| Bank borrowings | $ **4,438,271** | 5,808,061 |
| Related parties | **14,124,607** | 13,776,975 |
| | **18,562,878** | 19,585,036 |
| **Non-current** | | |
| Bank borrowings | **15,962,658** | 19,841,218 |
| Related parties | **66,239,845** | 80,339,817 |
| | **82,202,503** | 100,181,035 |
| **Total borrowings** | | |
| Bank borrowings | **20,400,929** | 25,649,279 |
| Related parties (Note 30) | **80,364,452** | 94,116,792 |
| | $ **100,765,381** | 119,766,071 |

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

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

| | 2017 % | 2016 % |
|---|---|---|
| Bank borrowings | **4.02** | 4.02 |
| Related parties | **5.41** | 5.45 |

Maturity of non-current borrowings:

| | 2017 | 2016 |
|---|---|---|
| Between 1 and 2 years | $ **10,578,572** | 17,978,532 |
| Between 2 and 5 years | **35,012,297** | 33,345,851 |
| Over 5 years | **36,611,634** | 48,856,652 |
| | $ **82,202,503** | 100,181,035 |

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

## 18. 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% (2016 - 2%) per annum.

| | | 2017 | 2016 |
|---|---|---|---|
| Consumer deposits | $ | **13,721,055** | 12,518,475 |
| Interest accrual | | **4,040,395** | 3,923,281 |
| | $ | **17,761,450** | 16,441,756 |

## 19. Deferred Tax Liability

Deferred tax liability is calculated in full on temporary differences under the balance sheet liability method using a principal tax rate of 30% (2016 - 30%). The movement on the deferred tax liability account is as follows:

| | | 2017 | 2016 |
|---|---|---|---|
| Balance at beginning of year | $ | **33,364,975** | 33,942,511 |
| Recognised in profit and loss (Note 26) | | **66,232** | (1,248,936) |
| Recognised in other comprehensive income (Note 26) | | **165,000** | 671,400 |
| Balance at end of year | $ | **33,596,207** | 33,364,975 |

Deferred tax liability is attributed to the following items:

| | | 2017 | 2016 |
|---|---|---|---|
| Property, plant and equipment | $ | **34,207,007** | 35,111,275 |
| Pension benefit liabilities | | **-** | (1,210,500) |
| Post-employment medical benefit liabilities | | **(610,800)** | (535,800) |
| | $ | **33,596,207** | 33,364,975 |

## 20. Pension 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 by Sagicor Life Inc.

**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 Company Limited ("CLICO"). Subsequent funding to the plan is currently administered by RBC Investments Management (Caribbean) Limited (Note 35).

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

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

The most recent actuarial valuation of the plan was completed on December 31, 2015 using the "Projected Unit Credit" method of valuation.

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

| | Grade III | | Grade II | | Grades I | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| | % | % | % | % | % | % |
| Discount rates | **7.5** | 7.5 | **7.5** | 7.5 | **7.5** | 7.5 |
| Future salary increases | **4.5** | 4.5 | **4.0** | 4.0 | **4.0** | 4.0 |
| Future pension increases | **3.0** | 3.0 | **0.0** | 0.0 | **0.0** | 0.0 |
| Future promotional increases | **2.0** | 2.0 | **-** | - | **-** | - |
| Future NIS earnings increases | **-** | - | **-** | - | **2.0** | 2.0 |

Assumptions regarding future mortality are based on standard mortality tables.

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

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

| | | Grade III | | Grade II | | Grade I | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Present value of defined benefit obligations | $ | **(28,268,000)** | (26,086,000) | **(15,026,000)** | (14,355,000) | **(12,773,000)** | (12,500,000) | **(56,067,000)** | (52,941,000) |
| Fair value of plans' assets | | **31,562,000** | 26,010,000 | **17,900,000** | 10,396,000 | **16,664,000** | 16,303,000 | **66,126,000** | 52,709,000 |
| Effect of asset ceiling | | **(3,294,000)** | - | **(2,874,000)** | - | **(3,891,000)** | (3,803,000) | **(10,059,000)** | (3,803,000) |
| Defined benefit liabilities | $ | **-** | (76,000) | **-** | (3,959,000) | **-** | - | **-** | (4,035,000) |

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

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

| | | Grade III | | Grade II | | Grade I | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Defined benefit obligations as at January 1, | $ | **26,086,000** | 23,275,000 | **14,355,000** | 15,183,000 | **12,500,000** | 14,379,000 | **52,941,000** | 52,837,000 |
| Service costs | | **1,082,000** | 989,000 | **398,000** | 519,000 | **108,000** | 181,000 | **1,588,000** | 1,689,000 |
| Interest costs | | **2,024,000** | 1,807,000 | **1,049,000** | 1,045,000 | **925,000** | 993,000 | **3,998,000** | 3,845,000 |
| Past service costs | | - | - | - | 92,000 | - | - | - | 92,000 |
| Members' contributions | | - | - | **201,000** | 213,000 | **149,000** | 162,000 | **350,000** | 375,000 |
| Benefits paid | | **(359,000)** | (348,000) | **(744,00)** | (703,00) | **(408,000)** | (468,000) | **(1,511,000)** | (1,519,000) |
| Re-measurements: experience adjustments | | **(565,000)** | 363,000 | **(233,000)** | (1,994,000) | **(501,000)** | (2,747,000) | **(1,299,000)** | (4,378,000) |
| Defined benefit obligations as at December 31, | $ | **28,268,000** | 26,086,000 | **15,026,000** | 14,355,000 | **12,773,000** | 12,500,000 | **56,067,000** | 52,941,000 |

(e) The movements in the plans' assets were as follows:

| | | Grade III | | Grade II | | Grade I | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Fair value of plan's assets at January 1, | $ | **26,010,000** | 22,878,000 | **10,396,000** | 9,516,000 | **16,303,000** | 15,796,000 | **52,709,000** | 48,190,000 |
| Contributions paid - employer | | **4,267,000** | 1,304,000 | **764,000** | 875,000 | **260,000** | 322,000 | **5,291,000** | 2,501,000 |
| Contributions paid - members | | - | - | **201,000** | 213,000 | **149,000** | 162,000 | **350,000** | 375,000 |
| Interest income | | **2,097,000** | 1,749,000 | **786,000** | 677,000 | **1,221,000** | 1,105,000 | **4,104,000** | 3,531,000 |
| Return on plans' assets, excluding interest income | | **(431,000)** | 501,000 | **6,559,000** | (120,000) | **(814,000)** | (565,000) | **5,314,000** | (184,000) |
| Benefits paid | | **(359,000)** | (348,000) | **(744,000)** | (703,000) | **(408,000)** | (468,000) | **(1,511,000)** | (1,519,000) |
| Expense allowance | | **(22,000)** | (74,000) | **(62,000)** | (62,000) | **(47,000)** | (49,000) | **(131,000)** | (185,000) |
| Fair value of plans' assets at December 31, | $ | **31,562,000** | 26,010,000 | **17,900,000** | 10,396,000 | **16,664,000** | 16,303,000 | **66,126,000** | 52,709,000 |

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

(f) Plans' assets consist of the following:

| | Grade III | | Grade II | | Grade I | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Overseas equities | $ **14,224,000** | 12,239,000 | **1,164,000** | 384,000 | - | - | **15,388,000** | 12,623,000 |
| Government issued nominal bonds | **10,016,000** | 6,417,000 | **8,379,000** | 7,978,000 | - | - | **18,395,000** | 14,395,000 |
| Corporate bonds | **4,671,000** | 4,812,000 | **811,000** | 817,000 | - | - | **5,482,000** | 5,629,000 |
| Cash/money market | **858,000** | 524,000 | **1,160,000** | 1,217,000 | - | - | **2,018,000** | 1,741,000 |
| Immediate annuity policies | - | - | **6,386,000** | - | - | - | **6,386,000** | - |
| Deposit administration account | - | - | - | - | **16,664,000** | 16,303,000 | **16,664,000** | 16,303,000 |
| Other | **1,793,000** | 2,018,000 | - | - | - | - | **1,793,000** | 2,018,000 |
| Total | $ **31,562,000** | 26,010,000 | **17,900,000** | 10,396,000 | **16,664,000** | 16,303,000 | **66,126,000** | 52,709,000 |

**Grade I**
The value of the Grade I plan assets as at December 31, 2017 was estimated using the face value of the deposit administration contract as at September 30, 2017 provided by the Investment Manager, Sagicor Life Inc. These assets are not quoted on an open market and therefore the value is reliant on Sagicor's financial strength. There are no asset-liability matching strategies used by the Scheme.

**Grade II**
The values of the Grade II plan assets as at December 31, 2017 were estimated using the assets' values as at September 30, 2017 provided by the Scheme's Investment Manager, RBC. The Investment Manager calculates the fair value of Government bonds by discounting expected future proceeds using a constructed yield curve. All of the Scheme's government bonds were issued by the governments of countries within Caricom.

The plan assets for the Grade II Pension Scheme are invested in a strategy agreed with the Schemes' Trustees which is largely driven by statutory constraints and asset availability. A strategic asset allocation comprising regional long-term fixed income, foreign equities and money markets was determined that would best suit the long-term needs of the Scheme.

**Grade III**
The value of the Grade III plan assets as at December 31, 2017 were estimated using the assets' values as at September 30, 2017 provided by the Scheme's Investment Managers, Deutsche Bank and Sagicor Life Inc. The assets held by Deutsche Bank are all quoted in a formal market. The Scheme uses a number of techniques to help manage duration and inflation risk (use of corporate bonds, long-term bonds, equities and high yield bonds) and de-correlates portfolio risk with the use of alternative investments such as Market Neutral and Commodities investments.

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

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

| | | Grade III | | Grade II | | Grade I | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Return on plans' assets | $ | **1,666,000** | 2,250,000 | **7,345,000** | 557,000 | **407,000** | 540,000 | **9,418,000** | 3,347,000 |

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

| | | Grade III | | Grade II | | Grade I | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Current service cost | $ | **1,082,000** | 989,000 | **398,000** | 519,000 | **108,000** | 181,000 | **1,588,000** | 1,689,000 |
| Past service cost | | **-** | - | **-** | 92,000 | **-** | - | **-** | 92,000 |
| Administrative expenses | | **22,000** | 74,000 | **62,000** | 62,000 | **47,000** | 49,000 | **131,000** | 185,000 |
| Net interest on defined benefit asset | | **(73,000)** | 58,000 | **263,000** | 368,000 | **-** | - | **190,000** | 426,000 |
| Net pension costs | $ | **1,031,000** | 1,121,000 | **723,000** | 1,041,000 | **155,000** | 230,000 | **1,909,000** | 2,392,000 |

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

| | | Grade III | | Grade II | | Grade I | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Experience losses/(gains) | $ | **(134,000)** | (138,000) | **(6,792,000)** | (1,874,000) | **313,000** | (2,182,000) | **(6,613,000)** | (4,306,000) |
| Effect of asset ceiling | | **3,294,000** | - | **2,874,000** | - | **(208,000)** | 2,274,000 | **5,960,000** | 2,386,000 |
| Total amount recognised in Other Comprehensive Income | $ | **3,160,000** | (138,000) | **(3,918,000)** | (1,874,000) | **105,000** | 92,000 | **(653,000)** | (1,920,000) |

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

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

| | | Grade III | | Grade II | | Grade I | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Opening defined benefit liabilities | $ | **(76,000)** | (397,000) | **(3,959,000)** | (5,667,000) | **-** | - | **(4,035,000)** | (6,064,000) |
| Net pension costs | | **(1,031,000)** | (1,121,000) | **(723,000)** | (1,041,000) | **(155,000)** | (230,000) | **(1,909,000)** | (2,392,000) |
| Re-measurements recognised in Other Comprehensive Income | | **(3,160,000)** | 138,000) | **3,918,000** | 1,874,000 | **(105,000)** | (92,000) | **653,000** | 1,920,000 |
| Employer contributions paid | | **4,267,000** | 1,304,000 | **764,000** | 875,000 | **260,000** | 322,000 | **5,291,000** | 2,501,000 |
| Closing defined benefit liabilities | $ | **-** | (76,000) | **-** | (3,959,000) | **-** | - | **-** | (4,035,000) |

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

(k) Sensitivity Analysis

The calculation of the defined benefit obligations for Grades I to III is sensitive to the assumptions used. The following tables summarise how the defined benefit obligations as at December 31, 2017 would have changed as a result of a change in the assumptions used.

**Grade I**

| | | 1% p.a. increase | 1% p.a. decrease |
|---|---|---|---|
| Discount rate | $ | (1,075,000) | 1,350,000 |
| Future salary increases | $ | 843,000 | (657,000) |

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2017 by $163,000.

**Grade II**

| | | 1% p.a. increase | 1% p.a. decrease |
|---|---|---|---|
| Discount rate | $ | (1,563,000) | 1,885,000 |
| Future salary increases | $ | 556,000 | (505,000) |

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2017 by $306,000.

**Grade III**

| | | 1% p.a. increase | 1% p.a. decrease |
|---|---|---|---|
| Discount rate | $ | (4,193,000) | 5,306,000 |
| | | **0.5% p.a. increase** | **0.5% p.a. decrease** |
| Future salary increases | $ | 698,000 | (668,000) |

An increase of one year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2017 by $560,000.

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

(l) Duration

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

| | 2017 | 2016 |
|---|---|---|
| Grade 1 | 10.2 years | 10.2 years |
| Grade II | 12.3 years | 12.6 years |
| Grade III | 16.8 years | 17.3 years |

(m) Funding Policy

**Grade I**

The Group meets the balance of the cost of funding the defined benefit pension plan and the Group must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $325,000 to the pension plan during 2018.

**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 $1,000,000 to the pension plan during 2018.

**Grade III**

The Group meets the cost of funding the defined benefit pension plan for the Group's employees only and is not liable for outstanding contributions from other employers who contribute to the multi-employer plan. 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 $2,792,000 to the pension plan during 2018.

## 21. Post-employment Medical Benefit Liabilities

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

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

| | Grade III | | Grades I and II | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **%** | **%** | **%** | **%** |
| Discount rate | **7.5** | 7.5 | **7.5** | 7.0 |
| Medical expense increase | **5.0** | 5.0 | **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:

| | Grade III | | Grades II & I | | Total | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Present value of defined benefit obligations | **$ 339,000** | 289,000 | **1,697,000** | 1,497,000 | **2,036,000** | 1,786,000 |
| Fair value of plans' assets | - | - | - | - | - | - |
| Defined benefit liabilities | **$ 339,000** | 289,000 | **1,697,000** | 1,497,000 | **2,036,000** | 1,786,000 |

(c) The movements in the post-employment medical benefit obligations were as follows:

| | Grade III | | Grades II & I | | Total | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Defined benefit obligations as at January 1, | **$ 289,000** | 464,000 | **1,497,000** | 1,471,000 | **1,786,000** | 1,935,000 |
| Current service costs | **17,000** | 27,000 | **46,000** | 47,000 | **63,000** | 74,000 |
| Interest costs | **22,000** | 37,000 | **110,000** | 102,000 | **132,000** | 139,000 |
| Benefits paid | **(3,000)** | (3,000) | **(45,000)** | (41,000) | **(48,000)** | (44,000) |
| Re-measurements: experience adjustments | **14,000** | (236,000) | **89,000** | (82,000) | **103,000** | (318,000) |
| Defined benefit obligations as at December 31, | **$ 339,000** | 289,000 | **1,697,000** | 1,497,000 | **2,036,000** | 1,786,000 |

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

| | Grade III | | Grades II & I | | Total | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Current service cost | $ **17,000** | 27,000 | **46,000** | 47,000 | **63,000** | 74,000 |
| Interest on defined benefit obligations | **22,000** | 37,000 | **110,000** | 102,000 | **132,000** | 139,000 |
| Net pension costs | $ **39,000** | 64,000 | **156,000** | 149,000 | **195,000** | 213,000 |

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

(e) Re-measurements recognised in Other Comprehensive Income were as follows:

| | Grade III | | Grades II & I | | Total | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Experience (gains)/losses | $ **14,000** | (236,000) | **89,000** | (82,000) | **103,000** | (318,000) |
| Total amount recognised in Other Comprehensive Income | $ **14,000** | (236,000) | **89,000** | (82,000) | **103,000** | (318,000) |

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

| | Grade III | | Grades II & I | | Total | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Opening defined benefit liabilities | $ **289,000** | 464,000 | **1,497,000** | 1,471,000 | **1,786,000** | 1,935,000 |
| Net pension costs | **39,000** | 64,000 | **156,000** | 149,000 | **195,000** | 213,000 |
| Re-measurements recognised in Other Comprehensive Income | **14,000** | (236,000) | **89,000** | (82,000) | **103,000** | (318,000) |
| Benefits paid | **(3,000)** | (3,000) | **(45,000)** | (41,000) | **(48,000)** | (44,000) |
| Closing defined benefit liabilities | $ **339,000** | 289,000 | **1,697,000** | 1,497,000 | **2,036,000** | 1,786,000 |

(g) Sensitivity Analysis

The calculation of the defined benefit obligations for Grades I to III is sensitive to the assumptions used. The following tables summarise how the defined benefit obligations as at December 31, 2017 would have changed as a result of a change in the assumptions used.

**Grade I & II**

| | | 1% p.a. increase | 1% p.a. decrease |
|---|---|---|---|
| Discount rate | $ | **(250,000)** | **323,000** |
| Medical expense increases | $ | **328,000** | **(228,000)** |

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2017 by $57,000.

**Grade III**

| | | 1% p.a. increase | 1% p.a. decrease |
|---|---|---|---|
| Discount rate | $ | **(53,000)** | **68,000** |
| Medical expense increases | $ | **69,000** | **(55,000)** |

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligations at December 31, 2017 by $11,000.

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

(h) Duration

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

| | 2017 | 2016 |
|---|---|---|
| Grades 1 and II | 18.0 years | 18.0 years |
| Grade III | 19.8 years | 19.5 years |

(i) Funding Policy

**Grades I and II**

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 $48,000 to the plan in 2018.

**Grade III**

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 $3,000 to the plan in 2018.

## 22. Trade and Other Payables

| | | 2017 | 2016 |
|---|---|---|---|
| Trade payables | $ | **17,047,615** | 14,474,461 |
| Accrued expenses | | **18,687,496** | 2,929,693 |
| Other payables | | **7,033,921** | 5,210,325 |
| | | **42,769,032** | 22,614,479 |
| Deferred fuel costs | | **4,288,440** | - |
| | $ | **47,057,472** | 22,614,479 |

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

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

## 23. Provision for Other Liabilities

| | | 2017 | 2016 |
|---|---|---|---|
| Balance at beginning and end of year | $ | **1,485,493** | 1,485,493 |

The provision for other liabilities represents the estimated decommissioning costs of the old power stations located at Union and Vieux Fort planned for 2018.

## 24. Other Gains, Net

| | | 2017 | 2016 |
|---|---|---|---|
| Gain on disposal of property, plant and equipment | $ | **44,285** | 12,929 |
| Foreign exchange gains | | **22,325** | 31,996 |
| | $ | **66,610** | 44,925 |

## 25. Finance Costs

| | | 2017 | 2016 |
|---|---|---|---|
| Interest expense on: | | | |
| - borrowings | $ | **5,797,822** | 8,074,521 |
| - consumer deposits | | **257,564** | 277,890 |
| - pole rental deposits | | **500** | 459 |
| | | **6,055,886** | 8,352,870 |
| Loss on disposal of other financial assets | | **7,659** | - |
| | $ | **6,063,545** | 8,352,870 |

## 26. Taxation

| | | 2017 | 2016 |
|---|---|---|---|
| Current tax | $ | **13,404,388** | 14,717,259 |
| Deferred tax (Note 19) | | **66,232** | (1,248,936) |
| | $ | **13,470,620** | 13,468,323 |

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

| | | 2017 | 2016 |
|---|---|---|---|
| Profit before taxation | $ | **48,157,754** | 47,435,965 |
| Tax at the statutory rate of 30% (2016 - 30%) | | **14,447,326** | 14,230,789 |
| Tax effect of non-deductible expenses | | **183,908** | 314,097 |
| Tax effect of non-taxable income | | **(262,276)** | (102,304) |
| Tax effect of self-insurance appropriation | | **(900,000)** | (974,258) |
| Deferred tax asset unrecognised on tax loss | | **1,662** | - |
| Actual tax charge | $ | **13,470,620** | 13,468,323 |

## 26. Taxation (Cont'd)

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

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Before tax** | **Tax** | **After tax** | **Before tax** | **Tax** | **After tax** |
| Re-measurement of defined benefit plans | $ **550,000** | **(165,000)** | **385,000** | 2,238,000 | (671,400) | 1,566,600 |

## 27. Basic and Diluted Earnings per Share

Basic and diluted earnings per share of $1.51 (2016 - $1.48) is calculated by dividing the profit for the year of $34,687,134 (2016 - $33,967,642) by the weighted average number of shares outstanding during the year of 22,920,000 (2016 - 22,920,000).

## 28. Tariff Reduction

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

The Allowable Rate of Return is between 2% and 7% above the cost of the most recent long-term bonds issued by the Government of St. Lucia on the Regional Government Securities Market, with a minimum return of 10%. This was equal to a range of 10% to 14.25% in respect of 2017 (2016 - 10% to 14.5%).

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.

As the actual Rate of Return fell within the Allowable Rate of Return range for the year ended December 31, 2017, no appropriation will be made.

## 29. Ordinary Dividends

| | | 2017 | 2016 |
|---|---|---|---|
| Interim 2017 - $0.45 (2016 - $0.39) per share | $ | **10,314,000** | 8,938,800 |
| Final 2016 - $0.56 (2015 - $0.39) per share | | **12,835,200** | 8,938,800 |
| | $ | **23,149,200** | 17,877,600 |

The final dividend for the year 2017 had not been declared as at December 31, 2017.

## 30. Related Parties

*(a) Identification of related party*
A party is related to the Group if:

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

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

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

**Transactions with key management personnel**
In addition to their salaries, the Group also provides non-cash benefits to executive officers and contributions to a post-employment defined benefit plan on their behalf. The key management personnel compensations are as follows:

| | | **2017** | **2016** |
|---|---|---|---|
| Short-term employee benefits | $ | **4,176,949** | 4,475,202 |
| Post-employment benefits | | **2,812,165** | 930,365 |
| Directors' remuneration | | **351,030** | 282,784 |
| | $ | **7,340,144** | 5,688,351 |

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

| | | **2017** | **2016** |
|---|---|---|---|
| Supply of services | $ | **124,341** | 101,066 |

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

| | | **2017** | **2016** |
|---|---|---|---|
| Supply of services | $ | **10,601** | 6,774 |

**30. Related Parties (Cont'd)**

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

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

Transactions with those entities during the year were as follows:

| | | 2017 | 2016 |
|---|---|---|---|
| Services rendered to the Group | $ | 29,232 | 24,866 |

There were no balances outstanding in relation to those entities at the reporting date (2016 - Nil).

**Transactions with shareholders**

The Group is controlled by the following entities:

| | 2017 | 2016 |
|---|---|---|
| | % | % |
| Emera St. Lucia Ltd. | 20.00 | 20.00 |
| First Citizens Bank Limited | 20.00 | 20.00 |
| National Insurance Corporation | 20.00 | 16.79 |
| Castries City Council | 15.50 | 16.32 |
| Government of Saint Lucia | 10.05 | 12.44 |
| | 85.55 | 85.55 |

The remaining 14.45% (2016 - 14.45%) of the shares is widely held.

Transactions with shareholders during the year were as follows:

Supply of Electricity Services

| | | 2017 | 2016 |
|---|---|---|---|
| National Insurance Corporation | $ | 2,601,993 | 2,396,133 |
| Castries City Council | | 1,460,812 | 1,485,952 |
| Government of Saint Lucia | | 23,847,348 | 25,442,117 |
| | $ | 27,910,153 | 29,324,202 |

The Government of Saint Lucia receives a 10% (2016 -10%) discount on electricity charges in respect of all accounts other than Street lighting, except where the minimum charges apply.

## 30. Related Parties (Cont'd)

### Transactions with shareholders (Cont'd)

Supply of Other Services

| | | 2017 | 2016 |
|---|---|---|---|
| Castries City Council | | **26,723** | - |
| Government of Saint Lucia | | **114,695** | 380,176 |
| | $ | **141,418** | 380,176 |

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

| | | 2017 | 2016 |
|---|---|---|---|
| National Insurance Corporation | $ | **21,248** | - |
| Castries City Council | | **96,771** | 229,184 |
| Government of Saint Lucia | | **6,303,713** | 8,362,713 |
| | $ | **6,421,732** | 8,591,897 |

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

| | | 2017 | 2016 |
|---|---|---|---|
| Government of Saint Lucia | $ | **858,672** | 858,073 |

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

| | | 2017 | 2016 |
|---|---|---|---|
| Allowance for impairment | $ | **1,106,833** | 841,168 |
| Impairment loss | $ | **265,666** | 801,390 |

## 30. Related Parties (Cont'd)

### Transactions with shareholders (Cont'd)

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

| | | 2017 | 2016 |
|---|---|---|---|
| **National Insurance Corporation** | | | |
| At beginning of year | $ | **80,517,523** | 86,664,603 |
| Repayments during year | | **(11,044,482)** | (11,073,755) |
| | | **69,473,041** | 75,590,848 |
| Interest expense | | **4,091,776** | 4,926,675 |
| At end of year | $ | **73,564,817** | 80,517,523 |
| **First Citizens Bank Limited** | | | |
| At beginning of year | $ | **13,599,269** | 20,413,809 |
| Repayments during year | | **(7,597,209)** | (8,129,337) |
| | | **6,002,060** | 12,284,472 |
| Interest expense | | **797,575** | 1,314,797 |
| At end of year | $ | **6,799,635** | 13,599,269 |
| | $ | **80,364,452** | 94,116,792 |

The above loans are fully secured (Note 17).

**Finance costs**
Details of the related finance costs are as follows:

| | | 2017 | 2016 |
|---|---|---|---|
| National Insurance Corporation | $ | **4,091,776** | 4,926,675 |
| First Citizens Bank Limited | | **797,575** | 1,314,797 |
| | $ | **4,889,351** | 6,241,472 |

These charges are included in the finance costs of $6,063,545 (2016 - $8,352,870) disclosed in the Consolidated Statement of Comprehensive Income.

**Joint Operation**

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

## 31. Expenses by Nature

| | | 2017 | 2016 |
|---|---|---|---|
| Fuel costs | $ | **127,594,290** | 114,854,090 |
| Depreciation on property, plant and equipment (Note 6) | | **34,291,418** | 33,110,236 |
| Amortisation of intangible assets (Note 7) | | **1,914,935** | 2,278,547 |
| Repairs and maintenance | | **11,610,678** | 10,508,590 |
| Research costs | | **254,605** | 652,407 |
| Employee benefit expenses (Note 32) | | **36,972,161** | 29,399,935 |
| Other operating expenses | | **17,058,884** | 16,048,960 |
| | $ | **229,696,971** | 206,852,765 |
| Operating expenses | $ | **195,439,505** | 175,463,558 |
| Administrative expenses | | **34,257,466** | 31,389,207 |
| | $ | **229,696,971** | 206,852,765 |

## 32. Employee Benefit Expenses

| | | 2017 | 2016 |
|---|---|---|---|
| Wages and salaries | $ | **29,355,972** | 21,669,231 |
| Pension contributions | | **5,765,954** | 2,865,359 |
| Medical contributions | | **640,034** | 633,593 |
| Other employee benefits | | **1,210,201** | 4,231,752 |
| | $ | **36,972,161** | 29,399,935 |

The number of permanent employees at December 31, 2017 was 256 (2016 - 253).

## 33. Financial Instruments

### Credit risk

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

| | Notes | | Carrying Amounts 2017 | 2016 |
|---|---|---|---|---|
| Trade and other receivables | 9 | $ | **47,958,446** | 51,573,364 |
| Other financial assets | 10 | | **40,671,992** | 36,669,002 |
| Derivative financial instruments | 11 | | **4,288,440** | - |
| Cash and cash equivalents | 12 | | **22,644,177** | 29,600,146 |
| | | $ | **115,563,055** | 117,842,512 |

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

| | | Carrying Amounts 2017 | 2016 |
|---|---|---|---|
| Business, before deducting provision | $ | **22,214,499** | 29,043,273 |
| Residential, before deducting provision | | **11,911,383** | 11,627,295 |
| | $ | **34,125,882** | 40,670,568 |

*Analysis of trade receivables*
An analysis of trade receivables at the reporting date is as follows:

| | | 2017 | 2016 |
|---|---|---|---|
| Not past due | $ | **19,050,939** | 19,696,001 |
| Past due but not impaired | | **5,468,249** | 12,191,638 |
| Past due and impaired | | **9,606,694** | 8,782,929 |
| | $ | **34,125,882** | 40,670,568 |

The aging of trade receivables at the reporting date that are past due but not impaired is as follows:

| | | 2017 | 2016 |
|---|---|---|---|
| Past due 31-60 days | $ | **2,789,201** | 6,217,519 |
| Past due 61-90 days | | **762,028** | 2,371,911 |
| Past due >90 days | | **1,917,020** | 3,602,208 |
| | $ | **5,468,249** | 12,191,638 |

## 33. Financial Instruments (Cont'd)

### Credit risk (Cont'd)

*Impairment losses*
The aging of trade receivables at the reporting date that are past due and impaired is as follows:

| | | 2017 | 2016 |
|---|---|---|---|
| Past due 0-30 days | $ | **64,925** | 8,122 |
| Past due 31-60 days | | **56,746** | 34,788 |
| Past due 61-90 days | | **24,897** | 19,828 |
| Past due >90 days | | **9,460,126** | 8,720,191 |
| | $ | **9,606,694** | 8,782,929 |

The movement in the allowance for impairment of trade receivables during the year was as follows:

| | | 2017 | 2016 |
|---|---|---|---|
| Balance at January 1, | $ | **7,239,988** | 8,428,060 |
| Impairment loss recognised | | **929,394** | 151,627 |
| Amounts written off | | **(97,408)** | (1,339,699) |
| Balance at December 31, | $ | **8,071,974** | 7,239,988 |

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

| | | 2017 | 2016 |
|---|---|---|---|
| Balance at January 1, | $ | **885,197** | 498,594 |
| Impairment loss recognised | | **414,216** | 386,603 |
| Amounts written off | | **(9,064)** | - |
| Balance at December 31, | $ | **1,290,349** | 885,197 |

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.

**33. Financial Instruments (Cont'd)**

**Liquidity risk**

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

**December 31, 2017**

| | Carrying amounts | Contractual cash flows | Under 1 year | 1-2 years | 2-5 years | >5 years |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | |
| Borrowings | $ 100,765,381 | 120,998,645 | 23,263,198 | 14,484,833 | 43,454,500 | 39,796,114 |
| Trade and other payables | 42,769,032 | 42,769,032 | 42,769,032 | - | - | - |
| | $ 143,534,413 | 163,767,677 | 66,032,230 | 14,484,833 | 43,454,500 | 39,796,114 |

**December 31, 2016**

| | Carrying amounts | Contractual cash flows | Under 1 year | 1-2 years | 2-5 years | >5 years |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | |
| Borrowings | $ 119,766,071 | 145,689,913 | 25,250,978 | 22,703,487 | 43,454,500 | 54,280,948 |
| Trade and other payables | 22,614,479 | 22,614,479 | 22,614,479 | - | - | - |
| | $ 142,380,550 | 168,304,392 | 47,865,457 | 22,703,487 | 43,454,500 | 54,280,948 |

## 33. Financial Instruments (Cont'd)

### Fair values

*Fair values versus carrying amounts*
The fair values of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position are as follows:

| | | Carrying amounts as at December 31, 2017 | Fair values as at December 31, 2017 | Carrying amounts as at December 31, 2016 | Fair values as at December 31, 2016 |
|---|---|---|---|---|---|
| Trade and other receivables | $ | 47,958,446 | 47,958,446 | 51,573,364 | 51,573,364 |
| Other financial assets | | 40,671,992 | 40,671,992 | 36,669,002 | 36,669,002 |
| Derivative financial instruments | | 4,288,440 | 4,288,440 | - | - |
| Cash and cash equivalents | | 22,644,177 | 22,644,177 | 29,600,146 | 29,600,146 |
| Borrowings | | (100,765,381) | (94,283,376) | (119,766,071) | (109,987,131) |
| Trade and other payables | | (42,769,032) | (42,769,032) | (22,614,479) | (22,614,479) |
| | $ | (27,971,358) | (21,489,353) | (24,538,038) | (14,759,098) |

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

*Interest rates used for determining fair values*
The interest rates used to discount estimated cash flows are based on the market interest rates at the reporting date.

## 34. Commitments

*Capital commitments*

The Group had capital commitments at December 31, 2017 of $11,222,887 (2016 - $3,953,308).

*Operating lease commitments*

*(i)* *Motor vehicles and property*

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

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

| | | 2017 | 2016 |
|---|---|---|---|
| Not later than 1 year | $ | 657,924 | 764,704 |
| Later than 1 year and not later than 5 years | | 946,282 | 1,745,298 |
| | $ | 1,604,206 | 2,510,002 |

*(i)* *Pole rental*

The Group expects to earn annual income from pole rentals of $907,224 (2016 - $896,000) for the foreseeable future.

## 35. CLICO Investment - Grade II Pension Scheme

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

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

Contributions remitted to the scheme since 2008 have been paid to the scheme's new investment manager, RBC Investment Management (Caribbean) Limited.

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

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

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

## 36. Contingent Liabilities

*Claims*
The Company has been named a defendant to a number of claims as at December 31, 2017. While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse verdict, the Company believes that their defences to all these various claims are meritorious on both the law and the facts. Having regard to the foregoing, the Company (i) does not consider it appropriate to make any provision in respect of any pending matters and (ii) does not believe that the ultimate outcome of these matters will significantly impair the Company's financial condition. Payments if any, arising from these claims will be recorded in the period that the payment is made.

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

Supervisory and middle management staff
The Company is currently negotiating certain benefits with the trade union representing the supervisory and middle management staff for the two triennia which ends March 22, 2018. It is not practicable to reliably estimate the retroactive pay that would be due to staff once the union agreements are signed.

*Retirement Age*
The Company is currently seeking clarification on the interpretation of the legislation which stipulates the retirement age for employees. The matter is currently before the Labour Tribunal for determination. It is not practicable to reliably estimate the amount that might become payable to past employees upon settlement of the matter.

## 37. Subsidiary Companies

| | Country of incorporation | Equity % |
|---|---|---|
| LUCELEC Cap-Ins. Inc. | Saint Lucia | 100 |
| LUCELEC Trust Company Inc. | Saint Lucia | 100 |
| Energyze Holdings Inc. | Saint Lucia | 100 |