

(Select One)

Schedule 2  
FORM ECSRC – OR

**QUARTERLY FINANCIAL REPORT** for the period ended June 30, 2017  
Pursuant to Section 98(2) of the Securities Act, 2001

OR

**TRANSITION REPORT**  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Pursuant to Section 98(2) of the Securities Act, 2001  
*(Applicable where there is a change in reporting issuer's financial year)*

Issuer Registration Number: LUCELEC09091964SL

St. Lucia Electricity Services Limited  
(Exact name of reporting issuer as specified in its charter)

Saint Lucia  
(Territory or jurisdiction of incorporation)

John Compton Highway, Sans Souci, Castries, Saint Lucia  
(Address of principal executive Offices)

(Reporting issuer's:

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

Fax number: 758-457-4409

Email address: Lucelec@candw.lc

\_\_\_\_\_  
(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

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

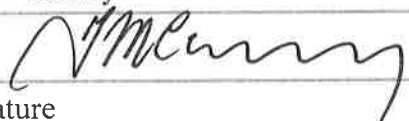
**SIGNATURES**

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 Louisy

  
Signature

31- July - 2017  
Date

Name of Director:

John C. Joseph

  
Signature

31- July - 2017  
Date

Name of Chief Financial Officer:

Ian Peter

  
Signature

31- July 2017  
Date

## INFORMATION TO BE INCLUDED IN FORM ECSRC-OR

### 1. **Financial Statements**

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
- (b) Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

### 2. **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 reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

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

As residential customers continue to engage in the self-generation of electricity through the use of solar photovoltaic panels, and the use of energy efficient technologies, the Company expects to experience a reduction in electricity sales from that sector in the future.

However, this reduction may be countered by anticipated growth in the housing sector driven by renewed focus from the Government of Saint Lucia. These variables are factored into the company's load forecast models used for electricity generation and distribution planning.

#### 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.

- (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.

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- (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.

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

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

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**8. Other Information.**

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR 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 or in a subsequent Form ECSRC – OR report.

N/A

- 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 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.

During the presentation of the Estimates of Revenue and Expenditure for the fiscal year 2017/2018, Saint Lucia's Prime Minister announced that there will be an over 100% increase in the capital budget allocation for the housing programme. The expected addition to the housing stock in the country should lead to more electricity sales in the Domestic sector.

Additionally, anticipated expansions in the hotel sector during the current year and over the next few years should realise an increase of 2000 rooms. Electricity sales to the Hotel sector are expected to increase once reasonable hotel occupancy levels are achieved.

#### (2) Capital Resources

Capital expenditure for the first six months of 2017 totaled EC\$16.7M, which was primarily on upgrades to the T&D network, engine overhauls, renovations to the main office building and replacement of the main office air conditioning system.

The project to install the new SCADA system, complete with data collection, system monitoring and system restoration capabilities, continued during the second quarter. This project is expected to be completed by year end at an estimated cost of EC\$2.9M, financed by the Company's operating cash flows.

During the second quarter, the contract was signed between the Company and a solar energy firm to commence the engineering, procurement and construction of the 3MW solar PV plant. Ground-breaking of this project is scheduled for the end of September 2017, with the commissioning of the plant expected by the end of the first quarter of 2018 at an estimated cost of EC\$20.0M. This project will be debt-financed.

### 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.

N/A



## 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.

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

## Unaudited Consolidated Statement of Comprehensive Income

(Expressed In Eastern Caribbean Dollars)

	For the 6 months ended June 30, 2017	For the 6 months ended June 30, 2016	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>Revenue</b>				
Energy sales	\$ 136,262,736	126,853,291	259,885,129	309,148,671
Other revenue	994,728	1,009,669	1,984,207	2,624,292
	<u>137,257,464</u>	<u>127,862,960</u>	<u>261,869,336</u>	<u>311,772,963</u>
<b>Operating expenses</b>				
Fuel costs	62,098,885	55,599,184	114,854,090	172,061,379
Transmission and distribution	19,336,338	19,027,710	39,245,421	35,683,702
Generation	10,730,986	9,871,647	21,364,047	21,952,515
	<u>92,166,209</u>	<u>84,498,541</u>	<u>175,463,558</u>	<u>229,697,596</u>
<b>Gross income</b>	45,091,255	43,364,419	86,405,778	82,075,367
Administrative expenses	<u>(14,554,195)</u>	<u>(14,746,181)</u>	<u>(31,389,207)</u>	<u>(31,639,851)</u>
<b>Operating profit</b>	30,537,060	28,618,238	55,016,571	50,435,516
Interest income	358,888	452,923	727,339	1,031,219
Other gains, net	1,883	28,282	44,925	307,043
<b>Profit before finance costs and taxation</b>	30,897,831	29,099,443	55,788,835	51,773,778
Finance costs	<u>(3,148,104)</u>	<u>(4,816,904)</u>	<u>(8,352,870)</u>	<u>(11,820,118)</u>
<b>Profit before taxation</b>	27,749,727	24,282,539	47,435,965	39,953,660
Taxation	<u>(7,862,935)</u>	<u>(6,735,539)</u>	<u>(13,468,323)</u>	<u>(11,044,646)</u>
<b>Net profit for the period</b>	<u>19,886,792</u>	<u>17,547,000</u>	<u>33,967,642</u>	<u>28,909,014</u>
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified to profit or loss:</b>				
Fair value gain/(loss) on available- for-sale investments	619,439	-	(551,394)	-
<b>Items that will not be reclassified to profit or loss:</b>				
Re-measurements of defined benefit pension plans, net of tax	-	-	1,566,600	(7,737,800)
Gain on revaluation of land	-	-	-	15,350,707
<b>Total other comprehensive income</b>	<u>619,439</u>	<u>-</u>	<u>1,015,206</u>	<u>7,612,907</u>
<b>Total comprehensive income for the period</b>	<u>\$ 20,506,231</u>	<u>17,547,000</u>	<u>34,982,848</u>	<u>36,521,921</u>
<b>Basic and diluted earnings per share</b>	<u>\$ 0.87</u>	<u>0.77</u>	<u>1.48</u>	<u>1.26</u>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

## Unaudited Consolidated Statement of Cash Flows

(Expressed In Eastern Caribbean Dollars)

	For the 6 months ended June 30, 2017	For the 6 months ended June 30, 2016	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>Cash flows from operating activities</b>				
Profit before taxation	\$ 27,749,727	24,282,539	47,435,965	39,953,660
<b>Adjustments for:</b>				
Depreciation	16,684,661	16,196,831	33,110,236	31,987,180
Amortisation of intangible assets	963,046	1,160,198	2,278,547	2,313,936
Finance costs expensed	3,148,104	4,816,905	8,352,870	11,820,118
Interest income	(358,888)	(452,923)	(727,339)	(1,031,219)
Movement in allowance for impairment	-	-	538,231	1,509,808
Gain on disposal of property, plant and equipment	-	(13,043)	(12,929)	(60,517)
Gain on disposal of other financial assets	7,659	-	-	-
Post-retirement benefits	-	-	60,000	(138,959)
Operating profit before working capital	48,194,309	45,990,507	91,035,581	86,354,007
(Increase)/decrease in inventories	(1,881,687)	(1,560,855)	2,499,884	(3,916,343)
(Increase)/decrease in trade, other receivables and prepayments	(3,401,786)	2,512,724	3,685,549	31,176,397
Decrease in trade and other payables	(3,131,091)	(4,980,143)	(3,214,209)	(2,595,660)
Increase in provision for other liabilities	-	-	-	1,485,493
Cash generated from operations	39,779,745	41,962,233	94,006,805	112,503,893
Interest received	306,724	234,173	893,610	759,322
Finance costs paid	(3,117,451)	(4,765,351)	(8,298,868)	(12,072,996)
Income tax paid	(12,293,679)	(9,471,027)	(13,492,640)	(10,801,259)
<b>Net cash from operating activities</b>	<b>24,675,339</b>	<b>27,960,028</b>	<b>73,108,907</b>	<b>90,388,961</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(16,453,145)	(10,355,707)	(27,800,940)	(21,177,659)
Proceeds from disposal of property, plant and equipment	-	13,043	13,217	64,064
Acquisition of intangible assets	(241,746)	(402,533)	(969,667)	(763,517)
Acquisition of other financial assets	(880,093)	(379,116)	(33,625,294)	(13,621,670)
Proceeds from disposal of other financial assets	405,383	5,187,822	15,402,661	-
<b>Net cash used in investing activities</b>	<b>(17,169,601)</b>	<b>(5,936,491)</b>	<b>(46,980,023)</b>	<b>(35,498,782)</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings	(9,695,245)	(8,460,875)	(18,008,714)	(15,347,041)
Dividends paid	(12,546,581)	(8,920,515)	(17,856,485)	(17,106,411)
Consumer deposits, net	614,767	251,490)	237,566	199,224
<b>Net cash used in financing activities</b>	<b>(21,627,059)</b>	<b>(17,129,900)</b>	<b>(35,627,633)</b>	<b>(32,254,228)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(14,121,321)</b>	<b>4,893,637</b>	<b>(9,498,749)</b>	<b>22,635,951</b>
Cash and cash equivalents at beginning of period	29,600,146	39,098,895	39,098,895	16,462,944
<b>Cash and cash equivalents at end of period</b>	<b>\$ 15,478,825</b>	<b>43,992,532</b>	<b>29,600,146</b>	<b>39,098,895</b>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Unaudited Consolidated Financial Statements

For the Six Months Ended June 30, 2017

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*(Expressed In Eastern Caribbean Dollars)*

**Accompanying Notes**

1. These unaudited consolidated financial statements present the results of the St. Lucia Electricity Services Limited and its two subsidiaries-LUCELEC Cap-Ins. Inc. and LUCELEC Trust Company Inc.
2. The principal accounting policies adopted and methods of computation have been consistently applied to the periods presented in these unaudited consolidated financial statements.
3. There were no unusual assets, liabilities, income or expenses recorded during the period.
4. As part of the company's hedging strategy, swaps contracts were entered into during the period. The fair value of these contracts at the end of the period as disclosed on the Unaudited Consolidated Statement of Financial Position as Derivative Financial Asset was \$0.3M.
5. There were no issuances, repurchases and repayments of equity securities during the period.
6. Loan principal and interest repayments during the six months totaled \$12.8M.
7. A final dividend for 2016 of \$0.56 per share (\$12.8M) was declared at the annual general meeting of the shareholders in May 2017. Dividends totaling \$12.5M were paid in June 2017.
8. There were no material events subsequent to the end of the period that have not been reflected in the unaudited consolidated financial statements.
9. There were no changes in contingent liabilities since the end of the prior financial year.