

**SECURITIES ACT 2001**  
**SECURITIES (ACCOUNTING AND FINANCIAL REPORTS) RULES NO. 1 OF 2002**

IN EXERCISE of the powers conferred on it by sections 98, 161 (a) and 162 of the Securities Act 2001, the Commission makes the following procedural rules and specifies the form of annual reports and periodic reports to be filed by reporting issuers.

**CITATION AND COMMENCEMENT**

1. These Rules may be cited as the Securities (Accounting and Financial Reports) Rules No.1 of 2002 and shall come into force on the date issued by the Commission.

**ANNUAL REPORTS**

2. **Quarterly Reports to be submitted to the Commission**

- (1) The Commission may require a reporting issuer to submit a quarterly financial report within thirty days of the end of each of the first three quarters of the financial year. Included in this report shall be the financial statement schedules, exhibits and all other papers and documents.
- (2) At the request of the reporting issuer the Commission may extend, from time to time, the period within which such reporting issuer is, in accordance with the provisions of the Securities Act 2001, obliged to furnish any document or information.
- (3) This report shall be in form ECSRC – Q as specified in Schedule 3. It must contain the information specified in paragraphs 1-8 of Schedule 3.

**Schedule 3  
FORM ECSRC - Q**

**(Select One)**

Quarterly Report  
For the period ended: 30 September, 2015

Or

TRANSITION REPORT

N/A

**(Applicable where there is a change in reporting issuer's financial year)**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Issuer Registration Number: LUCELEC09091964SL

St. Lucia Electricity Services Limited

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

Saint Lucia  
(Territory or jurisdiction of incorporation)

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

Reporting issuer's:

Telephone number 1-758-457 4400

Fax number: 1-758-457-4409

Email address: lucelec@candw.lc

N/A (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.

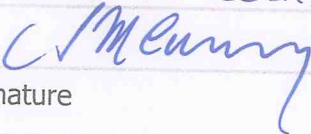
| CLASS                      | NUMBER     |
|----------------------------|------------|
| Ordinary Shares            | 22,400,000 |
| Non-voting Ordinary Shares | 520,000    |
|                            |            |
|                            |            |

### SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the Company shall sign this Quarterly 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.

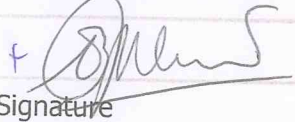
The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the Company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies 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

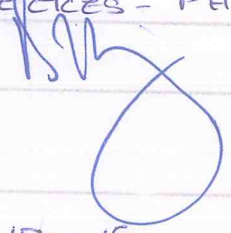
Date 27-10-15

Name of Director:

CAROLE ELEUTHÈRE JH MARIE  
  
 Signature

Date 27-10-15

Name of Chief Financial Officer (AG)

ZIVA WEFECES-PHILLIPS  
  
 Signature

Date 29-10-15

## **INFORMATION TO BE INCLUDED IN THE REPORT**

### **1. Financial Statements**

- a) Condensed Consolidated Statement of Financial Position as at September 30, 2015 is attached;
- b) Condensed Consolidated Statement of Comprehensive Income for the Nine Months Ended September 30, 2015 and the corresponding period in the previous financial year are attached; and
- c) Condensed Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2015 and the corresponding period in the previous financial year are attached.

### **2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **a) Liquidity**

The Company continued to experience growth in electricity sales in all sectors except Streetlights during the quarter under review, resulting in a year-to-date increase in sales of 4.3M kWhs from the same period last year. It is anticipated that this trend will continue through to the year-end.

As more residential customers continue to engage in the self-generation of electricity through the use of solar photovoltaic panels and energy efficiency initiatives, the Company is uncertain as to the impact this will have on electricity sales in the future, particularly if this trend extends to larger commercial and industrial customers.

The Prime Minister of Saint Lucia recently issued a statement indicating that the local economy is on the rebound. This outlook is supported by improvements registered in the tourism, construction and manufacturing sectors for the first half of 2015. If the economy continues to expand, this will have a favourable impact on electricity sales to the Company, especially in the Hotels, Commercial and Industrial sector.

#### **b) Capital Resources**

Updates on the capital projects being undertaken by the Company are as follows:

- The contract for the supply of solar panels to be installed at the Cul-de-Sac Compound has been awarded. The panels are expected to be received, installed and connected in the upcoming quarter. This project is expected to result in a decrease in electricity generated by fuel for use

by the Cul-de-Sac facility.

- A review of the contract for the refurbishment of the main administrative building is underway with works scheduled to begin in the last quarter of 2015.
- Due to unanticipated delays, the upgrading of the Communication System and the construction of the Solar PV farm will not commence by year-end.
- The contract documents for the Terminal System upgrade and the Travelling Wave locator are currently being finalised and the projects are expected to start in the upcoming quarter.

The Company is covenanted to its financiers to a 2:1 debt/equity gearing. The comparable positions for the current and prior periods are indicated below.

|                             | <b>30 September,<br/>2015<br/>EC\$ 000s</b> | <b>30 September,<br/>2014<br/>EC\$ 000s<br/>(Restated)</b> |
|-----------------------------|---|--|
| <b>Borrowings</b>           |   |  |
| Current                     | 6,125                                       | 6,123  |
| Long Term                   | 137,726                                     | 153,073  |
| <b>TOTAL</b>                | <b>143,851</b>                              | <b>159,196</b>   |
| <b>Shareholders' Equity</b> |   |  |
| Share Capital               | 80,163                                      | 80,163   |
| Retained Earnings           | 142,504                                     | 133,537  |
| Retirement Benefit Reserve  | 4,765                                       | 3,430  |
| Revaluation Reserve         | 15,454                                      | -  |
| Self Insurance Reserve      | 27,276                                      | 23,492   |
| <b>TOTAL</b>                | <b>270,162</b>                              | <b>240,622</b>   |

The Company does not foresee potential violation of those covenants.

### **Results of Operations**

The following analysis is based on the consolidated results of St. Lucia Electricity Services Limited and its two subsidiaries - LUCELEC Cap-Ins. Inc. and LUCELEC Trust Company Inc.

Total revenues of \$239.2M for the nine months represented a 2.5% decline when compared to the corresponding period last year. This was attributable to a reduction in the price of electricity, despite the increase in units of electricity sold.

Unit sales for the year to September 30, 2015 of 251.4M kWhs were 1.7% greater than the same period last year of 247.2M kWhs. Increases recorded in the Domestic (2.9%), Commercial (1.0%), Hotels (1.7%) and Industrial (0.5%) sectors were slightly offset by a 0.6% decline in the Street Lights sector.

Gross profit for the year to date of EC\$62.3M was 2.8% greater than last year's position of EC\$60.6M due to the increase in unit sales.

The foregoing led to an increase in profit before tax (\$32.1M) of 10.7% over the corresponding period last year (\$29.0M).

System reliability performance (SAIDI) for the year to date was 7.02 hours compared to last year's performance of 5.7 hours. This deterioration was due to the island-wide power outage experienced in May 2015 due to the forced outage on one of the four (4) generators that were running at the time, resulting in cascading outages on the remaining three generators.

The year-to-date fuel efficiency achieved was 4.27 kWh/litre, which was lower than last year's performance of 4.31 kWh/litre.

System losses of 8.30% at the end of the period worsened when compared to 8.08% recorded in the same period last year.

### **3. Disclosure of Risk Factors.**

- a) The Company is currently the sole authorized commercial generator, transmitter, distributor and seller of electricity in Saint Lucia. This monopoly position is expected to change in the area of generation with upcoming legislative reforms. The National Utilities Regulatory Commission (NURC) Bill to establish an independent regulator for the water and electricity sectors had its first reading this quarter and is expected to go through all its Parliamentary readings before year end.
- b) To mitigate the risk associated with a dilution of its monopoly privileges, a Regulatory Reform team had been established to lead this initiative; the team has developed an action plan which is currently being executed. The Company has been given an opportunity to review, comment and consult on the provisions of first draft of the Electricity Services Supply Bill and accompanying regulations and draft licences. LUCELEC's Regulatory Reform team continues to work towards ensuring full readiness of the Company to respond to the eventual reform of both the electricity and energy sectors.
- c) There are other associated risk implications for the Company including reduced demand, the possibility of stranded assets and the loss of professional staff to these IPPs. In order to mitigate this risk, the Company has been proactive in identifying certain strategic initiatives in order to remain competitive.

- d) With universal access to electricity being achieved in Saint Lucia, the Company's future growth potential is limited. Any new electricity demand is largely driven by factors outside of the Company's immediate control, such as the levels of local and foreign investment, Government policies, and the level of investment in alternative energy sources, amongst others. Management has commenced the process of putting in place the requisite legal, operational and structural systems that will allow the Company to explore other revenue opportunities outside its core business area. Shareholders gave approval to the setting up of a subsidiary holding company in 2014 to implement diversification plans. It is anticipated that some of these plans will come to fruition in 2016.
- e) The Company continued to explore and analyze the next phase of major generation capacity which it estimates will be required by 2019. A suitable location in the south of the island was identified in 2012 and is currently being leased by the Company.
- f) Fuel prices dropped to a record low during the third quarter of 2015. While the Company's fuel price hedging strategy was successful in reducing price volatility, customers have had to pay more for electricity than they would have had the Company not hedged. While the potential for reputational damage has not yet materialized, the Company has not placed any additional hedges during this period of relatively low prices. The Company is also considering alternative hedging tools.
- g) System Losses, specifically due to electricity theft, continue to be a concern for the Company, given the implications for the cost of electricity, unrecognized revenues and ultimately reduced shareholder returns. The Company has been in discussions with the Royal St. Lucia Police Force in order to obtain additional resources so that investigation of identified instances of electricity theft can be done on a timely basis.
- h) In December 2014, LUCELEC Cap-Ins. Inc., a subsidiary company, was set up to manage the self-insurance fund. The Company deemed this action necessary due to the difficulty experienced in obtaining adequate and reasonably priced commercial insurance coverage on its Transmission and Distribution assets. The Fund comprises cash resources of \$26.9 Million. The Company also has access to a line of credit of \$10 Million. Periodic risk assessments are conducted to ascertain and mitigate the impact of the most likely potential damage from a natural disaster, a critical risk in this hurricane-prone region.
- i) Credit management continued to be a priority for the Company given the local economic climate. LUCELEC continued to actively pursue its debtors by a number of measures including negotiating repayment arrangements.
- j) The Company's rate of return in 2014 of 10.02% was within the legislated allowable rate of return bandwidth (10%-14.5%) that does not require the

Company to either increase the tariff or provide a rebate for distribution. As average contributed capital increases through an increase in retained profits and profits dwindle, the result is a diminishing rate of return. Management will be focusing on cost management through increased efficiencies as a means of mitigating this risk.

#### **4. Legal Proceedings**

There were no legal proceedings during the quarter under review that would have a material effect on the Company's financial position

#### **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.

**NOT APPLICABLE**

- 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

**NOT APPLICABLE**

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

**NOT APPLICABLE**

#### **5. 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.

**NONE**

- 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.

**NONE**

**ST LUCIA ELECTRICITY SERVICES LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2015**

|  | Unaudited<br>September 30,<br>2015<br>EC\$ 000s | Unaudited<br>September 30,<br>2014<br>EC\$ 000s | Audited<br>December 31,<br>2014<br>EC\$ 000s |
|--|---|---|--|
| <b>Assets</b>                            |   |   |  |
| <b>Non-Current</b>                       |   |   |  |
| Property, plant and equipment            | 342,903   | 338,175   | 337,840                                      |
| Intangible assets                        | 12,585  | 13,933  | 14,142                                       |
| Retirement benefit asset                 | 4,765   | 3,430   | 4,765  |
| Investments                              | 172   | 171   | 172  |
| <b>Total non-current assets</b>          | <b>360,425</b>                                  | <b>355,709</b>                                  | <b>356,919</b>                               |
| <b>Current</b>                           |   |   |  |
| Inventories                              | 9,770   | 13,534  | 10,465                                       |
| Income tax refundable                    | 1,000   | 318   | -  |
| Trade, other receivables and prepayments | 75,400  | 78,379  | 129,656                                      |
| Cash and cash equivalents                | 56,132  | 38,100  | 21,562                                       |
| <b>Total current assets</b>              | <b>142,302</b>                                  | <b>130,331</b>                                  | <b>161,683</b>                               |
| <b>TOTAL ASSETS</b>                      | <b>502,727</b>                                  | <b>486,040</b>                                  | <b>518,602</b>                               |
| <b>Equity and liabilities</b>            |   |   |  |
| <b>Shareholders' equity</b>              |   |   |  |
| Stated capital                           | 80,163  | 80,163  | 80,163                                       |
| Retained earnings                        | 142,504   | 133,537   | 130,137                                      |
| Retirement benefit reserve               | 4,765   | 3,430   | 4,765  |
| Revaluation reserve                      | 15,454  | -   | -  |
| Self insurance reserve                   | 27,276  | 23,492  | 24,695                                       |
| <b>Total shareholders' equity</b>        | <b>270,162</b>                                  | <b>240,622</b>                                  | <b>239,760</b>                               |
| <b>Liabilities</b>                       |   |   |  |
| <b>Non-Current</b>                       |   |   |  |
| Borrowings                               | 137,726   | 153,073   | 137,725                                      |
| Consumer deposits                        | 15,882  | 15,859  | 16,135                                       |
| Deferred tax liabilities                 | 38,279  | 37,743  | 38,279                                       |
| Retirement benefit liability             | 1,849   | 1,786   | 1,849  |
| <b>Total non-current liabilities</b>     | <b>193,736</b>                                  | <b>208,461</b>                                  | <b>193,989</b>                               |
| <b>Current</b>                           |   |   |  |
| Borrowings                               | 6,125   | 6,123   | 15,465                                       |
| Trade and other payables                 | 25,123  | 30,506  | 28,424                                       |
| Derivative financial liabilities         | 7,169   | -   | 39,746                                       |
| Dividends payable                        | 412   | 328   | 340  |
| Income tax payable                       | -   | -   | 878  |
| <b>Total current liabilities</b>         | <b>38,829</b>                                   | <b>36,957</b>                                   | <b>84,853</b>                                |
| <b>Total liabilities</b>                 | <b>232,565</b>                                  | <b>245,418</b>                                  | <b>278,842</b>                               |
| <b>TOTAL EQUITY &amp; LIABILITIES</b>    | <b>502,727</b>                                  | <b>486,040</b>                                  | <b>518,602</b>                               |

Approved on behalf of the Board of Directors on \_\_\_\_\_ October, 2015

Director

Director

**ST LUCIA ELECTRICITY SERVICES LIMITED**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**

|   | Unaudited<br>September 30,<br>2015<br>EC\$ 000s | Unaudited<br>September 30,<br>2014<br>EC\$ 000s | Audited<br>December 31,<br>2014<br>EC\$ 000s |
|---|---|---|--|
| <b>Revenue</b>  |   |   |  |
| Energy Sales  | 237,109   | 242,703   | 324,622                                      |
| Fuel Surcharge Recovered                                      | -   | 487   | 599  |
| Other Revenue   | 2,096   | 2,126   | 3,661  |
|   | <u>239,205</u>                                  | <u>245,316</u>                                  | <u>328,882</u>                               |
| <b>Operating Expenses</b>                                     |   |   |  |
| Diesel Generation   | 150,568   | 158,821   | 212,618                                      |
| Transmission and Distribution                                 | 26,329  | 25,903  | 34,609                                       |
|   | <u>176,897</u>                                  | <u>184,724</u>                                  | <u>247,227</u>                               |
| <b>Gross Income</b>   | 62,308  | 60,592  | 81,655                                       |
| <b>Administrative Expenses</b>                                | <u>(22,288)</u>                                 | <u>(23,107)</u>                                 | <u>(33,355)</u>                              |
| <b>Operating Profit</b>                                       | 40,020  | 37,485  | 48,300                                       |
| <b>Interest income</b>  | 773   | 1,219   | 1,589  |
| <b>Other Gains</b>  | <u>246</u>                                      | <u>27</u>                                       | <u>67</u>                                    |
| <b>Profit Before Finance Costs and Taxation</b>               | 41,039  | 38,731  | 49,956                                       |
| <b>Finance Costs, Net</b>                                     | <u>(8,917)</u>                                  | <u>(9,734)</u>                                  | <u>(12,956)</u>                              |
| <b>Profit Before Taxation</b>                                 | 32,122  | 28,997  | 37,000                                       |
| <b>Taxation</b>   | <u>8,923</u>                                    | <u>8,727</u>                                    | <u>10,192</u>                                |
| <b>Net Profit for the Period from Continuing Operations</b>   | <u><u>23,199</u></u>                            | <u><u>20,270</u></u>                            | <u><u>26,808</u></u>                         |
| <b>Other Comprehensive Income:</b>                            |   |   |  |
| <b>Items that will not be reclassified to profit or loss:</b> |   |   |  |
| Re-measurements of defined benefit pension plans, net of tax  | -   | -   | 1,616  |
| <b>Other Comprehensive Income for the Year</b>                | <u>-</u>  | <u>-</u>  | <u>1,616</u>                                 |
| <b>Total Comprehensive income for the Year</b>                | <u><u>23,199</u></u>                            | <u><u>20,270</u></u>                            | <u><u>28,424</u></u>                         |
| <b>Earnings Per Share</b>                                     | <u>\$ 1.01</u>                                  | <u>\$ 0.88</u>                                  | <u>\$ 1.17</u>                               |

**ST LUCIA ELECTRICITY SERVICES LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**

|   | Unaudited<br>September 30,<br>2015<br>EC\$ 000s | Unaudited<br>September 30,<br>2014<br>EC\$ 000s | Audited<br>December 31,<br>2014<br>EC\$ 000s |
|---|---|---|--|
| <b>Cash flows from Operating Activities</b>             |   |   |  |
| Net Income Before Tax                                   | 32,122  | 28,997  | 37,000                                       |
| Adjustments for   |   |   |  |
| Depreciation  | 23,977  | 23,079  | 30,970                                       |
| Amortization of intangible assets                       | 1,736   | 1,627   | 2,180  |
| Interest income   | (772)   | (1,219)   | (1,589)                                      |
| Finance charges   | 8,916   | 9,734   | 12,957                                       |
| Movement in allowance for impairment                    | -   | 1,575   | 2,886  |
| Gain on Disposal of property, plant and equipment       | (11)  | -   | (28)   |
| Post-retirement benefits                                | -   | -   | 54   |
| Operating Income before Working Capital Changes         | <u>65,968</u>                                   | <u>63,793</u>                                   | <u>84,430</u>                                |
| Decrease in inventories                                 | 695   | (1,518)   | 1,551  |
| (Increase)/decrease in trade and other receivables      | 21,680  | 2,547   | (11,035)                                     |
| Decrease in trade and other payables                    | (3,302)   | 454   | (1,629)                                      |
| Cash Generated from Operations                          | <u>85,041</u>                                   | <u>65,276</u>                                   | <u>73,317</u>                                |
| Interest received                                       | 772   | 914   | 1,587  |
| Finance costs paid                                      | (8,784)   | (9,087)   | (12,830)                                     |
| Income tax paid   | (10,801)  | (13,369)  | (13,369)                                     |
| Net Cash Generated from Operating Activities            | <u>66,228</u>                                   | <u>43,734</u>                                   | <u>48,705</u>                                |
| <b>Cash Flows from Investing Activities</b>             |   |   |  |
| Acquisition of property, plant and equipment            | (13,585)  | (19,348)  | (26,571)                                     |
| Proceeds on disposal of property, plant and equipment   | 11  | -   | 28   |
| Acquisition of intangible assets                        | (179)   | 9   | (1,086)                                      |
| Net Cash Used in Investing Activities                   | <u>(13,753)</u>                                 | <u>(19,339)</u>                                 | <u>(27,629)</u>                              |
| <b>Cash Flows from Financing Activities</b>             |   |   |  |
| Repayment of borrowings                                 | (9,754)   | (9,291)   | (14,725)                                     |
| Dividends paid  | (8,179)   | (8,026)   | (16,036)                                     |
| Consumer deposits received, net                         | 28  | 203   | 428  |
| Net Cash Used in Financing Activities                   | <u>(17,905)</u>                                 | <u>(17,114)</u>                                 | <u>(30,333)</u>                              |
| <b>Increase/(Decrease) in Cash and Cash Equivalents</b> | <u>34,570</u>                                   | <u>7,281</u>                                    | <u>(9,257)</u>                               |
| <b>Cash and Cash Equivalents - Beginning of Period</b>  | <u>21,562</u>                                   | <u>30,819</u>                                   | <u>30,819</u>                                |
| <b>Cash and Cash Equivalents - End of Period</b>        | <u>56,132</u>                                   | <u>38,100</u>                                   | <u>21,562</u>                                |