

**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 June, 2013

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:

Mark M. Henry  
Signature  
25<sup>th</sup> June 2013  
Date

Name of Director: MATTHEW C MATHURIN

[Signature]  
Signature  
25<sup>th</sup> July 2013  
Date

Name of Chief Financial Officer:

ZIVA PHILLIPS FOR CFO  
ZIVA PHILLIPS  
Signature  
26<sup>th</sup> July 2013  
Date

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

### **1. Financial Statements**

- a) Condensed Statement of Financial Position as at June 30, 2013 is attached;
- b) Condensed Statement of Comprehensive Income for the Six Months Ended June 30, 2013 and the corresponding period in the previous financial year are attached; and
- c) Condensed Statement of Cash Flows for the Six Months Ended June 30, 2013 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**

Whilst delivering her annual Throne Speech in April 2013, the Governor General announced the Government of Saint Lucia's (GOSL) plans to grant tax holidays of twenty-five (25) to thirty (30) years as incentives for investment into new room expansions and new properties. The offer period for the incentives will be for five (5) years. These incentives, if acted upon, should result in increased hotel room stock and increased visitor arrivals if accompanied by an appropriate marketing campaign. The net result will be increased unit sales from the Hotel sector in the future.

In the Budget Address for the fiscal year 2013/14, the Prime Minister outlined the GOSL's incentives to promote the use of alternative sources of energy, by both businesses and households, to reduce electricity consumption from fossil fuels. These include:

- Income tax deduction for installed renewable energy systems and energy efficiency measures;
- Import duty exemptions for all imported components of renewable energy and energy efficiency components following approval of the specifications from Government;
- A property tax deduction on new properties that are built using approved energy efficiency techniques and utilise energy efficient lighting and/or cooling equipment.

In addition, the Prime Minister indicated that the St. Lucia Development Bank will soon be offering a special loan facility to finance renewable energy and energy efficiency initiatives.

Also highlighted in the Budget Address is a proposed revision to the Electricity Supply Act (ESA) to allow the commercial operation of independent renewable energy power producers. This would allow small renewable energy producers to feed into the grid. Another significant proposed amendment to the ESA, is the establishment of an independent regulator for the energy sector.

These proposed concessions for renewable energy systems and designs, and the proposed amendments to the ESA may negatively impact the Company's electricity sales.

The local Water and Sewerage Commission awarded the Water & Sewerage Company (WASCO) new tariffs which came into effect April 2013 for a period of three years. WASCO has indicated that with increased revenue and cash inflows, they will be better able to service the long-outstanding debt due to LUCELEC.

During the quarter under review, the Company received approximately \$1.8 Million from the VAT office representing payment of the VAT refund for the period October 2012 to February 2013.

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

The Capital Programme for 2013 continued during the quarter.

Work continued on enhancements to the new Customer Information System (CIS). The project came to a close at the end of June 2013 at a total estimated cost of \$12.6M.

Tenders for the replacement of the interbus transformers at the Soufriere and Praslin Substations were received and evaluated during the quarter and a recommendation for a preferred supplier made. The award will be granted in the third quarter.

The overhaul of one of the three engines that were due for maintenance at the Cul de Sac Power Station commenced during the quarter as planned at an estimated cost of \$1.5 Million. The overhaul of a second engine is expected to commence towards the end of the 3<sup>rd</sup> quarter of 2013.

LUCELEC and National Development Corporation trading as Invest St. Lucia signed a lease agreement for a five year term for 111 acres of land at La Tournay, Vieux Fort. LUCELEC plans to use this property as part of its long term generation expansion plans and will be conducting further studies on the property in this regard.

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 June, 2013</b> <b>EC\$ 000s</b>	<b>30 June, 2012</b> <b>EC\$ 000s</b>
<b>Borrowings</b>		
Current	8,265	6,567
Long Term	167,797	173,396
<b>TOTAL</b>	<b>176,062</b>	<b>179,963</b>
<b>Shareholders' Equity</b>		
Share Capital	80,163	80,163
Retained Earnings	96,453	98,612
<b>TOTAL</b>	<b>176,616</b>	<b>178,775</b>

The Company does not foresee potential violation of those covenants.

### **Results of Operations**

Total revenues of \$161.6M represented a decline of 4.5% as compared to the corresponding period last year. This was attributable to a reduction in unit sales and lower tariff associated with a decrease in average fuel prices.

Unit sales of 163.6M kWh were less than the same period last year by 0.5%. Declines recorded in the Domestic (0.7%), Commercial (0.6%) and Industrial (2.8%) sectors were offset by increases in Hotel (0.1%) and Streetlights (3.7%) sectors.

Gross profit of EC\$35.6M, was 4% lower than last year's position of EC\$37.1M, due to the decline in total revenues and an increase in operating costs. Profit before tax was EC\$13.9M, a decline of 30% from the corresponding period last year (\$19.9M). This significant decline is attributable to the reduction in sales and the increase in operating expenses and finance costs over last year.

System reliability performance of 3.83 hours improved when compared to the same period in 2012 of 4.53 hours and against the target of 5.25 hours.

Year-to-date fuel efficiency of 4.35 kWh per litre compared favourably to 4.32 kWh per litre over the same period last year and to the target of 4.30 kWh per litre.

System losses at the end of the period were 9.79% on a moving annual basis, compared to 8.70% recorded in the same period last year and a target of 9.55% for the year.

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

- a) During the second quarter LUCELEC's Management Team met to review and update the Strategic Business Plan and discuss updates to the Balanced Scorecard (BSC) report. The Management Team focused on the progress made in addressing high risk areas such as the new regulatory environment, diversifying the current portfolio of services being provided, customization of a new CIS application, replacement of key Transmission & Distribution (T&D) assets, and exploring the use of alternative energy sources.
- b) The Company continued to experience a reduction in demand for electricity. Factors affecting this decline include:-
  - 1. Stagnant economic activity which is negatively impacting all sectors of the economy.
  - 2. Continued move by individuals and businesses towards implementing energy saving mechanisms to reduce demand for fuel-based electricity. For example, during the quarter, the Government of Saint Lucia installed the first set of LED streetlights as part of its pilot project of replacing the existing High Pressure Sodium streetlights to more energy efficient LED lights.
- c) Construction also commenced on the country's first eco-resort, located in Soufriere, which plans to incorporate solar, bio-fuel and geo-thermal cooling techniques, natural ventilation, and automated and remote energy controlled systems all aimed to reduce electricity consumption. This situation will have to be monitored by the Company. During the last quarter, the GOSL confirmed that it had agreed to operationalize the Petro Caribe Agreement which was signed in 2005. The GOSL believes that this will give it greater flexibility to manage and stabilize the prices of petroleum products in the local market. Discussions continued during this quarter between the governments of Saint Lucia and Venezuela. It is unclear as to whether the GOSL expects LUCELEC to purchase its fuel product under the Agreement bearing in mind that LUCELEC has an existing fuel supply agreement with Hess Oil St. Lucia Ltd (HOSLL).
- d) Hess Oil St. Lucia Ltd, which is the sole provider of diesel to the Company, has been on the open market for sale for over one year. The Company is monitoring this situation carefully to ensure that HOSLL's obligations under the existing contract are transferred to the potential owners. The recent closure of their facility in St. Croix and other actions of Hess in the USA continues to be of concern as well. Notwithstanding this long-standing arrangement with HOSLL, the Company is examining all options in the event there are any adverse effects from the sale and even a possible closure of the facility.
- e) The Company has been preparing for the new regulatory framework. The team selected to lead this initiative has developed an action plan and it is being

executed. Training, third party engagements and collaborating are some of the initiatives which are being undertaken to prepare for the new regulatory environment.

- f) The hurricane season commenced on June 1, 2013, with early predictions of a highly active season. There were also unprecedented levels of rainfall during the usually dry months of April and May. As is customary, the Company has begun its preparatory work in order to ensure that damage which could interrupt service delivery is minimized.
- g) The Company continues to pursue its policy of self-insurance, which was a necessary undertaking given the exorbitant costs of obtaining adequate commercial insurance coverage on its Transmission & Distribution assets. The Fund comprises cash resources of \$19 Million. The Company also has access to a line of credit of \$10 Million. The Company is in the process of establishing a separate legal entity to manage the Self Insurance fund.
- h) In June 2013, the Caribbean credit rating agency, CariCRIS, slightly downgraded the long-term debt instruments issued by the Government of Saint Lucia from CariBBB+ to CariBBB. This revision stems from concerns over increasing current expenditure, declining revenues and the consequential rise in the debt/GDP ratio. The Company has written to CariCRIS to ascertain any possible implications on the rating for LUCELEC as the Company's rating is sensitive to changes in the country's rating.

#### **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

#### **5. 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**

**6. 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**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2013**

	Unaudited June 30, 2013 EC\$ 000s	Unaudited June 30, 2012 EC\$ 000s	Audited December 31, 2012 EC\$ 000s
<b>Assets</b>			
<b>Non-Current</b>			
Property, plant and equipment	340,103	290,642	350,554
Intangible assets	15,859	11,480	15,054
Retirement benefit asset	3,827	9,135	9,354
Investments	169	167	168
<b>Total non-current assets</b>	<b>359,958</b>	<b>311,424</b>	<b>375,130</b>
<b>Current</b>			
Inventories	19,920	21,051	19,169
Income tax refundable	5,420	3,547	9,044
Trade, other receivables and prepayments	76,927	81,807	77,581
Cash and cash equivalents	32,018	66,771	36,685
<b>Total current assets</b>	<b>134,285</b>	<b>173,176</b>	<b>142,479</b>
<b>TOTAL ASSETS</b>	<b>494,243</b>	<b>484,600</b>	<b>517,610</b>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Stated capital	80,163	80,163	80,163
Retained earnings	96,453	98,612	91,335
<b>Total equity attributable to equity holders</b>	<b>176,616</b>	<b>178,775</b>	<b>171,498</b>
Retirement benefit reserve	9,354	9,135	9,354
<b>Total shareholders' equity</b>	<b>185,970</b>	<b>187,910</b>	<b>180,852</b>
<b>Liabilities</b>			
<b>Non-Current</b>			
Borrowings	167,797	173,396	167,797
Consumer deposits	15,149	14,292	14,771
Deferred tax liabilities	29,055	22,826	29,055
Consumer contributions	33,052	31,857	33,171
Retirement benefit liability	1,878	1,240	1,403
<b>Total non-current liabilities</b>	<b>246,931</b>	<b>243,611</b>	<b>246,198</b>
<b>Current</b>			
Borrowings	8,265	6,567	15,263
Trade and other payables	52,758	44,733	64,199
Dividends payable	319	1,779	11,098
<b>Total current liabilities</b>	<b>61,342</b>	<b>53,079</b>	<b>90,560</b>
<b>Total liabilities</b>	<b>308,273</b>	<b>296,690</b>	<b>336,758</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>494,243</b>	<b>484,600</b>	<b>517,610</b>

\_\_\_\_\_  
 Director

\_\_\_\_\_  
 Director



**ST LUCIA ELECTRICITY SERVICES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2013**

	Unaudited June 30, 2013 EC\$ 000s	Unaudited June 30, 2012 EC\$ 000s	Audited December 31, 2012 EC\$ 000s
<b>Cash flows from Operating Activities</b>			
Net Income Before Tax	13,939	19,924	34,060
Adjustments for			
Depreciation	16,772	15,789	31,963
Amortization of intangible assets	1,029	102	663
Finance charges	6,855	4,346	9,389
Gain on Disposal of property, plant and equipment	-	-	(39)
Amortization of consumer contributions	(1,017)	(264)	(555)
Post-retirement benefits	805	-	(372)
Operating Income before Working Capital Changes	<u>38,383</u>	<u>39,897</u>	<u>75,109</u>
(Increase)/decrease in inventories	(751)	200	2,085
Decrease/(increase) in trade and other receivables	653	(7,282)	(3,057)
Increase in trade and other payables	<u>(11,441)</u>	<u>(373)</u>	<u>19,093</u>
Cash Generated from Operations	26,844	32,442	93,230
Interest received	261	363	764
Finance costs paid	(6,836)	(4,960)	(10,490)
Income tax Paid	-	(8,296)	(10,795)
Net Cash Generated from Operating Activities	<u>20,269</u>	<u>19,549</u>	<u>72,709</u>
<b>Cash Flows from Investing Activities</b>			
Acquisition of property, plant and equipment	(8,153)	(15,252)	(90,988)
Proceeds on disposal of property, plant and equipment	-	-	48
Acquisition of intangible assets	-	(1,760)	(6,255)
Net Cash Used in Investing Activities	<u>(8,153)</u>	<u>(17,012)</u>	<u>(97,195)</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings	-	50,000	60,000
Repayment of borrowings	(7,172)	(5,179)	(11,862)
Dividends paid	(10,779)	(9,661)	(17,991)
Consumer contributions received	898	585	2,191
Consumer deposits received, net	270	454	798
Net Cash Used in Financing Activities	<u>(16,783)</u>	<u>36,199</u>	<u>33,136</u>
<b>(Decrease)/Increase in Cash and Cash Equivalents</b>	<u>(4,667)</u>	<u>38,736</u>	<u>8,650</u>
<b>Cash and Cash Equivalents - Beginning of Period</b>	<u>36,685</u>	<u>28,035</u>	<u>28,035</u>
<b>Cash and Cash Equivalents - End of Period</b>	<u>32,018</u>	<u>66,771</u>	<u>36,685</u>



**ST LUCIA ELECTRICITY SERVICES LIMITED**  
**STATEMENT OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2013**

	Unaudited June 30, 2013 EC\$000s	Unaudited June 30, 2012 EC\$000s	Audited December 31, 2012 EC\$000s
<b>Revenue</b>			
Energy Sales	159,770	156,314	318,265
Fuel Surcharge Recovered	1,172	12,216	22,083
Other Revenue	697	766	1,486
	<u>161,639</u>	<u>169,296</u>	<u>341,834</u>
<b>Operating Expenses</b>			
Diesel Generation	107,917	103,588	214,128
Transmission and Distribution	16,882	16,435	34,189
Fuel Surcharge	1,247	12,206	22,074
	<u>126,046</u>	<u>132,229</u>	<u>270,391</u>
<b>Gross Income</b>	35,593	37,067	71,443
<b>Administrative Expenses</b>	<u>(14,810)</u>	<u>(12,811)</u>	<u>(28,062)</u>
<b>Operating Profit</b>	20,783	24,256	43,381
<b>Other Gains</b>	<u>11</u>	<u>15</u>	<u>67</u>
<b>Profit Before Finance Costs and Taxation</b>	20,794	24,271	43,447
<b>Finance Costs, Net</b>	<u>(6,855)</u>	<u>(4,346)</u>	<u>(9,389)</u>
<b>Profit Before Taxation</b>	13,939	19,925	34,058
<b>Taxation</b>	<u>3,624</u>	<u>5,579</u>	<u>8,809</u>
<b>Net Profit for the Period from Continuing Operations</b>	<u><u>10,315</u></u>	<u><u>14,346</u></u>	<u><u>25,249</u></u>
<b>Other Comprehensive Income:</b>			
Actuarial losses on defined benefit plans	-	-	(315)
<b>Other Comprehensive Income for the Year</b>	<u>-</u>	<u>-</u>	<u>(315)</u>
<b>Total Comprehensive income for the Year</b>	<u><u>10,315</u></u>	<u><u>14,346</u></u>	<u><u>24,934</u></u>
<b>Earnings Per Share</b>	<u>\$ 0.45</u>	<u>\$ 0.63</u>	<u>\$ 1.10</u>

