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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, 2014

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

(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

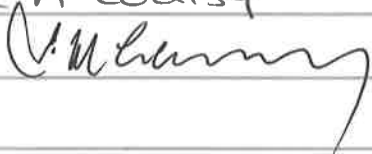
SIGNATURES


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:

Name of Director:

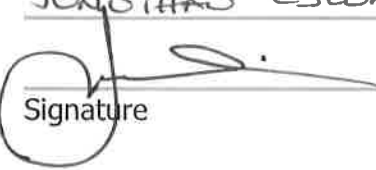
TREVOR M LOUISY

 Signature

MATTHEW C HATHURIN

 Signature

Date 29/7/14

Date 29/7/14

Name of Chief Financial Officer:

JONATHAN EDWARDS

 Signature

Date 29/7/14

INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

- a) Condensed Statement of Financial Position as at June 30, 2014 is attached;
- b) Condensed Statement of Comprehensive Income for the Six Months Ended June 30, 2014 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, 2014 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

During the presentation of Estimates of Revenue and Expenditure for the year 2014/2015 the Prime Minister of Saint Lucia reiterated the Government of Saint Lucia's (GOSL) plans to reform the energy sector and reduce the country's dependence on fossil fuels for electricity generation. The GOSL's initiatives include:

- the establishment of a utility-scale Solar Photovoltaic Facility and Waste-to-Energy Plant;
- the signing of a revised geothermal development agreement; and
- removal of duties on components and equipment for renewable energy systems

If successful these initiatives could adversely impact the Company's electricity sales in the future.

The Prime Minister also announced the increase of the levy charged on the sale of fuel to the company from \$0.20 to \$0.50 per imperial gallon. The increase became effective on June 16, 2014 and is a pass through cost to the customer via the fuel surcharge mechanism established under the Electricity Supply Act.

Stay-over tourist arrivals to Saint Lucia for the year to May 2014 increased by 6.1% when compared to the same period last year. The United States, United Kingdom and Canadian markets realised increases of 14.0%, 5.4% and 10.2%, respectively, while the Caribbean market recorded a decline of 18.5%.

The Value Added Tax (VAT) office is up-to-date with its payment of VAT refunds to LUCELEC. During the quarter, the VAT office paid \$0.6M representing refunds for February and March 2014.

b) Capital Resources

The Capital Programme for 2014 continued with total year-to-date expenditure of \$11.5M of which approximately \$7.3M was allocated to the Transmission and Distribution (T&D) infrastructure.

During the quarter under review, a contract was awarded and preparatory works commenced for the installation of the new interbus transformers for the Soufriere and Praslin Substations. It is anticipated that these transformers will be commissioned towards the end of the third quarter.

The overhaul of one of the generation engines, which commenced in 2013, was completed at the beginning of the second quarter at a cost of \$1.5M.

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.

	30 June, 2014 EC\$ 000s	30 June, 2013 EC\$ 000s
Borrowings		
Current	7,568	8,265
Long Term	153,073	167,797
TOTAL	160,641	176,062
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	127,501	96,453
Retirement Benefit Reserve	3,430	9,354
Self Insurance Reserve	22,624	-
TOTAL	233,718	185,970

The Company does not foresee potential violation of those covenants.

Results of Operations

Total revenues of \$160.9M for the period represented a 0.5% decline when compared to the corresponding period last year. This was attributable to lower unit sales and a lower price for electricity charged associated with lower fuel costs.

Unit sales of 162.9M kWhs were 0.4% lower than the same period last year. Declines were recorded in the Domestic (1.3%), Commercial (0.8%) and Hotels (2.3%) sectors, while the Industrial and Streetlights sectors registered increases of 1.9% and 0.75% respectively.

Gross profit of EC\$40.6M was 14.2% greater than last year's position of EC\$35.6M, as a result of the timing of operating costs. This result, along with a

reduction in finance costs of \$1.1M, resulted in a profit before tax of \$20.3M. This represented an increase of \$6.4M over the corresponding period last year (\$13.9M). Consequently, profit after tax of EC\$14.2M was higher than last year's profit by \$3.9M. Despite this current trend, the profit for 2014 is expected to be in line with that of 2013 by year end.

System reliability performance (SAIDI) for the year to date improved to 3.96 hours against the 2014 target of 4.50 hours, but was slightly worse than last year's performance of 3.83 hours due to an increase in forced outages on the 11kV distribution system which affected larger areas and significant numbers of customers.

The year-to-date fuel efficiency achieved was 4.34 kWh/litre, which was marginally below last year's performance of 4.35 kWh/litre but better than the 2014 target of 4.31 kWh/litre.

System losses of 8.24% at the end of the period improved when compared to 9.79% recorded in the same period last year and the 2014 target of 8.61% for the year. This was due primarily to benefits derived from the defective meter replacement programme, which commenced towards the end of 2013.

3. Disclosure of Risk Factors.

- a) The Company is the sole authorized commercial generator, transmitter, distributor and seller of electricity in Saint Lucia. Plans for regulatory reform continued in 2014 following the launch of the Eastern Caribbean Energy Regulatory Authority (ECERA) in 2013 the World Bank supported project. The GOSL in parallel with the ECERA Project has also launched a project to establish a National Utilities Regulatory Commission (NURC) to cater for regulation in both the water and energy sectors. The NURC will be responsible for setting tariffs and ensuring service quality standards by these utility companies. It is anticipated that the revised regulatory energy sector will attract power producers in renewable energy.
- b) With universal access to electricity being achieved in Saint Lucia, the Company's future growth potential is, to a significant extent, subject to factors and conditions outside of its direct control. Management continues 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. At a Special Meeting of Shareholders held in May 2014 the Shareholders approved the incorporation of a subsidiary company to implement diversification plans and these will be put into effect later in the year.
- c) System Losses continue to be a concern for the Company. In order to mitigate these losses a defective meter replacement programme has commenced and investigations are continually and consistently undertaken where significant

drops in consumption patterns are noticed. Electricity theft cases are prosecuted.

- d) The Government of Saint Lucia (GOSL) continued work to operationalize the Petro Caribe Agreement which had been 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. The Company continues to monitor the situation.
- e) The hurricane season commenced on June 1, 2014. The Company continued its preparatory work in order to ensure that damage which could interrupt service delivery is minimized in the event of any adverse weather conditions.

The Company continues to pursue its policy of self-insurance of its Transmission and Distribution assets. The self insurance fund comprises cash resources of \$22.6 Million. The Company also has access to a line of credit of \$10 Million. During the quarter under review the Company continued its dialogue with the office of the Registrar of Insurances to determine the appropriate separate legal entity to manage the self insurance fund.

- f) The Company's return on rate base for 2013 of 12.6% was lower compared the 2012's achievement of 14.3%. This fell below the maximum allowable return of 14.5% set by the Electricity Supply Act (ESA). As average contributed capital increases through an increase in retained profits and profits dwindle, the result is a diminishing return on rate base. Management continues to focus 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
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014

	Unaudited June 30, 2014 EC\$ 000s	Unaudited June 30, 2013 EC\$ 000s	Audited December 31, 2013 EC\$ 000s
Assets			
Non-Current			
Property, plant and equipment	338,049	340,103	341,886
Intangible assets	14,616	15,859	15,589
Retirement benefit asset	3,430	3,827	3,430
Investments	171	169	170
Total non-current assets	356,266	359,958	361,075
Current			
Inventories	11,734	19,920	12,016
Income tax refundable	-	5,420	-
Trade, other receivables and prepayments	78,351	76,927	82,197
Cash and cash equivalents	32,837	32,018	29,858
Total current assets	122,922	134,285	124,071
TOTAL ASSETS	479,188	494,243	485,146
Equity and liabilities			
Shareholders' equity			
Stated capital	80,163	80,163	80,163
Retained earnings	127,501	96,453	122,781
Retirement benefit reserve	3,430	9,354	3,430
Self insurance reserve	22,624	-	21,156
Total shareholders' equity	233,718	185,970	227,530
Liabilities			
Non-Current			
Borrowings	153,073	167,797	153,072
Consumer deposits	15,839	15,149	15,545
Deferred tax liabilities	37,743	29,055	37,743
Consumer contributions	-	33,052	-
Retirement benefit liability	1,786	1,878	1,786
Total non-current liabilities	208,441	246,931	208,147
Current			
Borrowings	7,568	8,265	14,878
Trade and other payables	26,753	52,758	29,935
Dividends payable	1,671	319	332
Income tax payable	1,037	-	4,324
Total current liabilities	37,029	61,342	49,469
Total liabilities	245,470	308,273	257,616
TOTAL EQUITY & LIABILITIES	479,188	494,243	485,146

Director

Director

ST. LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Unaudited June 30, 2014 EC\$ 000s	Unaudited June 30, 2013 EC\$ 000s	Audited December 31, 2013 EC\$ 000s
Cash flows from Operating Activities			
Net Income Before Tax	20,301	13,939	35,943
Adjustments for			
Depreciation	15,247	16,772	30,680
Amortization of intangible assets	1,084	1,029	1,976
Finance charges	5,741	6,855	13,190
Movement in allowance for impairment	700	-	1,205
Gain on Disposal of property, plant and equipment	-	-	(13)
Amortization of consumer contributions	-	(1,017)	-
Post-retirement benefits	-	805	(135)
Operating Income before Working Capital Changes	<u>43,073</u>	<u>38,383</u>	<u>82,846</u>
Decrease in inventories	281	(751)	7,152
Decrease/(increase) in trade and other receivables	3,146	653	(5,822)
Increase in trade and other payables	<u>(3,181)</u>	<u>(11,441)</u>	<u>(16,493)</u>
Cash Generated from Operations	<u>43,319</u>	<u>26,844</u>	<u>67,683</u>
Interest received	691	261	899
Finance costs paid	(6,375)	(6,836)	(13,921)
Income tax paid	<u>(9,377)</u>	<u>-</u>	<u>-</u>
Net Cash Generated from/(Used in) Operating Activities	<u>28,258</u>	<u>20,269</u>	<u>54,661</u>
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	(11,410)	(6,320)	(25,760)
Proceeds on disposal of property, plant and equipment	-	-	15
Acquisition of intangible assets	<u>(111)</u>	<u>(1,833)</u>	<u>(2,450)</u>
Net Cash Used in Investing Activities	<u>(11,521)</u>	<u>(8,153)</u>	<u>(28,195)</u>
Cash Flows from Financing Activities			
Repayment of borrowings	(7,290)	(7,172)	(15,053)
Dividends paid	(6,683)	(10,779)	(18,788)
Consumer contributions received	-	898	-
Consumer deposits received, net	215	270	548
Net Cash Used in Financing Activities	<u>(13,758)</u>	<u>(16,783)</u>	<u>(33,293)</u>
Increase/(Decrease) In Cash and Cash Equivalents	<u>2,979</u>	<u>(4,667)</u>	<u>(6,827)</u>
Cash and Cash Equivalents - Beginning of Period	<u>29,858</u>	<u>36,685</u>	<u>36,685</u>
Cash and Cash Equivalents - End of Period	<u>32,837</u>	<u>32,018</u>	<u>29,858</u>

ST. LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Unaudited June 30, 2014 EC\$ 000s	Unaudited June 30, 2013 EC\$ 000s	Audited December 31, 2013 EC\$ 000s
Revenue			
Energy Sales	159,446	159,770	328,734
Fuel Surcharge Recovered	-	1,172	1,172
Other Revenue	1,450	697	3,207
	<u>160,896</u>	<u>161,639</u>	<u>333,113</u>
Operating Expenses			
Diesel Generation	102,903	107,917	216,666
Transmission and Distribution	17,355	16,882	34,606
Fuel Surcharge	-	1,247	1,348
	<u>120,258</u>	<u>126,046</u>	<u>252,620</u>
Gross Income	40,638	35,593	80,493
Administrative Expenses	<u>(14,616)</u>	<u>(14,810)</u>	<u>(31,426)</u>
Operating Profit	26,022	20,783	49,067
Other Gains	<u>19</u>	<u>11</u>	<u>66</u>
Profit Before Finance Costs and Taxation	26,041	20,794	49,133
Finance Costs, Net	<u>(5,741)</u>	<u>(6,855)</u>	<u>(13,190)</u>
Profit Before Taxation	20,300	13,939	35,943
Taxation	<u>6,090</u>	<u>3,624</u>	<u>9,715</u>
Net Profit for the Period from Continuing Operations	<u>14,210</u>	<u>10,315</u>	<u>26,228</u>
Other Comprehensive Income:			
Items that will not be reclassified to profit or loss:			
Re-measurements of defined benefit pension plans, net of tax	-	-	(872)
Other Comprehensive Income for the Year	-	-	<u>(872)</u>
Total Comprehensive Income for the Year	<u>14,210</u>	<u>10,315</u>	<u>25,356</u>
Earnings Per Share	<u>\$ 0.62</u>	<u>\$ 0.45</u>	<u>\$ 1.14</u>

