

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, 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:

Signature

Signature

Date

Date

Name of Chief Financial Officer:

Signature

Date

INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

- a) Condensed Statement of Financial Position as at September 30, 2014 is attached;
- b) Condensed Statement of Comprehensive Income for the Nine Months Ended September 30, 2014 and the corresponding period in the previous financial year are attached; and
- c) Condensed Statement of Cash Flows for the Nine Months Ended September 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

The main revenue source of the Company continued to be from the sale of electricity to customers across five major categories; Industrial, Commercial, Hotels, Government Street Lighting and Residential, the levels highly impacted by exogenous factors.

Stay-over visitor arrivals to Saint Lucia as at 31st August 2014 increased by 6.6% over the same period last year. Increases were registered from the USA, UK and Canadian markets of 13.8%, 7.3% and 10.1%, respectively, while visitors from the Caribbean declined by 11.7%. However, these growth rates have not translated to increased sales largely due to conservation mechanisms adopted by hotels.

The Government of Saint Lucia (GOSL) approved tax concessions by way of reduced import duties and excise taxes on electric and hybrid vehicles. The concessions are valid for a period of 30 months from June 2014 to November 2016 and are part of the GOSL strategy to reduce the fossil fuel intensive transportation sector and by extension reduce the importation and use of fossil fuels on the island. Any increase in the importation of electric and hybrid vehicles could result in a rise in electricity sales for the Company.

During the quarter under review, the VAT office paid the Company \$1.1M representing refunds for April to June 2014.

On the issue of the Company's fuel price hedging programme, fuel hedges were placed during the current quarter to cover the third quarter of 2015. Based upon the current movement of the fuel prices on the world market as compared to the existing hedge prices, this will have an impact on the Company's cash flow.

b) Capital Resources

The Capital Programme for 2014 continued with total year-to-date expenditure of \$19.3M of which approximately \$14.4M was spent on the Transmission and Distribution (T&D) infrastructure.

Civil works at the Soufriere and Praslin Substations progressed successfully during the third quarter. Installation and commissioning of the new interbus transformers is slated for October and November 2014, respectively.

The final planned overhaul of G7, one of the generation engines, will commence during the last quarter of 2014 at an estimated cost of \$2M.

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 September, 2014 EC\$ 000s	30 September, 2013 EC\$ 000s
Borrowings		
Current	6,123	6,355
Long Term	153,072	167,797
TOTAL	159,195	174,152
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	132,785	105,408
Retirement Benefit Reserve	3,430	9,354
Self-insurance Reserve	23,492	-
TOTAL	239,870	194,925

The Company does not foresee potential violation of those covenants.

Results of Operations

Total revenues of \$245.3M for the period represented a 0.9% decline when compared to the corresponding period last year of \$247.5M. This was attributable to lower unit sales and a lower price for electricity charged which was due to lower fuel costs resulting from the Company's fuel price hedging programme.

Unit sales of 247.2M kWhs were 0.7% lower than the same period last year of 249.0M kWhs. Declines were recorded in the Domestic (0.3%), Commercial (1.4%) and Hotels (1.1%) sectors, while the Industrial and Streetlights sectors registered increases of 0.9% and 1.5% respectively.

Gross profit of EC\$60.6M was 4.3% greater than last year's position of EC\$58.1M, as a result of a combination of savings and timing in some operating costs. This result, along with a reduction in finance costs of \$1.6M, positively impacted the profit before tax of \$29.1M. This represented an increase of 11.7% over the corresponding period last year of \$26.0M. Consequently, profit after tax of EC\$20.4M was higher than last year's profit of \$19.3M by 5.7%. Despite this current trend, the profit after tax for 2014 is expected to be closer to that of 2013 by year end due to the timing of expenditure.

System reliability performance (SAIDI) for the year to date of 5.70 hours was favourable against the 2014 prorated target of 6.75 hours and last year's performance of 5.91 hours.

The year-to-date fuel efficiency achieved of 4.31 kWh/litre was in line with the 2014 target but is below last year's performance of 4.34 kWh/litre.

System losses of 8.08% at the end of the period improved when compared to 9.70% recorded in the same period last year and the 2014 target of 8.61%. This was due primarily to benefits derived from the meter replacement programme, which commenced towards the end of 2013.

3. Disclosure of Risk Factors.

- a) In 2014, the Company continued to focus on five of the eight strategic objectives set in 2013. These are System Improvement and Enhancement (includes renewable energy), Corporate Diversification, Preparing for Regulatory Reform, Developing a Culture of Customer Care and Implementation of the Human Resource Strategic Plan.
- b) The weak economic conditions in the country continue to adversely impact the Company's operations due to the continued ability of customers to adequately service their outstanding bills. In addition, as a result of the stagnant economic activity, the overall demand for electricity has declined, which will affect the Company's ability to realize growth in the traditional revenue streams in the future.
- c) The Company is the sole authorized commercial generator, transmitter, distributor and seller of electricity in Saint Lucia. Plans for regulatory reform continued following the launch of the Eastern Caribbean Energy Regulatory Authority (ECERA) in 2013 a 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 and by extension competition for the Company in the area of generation expansion.

- d) System Losses continued to be a concern for the Company. In order to mitigate these losses a meter replacement programme commenced and investigations are continually and consistently undertaken where significant drops in consumption patterns are noticed. Electricity theft cases are prosecuted as a last resort.
- e) 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.
- f) The Company continues to pursue its policy of self-insurance of its Transmission and Distribution assets. The self-insurance fund comprises cash resources of \$23.5 Million. The Company also has access to a line of credit of \$10 Million. The Company continues its dialogue with the office of the Registrar of Insurances to determine the appropriate separate legal entity to manage the self-insurance fund.
- g) 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.
- h) The finalization of the CLICO matter continues to be a major risk for the Company. Due to the financial difficulties currently being experienced by CLICO, it is possible that the value of the investment in CLICO may be impaired and the possibility of a write-down has been considered. Any write-down in the value of the Scheme's assets will lead to a deterioration in its financial position and increase the likelihood of higher Company contributions being required to fund the benefits. A regional solution had been sought for the Eastern Caribbean which involved the governments of the member islands meeting any shortfall in settling investors which was not met by the liquidation of assets; however, the financial crisis facing these member islands had made closure on this part of the settlement proposal difficult. The Company and the Scheme's Trustees are continuing to monitor the position closely.

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