

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: 31 March, 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

(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.

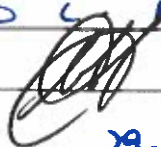
Name of Chief Executive Officer:

Treavor M. Loushy


Signature

Date 6th May 2015

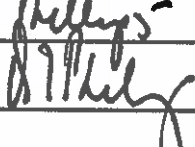
Name of Director:

Matthew G. Motu...


Signature

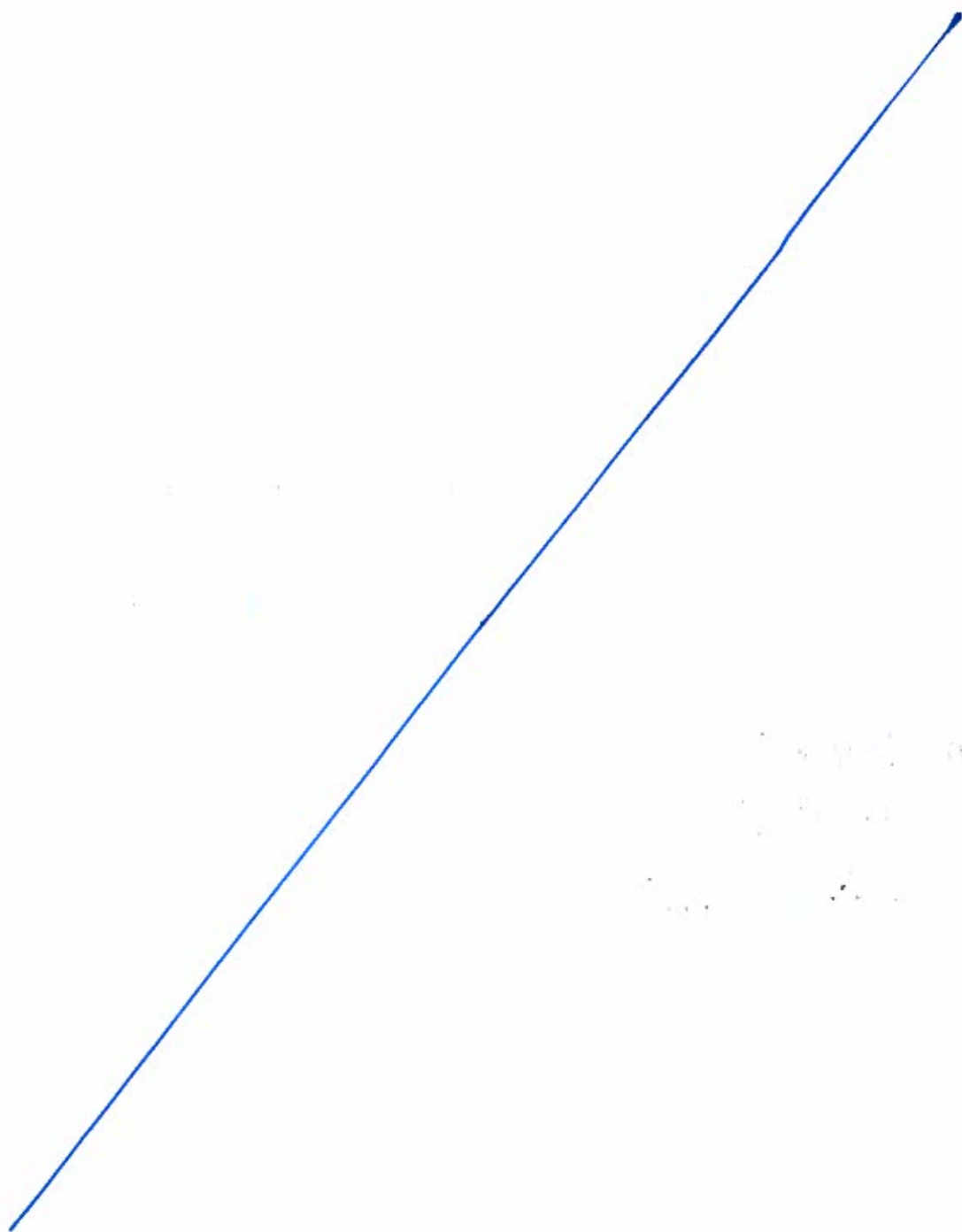
Date 29. 4. 15

Name of Chief Financial Officer:

ZIVA Phillips


Signature

Date 6th May 2015



INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

- a) Condensed Consolidated Statement of Financial Position as at March 31, 2015 is attached;
- b) Condensed Consolidated Statement of Comprehensive Income for the Three Months Ended March 31, 2015 and the corresponding period in the previous financial year are attached; and
- c) Condensed Consolidated Statement of Cash Flows for the Three Months Ended March 31, 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

Under the provisions of the Electricity Supply Act (ESA) Cap 9:02 Revised Laws of Saint Lucia the base tariffs for 2015 were re-set to reflect the new average fuel price of the previous 12 months, reducing the average base tariff from EC\$0.987 (2014) to EC\$0.977(2015), a decline of 1.0%. As fuel prices for the first quarter of 2015 were lower than the average price paid in 2014, the final price of electricity charged to customers was further reduced by an average of EC\$0.031.

Tourist arrivals to Saint Lucia continued to improve, with a 10.1% increase realized as at February 2015 when compared to the same period last year. The effects are being realized with the Company recording an overall increase in unit sales from the Hotel sector of 8.5% over the same period in 2014.

b) Capital Resources

The Company commenced the year with an approved capital budget of \$40 Million. Some of the major capital works identified for 2015 are:

- upgrading the Supervisory Control and Data Acquisition (SCADA) & Communications system (\$3.5 Million),
- the installation of smart meters (\$2.1 Million),
- generator overhauls (\$7.6 Million) and
- renewable energy initiatives (\$5.4 Million).

To date, the Company has spent \$2.0M on upgrading the existing transmission and distribution network. Note that approvals were also given for the commencement of projects in accordance with the approved budget amounting to \$15.1M. Details of work undertaken for capital projects during the quarter follow:

- The Interbus transformer at the Praslin Substation was commissioned during the quarter.
- The contract for upgrading the Communication System will be awarded in the second quarter subsequent to the finalisation of the evaluation of the bids received.
- The Request For Proposals (RFP) for the waste heat for cooling initiative was reviewed and will be sent out to tender 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.

	31 March, 2015 EC\$ 000s	31 March, 2014 EC\$ 000s
Borrowings		
Current	13,858	13,542
Long Term	137,726	153,073
TOTAL	151,584	166,615
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	137,627	129,256
Retirement Benefit Reserve	4,765	3,430
Self Insurance Reserve	25,445	21,701
TOTAL	248,000	234,550

The Company does not foresee potential violation of those covenants.

Results of Operations

The analysis following 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 \$78.8M for the quarter represented a 1.3% increase when compared to the corresponding period last year. This was attributable to an increase in electricity sales.

Unit sales for the quarter of 82.5M kWhs were 4.0% greater than the same period last year of 79.3M kWhs. Increases recorded in the Domestic (4.7%), Commercial (2.1%), Hotels (8.5%) and Street Lights (0.1%) sectors were slightly offset by a 3.0% decline in the Industrial sector.

Gross profit for the quarter of EC\$21.4M was 14.4% greater than last year's position of EC\$18.7M, as a result of the increase in electricity sales. This

favourable result also positively impacted the profit before tax of \$11.5M, which represented an increase of 30.7% over the corresponding period last year (\$8.8M).

System reliability performance (SAIDI) for the year to date improved to 1.96 hours against last year's performance of 2.09 hours.

The year-to-date fuel efficiency achieved was 4.30kWh/litre, which was slightly less than last year's performance of 4.34 kWh/litre.

System losses of 8.51% at the end of the period improved when compared to 8.69% 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 with the upcoming legislative reforms. Plans for regulatory reform continued in the first quarter, following the launch in 2013 of the Eastern Caribbean Energy Regulatory Authority (ECERA) supported by the World Bank. The proposed revision to the Electricity Supply Act (ESA) with the help of the Eastern Caribbean Energy Regulatory Authority (ECERA), to allow the commercial operation of independent renewable energy power producers remains a priority of the Government of St Lucia (GOSL) and is expected to be finalised during 2015. The National Utilities Regulatory Commission (NURC) that will be established in St. Lucia will be responsible for regulating the local water and electricity sectors. The Company faces the risk of not being fully prepared for the new Regulatory framework.
- b) To mitigate this risk, a Regulatory Reform team has been established to lead this initiative; the team has developed an action plan that is currently being executed. During the quarter the GOSL circulated the first draft Electricity Services Supply Bill and accompanying regulations. The Company has an opportunity to review, comment and consult on the provisions of the draft legislation. LUCELEC's Regulatory Reform team continues to work towards ensuring full readiness of the Company to respond to the eventual form of the regulated environment.
- c) The new Electricity Service Supply bill promotes the use of renewable energy for diversification of the fuel source within the electricity sector. This will attract other independent power producers (IPP's) on the generation side. The risk implications for the Company are reduced demand, possibility of stranded assets and the loss of staff to the competition. In order to mitigate this risk, the Company has been proactive in identifying certain strategic initiatives that will ensure that it continues to maintain significant market share, provide a reliable and cost effective supply, offer competitive prices on a regional scale, promote

excellent customer care, explore alternative forms of energy thereby capitalizing on the growing demand for renewables and establish a competitive rewards and benefits program.

- d) With universal access to electricity being achieved in Saint Lucia, the Company's future growth potential is limited. Any new 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. The Company is therefore faced with the risk of a decrease in demand/sales and a reduction in Shareholders' returns. 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 2015.
- 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.

The primary factors related to generation expansion include:-

- Identifying a relatively cheap and reliable fuel source;
- Identifying the most efficient and effective technology taking into consideration the environmental effects, reliability and security of supply, price and the latest sustainable technological developments in the industry;
- Cost of the various options and the likely impact on the financial operations of the Company;
- Access to the required capital at sufficiently generous terms;
- The nature and extent of renewable power to be included in the energy portfolio, their costs and likely tariff impact;
- Support and cooperation of other stakeholders such as the GOSL requirements;
- General economic and operating conditions.

The Company faces the risk of delays in the delivery of new energy capacity requirements when required. Timely decisions on the factors identified above is an imperative in order to establish a competitive advantage, bearing in mind that the development period can take up to two years.

- f) Although fuel prices were fairly stable during the first nine months of 2014, prices dropped to a record low during the last quarter of the year and the trend has continued in 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. This has various unfavourable implications for the Company such as customer dissatisfaction and reputational damage. The Company has been proactive in managing the risks by engaging various stakeholders on the impact of the fall in world oil prices on the fuel surcharge and LUCELEC's fuel price hedging programme. As a result of the significant change in the market, the Company is also considering alternative hedging tools.

- g) System Losses continue to be a concern for the Company especially given the implications for the cost of electricity, unrecognized revenues and ultimately reduced shareholder returns. In order to mitigate these losses investigations are continually undertaken where significant drops in customer consumption patterns are noticed, electricity theft cases are prosecuted and sales trends are analyzed.
- 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 \$25 Million. The Company also has access to a line of credit of \$10 Million. Although periodic risk assessments are conducted to ascertain the most likely potential damage from a natural disaster, the Company is faced with the risk of being under-insured, a critical risk in this hurricane-prone region.
- i) Credit management continued to pose a challenge given the local economic climate leading to a lengthening receivables aging profile, a rise in doubtful collections and a reduction in profitability and shareholders returns. Debt management remains a priority for the Company. LUCELEC continues to actively pursue its debtors by a number of measures including negotiating repayment arrangements. With respect to its largest debtor, the Company has entered into a financing arrangement. Contractual monthly payments have been made consistently, since the signing of this agreement.
- j) The Company's rate of return 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.
- k) As a result of a head office decision to reduce their sovereign and sub sovereign debt throughout the Caribbean Region, one of our counterparties rescinded the credit line which supported our fuel hedging activity. This was confirmed in March 2014 and to date remains unchanged. This decision regarding the classification of the Company as sub sovereign has serious implications for the Company's ability to secure external financing for its capital expansion programs.

- l) The local economy has experienced a contraction in its Gross Domestic Product (GDP) averaging -0.2% for the past 5 years. As a result of the persistently weak economic conditions, the GOSL has experienced deterioration in its fiscal position. The Company faces the risk of the imposition of value added tax (VAT) on the electricity services as a source of revenue for the GOSL. The risk implications are increased cost of electricity to customers, customer dissatisfaction, reputational damage and increased debt management costs. Although the Company does not have any control over the imposition of this tax, the Company has conceptualized a communication plan for key stakeholders, intensified its diversification efforts to secure new revenue streams and continues to monitor the situation 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

ST LUCIA ELECTRICITY SERVICES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015

	Unaudited March 31, 2015 EC\$ 000s	Unaudited March 31, 2014 EC\$ 000s	Audited December 31, 2014 EC\$ 000s
Assets			
Non-Current			
Property, plant and equipment	332,450	337,369	337,840
Intangible assets	13,613	15,064	14,142
Retirement benefit asset	4,765	3,430	4,765
Investments	171	170	172
Total non-current assets	350,999	356,033	356,919
Current			
Inventories	10,821	10,954	10,465
Trade, other receivables and prepayments	108,706	79,803	129,656
Cash and cash equivalents	39,595	37,633	21,562
Total current assets	159,122	128,390	161,683
TOTAL ASSETS	510,121	484,423	518,602
Equity and liabilities			
Shareholders' equity			
Stated capital	80,163	80,163	80,163
Retained earnings	137,627	129,256	130,137
Retirement benefit reserve	4,765	3,430	4,765
Self insurance reserve	25,445	21,701	24,695
Total shareholders' equity	248,000	234,550	239,760
Liabilities			
Non-Current			
Borrowings	137,726	153,073	137,725
Consumer deposits	15,517	15,700	16,135
Deferred tax liabilities	38,279	37,743	38,279
Retirement benefit liability	1,849	1,786	1,849
Total non-current liabilities	193,371	208,302	193,989
Current			
Borrowings	13,858	13,542	15,465
Trade and other payables	23,951	26,101	28,424
Derivative financial liabilities	30,394	-	39,746
Dividends payable	340	339	340
Income tax payable	207	1,589	878
Total current liabilities	68,750	41,571	84,853
Total liabilities	262,121	249,873	278,842
TOTAL EQUITY & LIABILITIES	510,121	484,423	518,602

Approved on behalf of the Board of Directors on April, 2015

Director

Director

ST LUCIA ELECTRICITY SERVICES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2015

	Unaudited March 31, 2015 EC\$ 000s	Unaudited March 31, 2014 EC\$ 000s	Audited December 31, 2014 EC\$ 000s
Cash flows from Operating Activities			
Net Income Before Tax	11,462	8,828	37,000
Adjustments for			
Depreciation	7,887	7,560	30,970
Amortization of intangible assets	578	541	2,180
Interest income	(249)	(411)	(1,589)
Finance charges	3,020	3,240	12,957
Movement in allowance for impairment	163	25	2,886
Gain on Disposal of property, plant and equipment	(9)	-	(28)
Post-retirement benefits	-	-	54
Operating Income before Working Capital Changes	22,852	19,783	84,430
Decrease in inventories	11,436	1,062	1,551
(Increase)/decrease in trade and other receivables	(356)	2,369	(11,035)
Decrease in trade and other payables	(4,472)	(3,952)	(1,629)
Cash Generated from Operations	29,460	19,262	73,317
Interest received	249	411	1,587
Finance costs paid	(2,816)	(2,595)	(12,830)
Income tax paid	(3,893)	(5,386)	(13,369)
Net Cash Generated from Operating Activities	23,000	11,692	48,705
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	(2,497)	(3,043)	(26,571)
Proceeds on disposal of property, plant and equipment	9	-	28
Acquisition of intangible assets	(49)	(16)	(1,086)
Net Cash Used in Investing Activities	(2,537)	(3,059)	(27,629)
Cash Flows from Financing Activities			
Repayment of borrowings	(2,092)	(1,942)	(14,725)
Dividends paid	-	7	(16,036)
Consumer deposits received, net	(338)	116	428
Net Cash Used in Financing Activities	(2,430)	(1,819)	(30,333)
Increase/(Decrease) in Cash and Cash Equivalents	18,033	6,814	(9,257)
Cash and Cash Equivalents - Beginning of Period	21,562	30,819	30,819
Cash and Cash Equivalents - End of Period	39,595	37,633	21,562

ST LUCIA ELECTRICITY SERVICES LIMITED
CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2015

	Unaudited March 31, 2015 EC\$ 000s	Unaudited March 31, 2014 EC\$ 000s	Audited December 31, 2014 EC\$ 000s
Revenue			
Energy Sales	77,793	77,197	324,622
Fuel Surcharge Recovered	-	-	599
Other Revenue	972	568	3,661
	<u>78,765</u>	<u>77,765</u>	<u>328,882</u>
Operating Expenses			
Diesel Generation	48,638	50,236	212,618
Transmission and Distribution	8,714	8,790	34,609
	<u>57,352</u>	<u>59,026</u>	<u>247,227</u>
Gross Income	21,413	18,739	81,655
Administrative Expenses	<u>(7,310)</u>	<u>(7,085)</u>	<u>(33,355)</u>
Operating Profit	14,103	11,654	48,300
Interest Income	249	411	1,589
Other Gains	129	2	67
	<u>14,481</u>	<u>12,067</u>	<u>49,956</u>
Profit Before Finance Costs and Taxation	14,481	12,067	49,956
Finance Costs, Net	<u>(3,020)</u>	<u>(3,240)</u>	<u>(12,956)</u>
Profit Before Taxation	11,461	8,827	37,000
Taxation	<u>3,221</u>	<u>2,651</u>	<u>10,192</u>
Net Profit for the Period from Continuing Operations	<u>8,240</u>	<u>6,176</u>	<u>26,808</u>
Other Comprehensive Income:			
Items that will not be reclassified to profit or loss:			
Re-measurements of defined benefit pension plans, net of tax	-	-	1,616
Other Comprehensive Income for the Year	-	-	1,616
Total Comprehensive Income for the Year	<u>8,240</u>	<u>6,176</u>	<u>28,424</u>
Earnings Per Share	<u>\$ 0.36</u>	<u>\$ 0.27</u>	<u>\$ 1.17</u>

