

**Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended June 30, 2016  
Pursuant to Section 98(2) of the Securities Act, 2001

**OR**

**TRANSITION REPORT**  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Pursuant to Section 98(2) of the Securities Act, 2001  
*(Applicable where there is a change in reporting issuer's financial year)*

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 Souci, Castries, Saint Lucia  
(Address of principal executive Offices)

(Reporting issuer's:

Telephone number (including area code): 758-457-4400

Fax number: 758-457-4409

Email address: Lucelec@candw.lc

\_\_\_\_\_  
(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 Annual 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 Louisy

SIGNED AND CERTIFIED

26<sup>th</sup> July, 2016

Date

Name of Director:

CAROLE ELEFTHERE JIMMARIE

SIGNED AND CERTIFIED

26<sup>th</sup> July 2016

Date

Name of Chief Financial Officer:

Ian Peter

SIGNED AND CERTIFIED

26<sup>th</sup> July, 2016

Date

## INFORMATION TO BE INCLUDED IN FORM ECSRC-OR

### 1. **Financial Statements**

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
- (b) Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

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

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures

taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

### *General Discussion and Analysis of Financial Condition*

The company continues to maintain a healthy financial position as suggested by its liquidity and debt ratios. There is no planned departure from this position and management will continue to place a strong emphasis on working capital and cost management. We are optimistic about the achievement of the performance targets for 2016, despite the fact that there are still further amendments to be made to the ESA (tariff formula, license requirements and service standards). The thrust for renewable energy and increases in self generation is expected to negatively impact the Company's profit levels in the future periods. The Company's future performance will depend on process improvements and the related gains in efficiency, while maintaining an acceptable level of reliability, power quality, safety and customer care.

### Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.

- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

#### *Discussion of Liquidity and Capital Resources*

##### (1) Liquidity

The Company continued to operate under debt covenants stipulated in Security Sharing Agreements (SSA) with its lenders which, among other provisions set the maximum level of debt that the Company is allowed to undertake.

Due to the excess liquidity in the banking sector, the company was successfully able to secure reduced interest rates from two of its existing lenders. The Company is now poised to pay off two of its loans almost two years earlier than previously scheduled and will realise significant savings in interest payments over the remaining tenor of those loans.

Major investments expected in Saint Lucia during 2016 include food processing facilities, a flour mill, concrete farm factory and three hotel developments. If these investments come to fruition, growth of electricity sales can be expected, especially from the industrial and hotel sectors in the medium term.

##### (2) Capital Resources

Capital expenditure for the six months to June 30, 2016 totaled \$10.7M, which was primarily on T&D network upgrades and engine overhauls.

Contract negotiations are ongoing for the installation of a new SCADA system, which will have data collection, system restoration and system monitoring capabilities. This project is expected to commence towards the end of the third quarter of 2016 at an estimated cost of \$3.5M.

Bid evaluations commenced during this reporting period on the tenders submitted for the construction of a 1MW solar farm which is projected to cost \$6M.

Studies were completed at the end of June 2016 on the suitability of the location for the proposed wind farm. The design of the farm is expected to commence during the upcoming quarter and the Company expects to inject over \$15M into this project over the next year.

### Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

N/A

## Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls.

## *Overview of Results of Operations*

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

Actual unit sales for the first six months of 2016 were 170.6M kWhs, which were 2.7% (4.4M kWhs) greater than prior year sales of 166.2M kWhs. Increases realised in the Domestic (6.0%), Commercial (2.3%) and Industrial (3.9%) sectors were partly outweighed by declines in sales to the Hotel (1.8%) and Street Lights (0.8%) sectors. The increase in consumption may be attributed to signs of economic recovery of the local economy resulting in increases in output in some productive sectors. The decline in sales to the Hotel sector may be due in part to the decline in tourist arrivals to the country which affect hotel occupancy levels. The performance in the Street Lights sector is due to the replacement of LED lights in place of some of the existing high pressure sodium lamps, the latter of which consume more electricity.

Year-to-date revenue of \$127.9M was lower than that of the first six months of 2015 of \$158.7M by 19.4% (\$30.8M). This was mainly due to lower tariffs charged caused by declining fuel prices, despite the increase in units of electricity sold. The average tariff charged for the period was \$0.74 per kilowatt hour, which represented a 21.3% decline from the tariff charged for the same period last year of \$0.94 per kilowatt hour. This trend is expected to continue unless fuel costs rise above that incurred in 2015.

Generation costs for the six months ended June 30, 2016 of EC\$9.9M were lower than the same period in the previous year of \$10.1M by 2.1% (EC\$0.2M) primarily due to lower engine maintenance costs.

Transmission and distribution costs for the first half of 2016 of EC\$19.0M increased by 6.0% (EC\$1.1M) compared to the same period last year of EC\$17.9M due mainly to increases in T&D network maintenance costs, depreciation and employee costs.

Administrative expenditure for the reporting period of EC\$14.7M were 6.1% (\$0.8M) greater than the same period last year of \$13.9M due to increases in employee costs, professional fees, public relations expenses, which were partly countered by lower meter reading and debt collection costs.

Year-to-date finance costs of \$4.8M were 20.8% (\$1.3M) lower than prior year of \$6.1M, due to lower interest rates negotiated on three of the four company loans during the year and lower interest charges on reducing principal balances.

The year-to-date profit before tax of EC\$24.3M was 9.7% (EC\$2.2M) greater than the same period in 2015 of EC\$22.1M.

Likewise, profit after tax for the year to date of EC\$17.5M was 9.8% (EC\$1.5M) greater than the corresponding period last year of EC\$16.0M.

Earnings per share for the six months to June 30, 2016 of EC\$0.77 was 10.0% greater than the corresponding period for 2015 of \$0.70.



### 3. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

1. The Company had identified certain risks in the process of preparing for the new regulatory framework. To mitigate this risk, the Company established a Regulatory Reform Team to spearhead the Company's involvement in the regulatory reform process. Employee training, stake holder engagements and the review of the National Utilities Regulatory Commission (NURC) Bill, were some of the activities undertaken by the Regulatory Reform Team as part of their work programme. The ESA as amended was assented to in the latter part of 2015 and provides the new regulatory body, the NURC with the authority and to allow independent power producers (IPPs) to generate electricity. Associated risk implications for the Company include the possibility of stranded assets and the loss of professional staff to Independent Power Producers (IPPs). The Company has begun to engage the NURC as the energy sector transitions to a competitive environment in the area of generation of electricity, from renewable energy sources.

2. While the Company's fuel price hedging strategy was successful in reducing price volatility over the past six years, in 2015 however, customers had to pay more for electricity than they would have, had the Company not hedged, as a result of the significant drop in oil prices. With noticeable reductions in local fuel prices, the Company was exposed to reputational risks as customers' expectation of commensurate reductions in electricity prices was not realized. In order to allow for flexibility and to help mitigate these risks the Company commenced the use of options. Using this hedging tool prices can be fixed within a range or the Company can participate in the market depending on how price move.

3. The Company continued to explore and analyze the next phase of major generation capacity which it estimates will be required by 2021. A suitable location in the south of the island was identified in 2012 and is currently being leased by the Company, part of which will be used for the establishment of a solar farm. There are a number of key factors to be considered in finalizing this level of capital investment such as:

- The most efficient and effective technology, taking into consideration the environmental effects, reliability of supply, and price.
- The cost of the various options and the likely impact on the financial operations of the Company;
- Access to the required capital on favorable terms;
- The nature and extent of renewable power to be included in the energy portfolio, their costs and likely tariff impact;
- The risk factors to be managed in the event that there are delays in the delivery of new energy capacity when required;
- The likely impact of changes in the regulatory regime on energy strategy and supply;
- Support and cooperation of other stakeholders especially the GOSL more so since the recent election results;
- General economic and operating conditions.

The Company therefore needs to monitor and manage progress in all of the above areas so as to ensure that it can mitigate the risk of insufficient generating capacity in a timely manner.

4. The annual hurricane season between June and November remained a constant risk factor. As far as practicable the Company continued to design its systems to minimize the impact from hurricanes.

5. Obtaining insurance coverage for the Transmission & Distribution (T&D) plant on the market, at a cost effective rate, has been a challenge in the past. As such, the company established a Self Insurance Fund as a vehicle to mitigate losses in the event of catastrophic events. As at June 30, 2016 the Fund balance was EC\$29.9M. The Company also had access to a standby credit facility of EC\$10M to meet any emergency asset restoration costs should the need arise. The Net Book Value of the T&D assets were approximately EC\$136.2 Million as at June 30, 2016. 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 in the event of a total loss, a critical risk in this hurricane-prone region.

6. With universal access to electricity being achieved in Saint Lucia, the Company's future growth potential is limited. 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.

7. Collections continued to pose a challenge given the local economic climate leading to a lengthening receivables aging profile, consequently debt management remained a priority for the Company. With respect to its largest debtor, the Company has entered into a financing arrangement which is being honored. All accounts continue to be monitored on an on-going basis to keep delinquency at its minimum.

8. The Company utilizes Return on Equity as one of the measures of its performance. As shareholders' equity increases and profits dwindle, the Company is faced with the risk of continued diminishing Return On Equity. Management will continue focusing on cost management through increased efficiencies as a means of mitigating this risk. There are also plans to increase its profitability by diversifying its revenue stream.

9. 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. During the reporting period, the Company obtained additional resources to commence investigation of identified instances of electricity theft.

**4. Legal Proceedings.**

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

N/A

**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.

N/A

(a) 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

\_\_\_\_\_

\_\_\_\_\_

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

N/A
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**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.

N/A

- (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.

N/A

**7. Submission of Matters to a Vote of Security Holders.**

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

Annual Meeting – 13<sup>th</sup> May 2016 (from 6 pm)  
Special Meeting – 13<sup>th</sup> May 2016 (from 5 pm)

If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting

The following Directors retired by rotation and were re-elected at the Annual Meeting of Shareholders:

- Dr. Mkabi Walcott (subsequently resigned effective 1<sup>st</sup> June 2016)
- Mr Roger Blackman
- Mr. Matthew Lincoln Mathurin

In accordance with Section 69 (3) of the Companies Act which provides:

*Subject to section 71(b), the shareholders of a company, shall by ordinary resolution at the first meeting of the company and at each following annual meeting at which an election of directors is required, elect directors to hold office for a term expiring not later than the close of the third annual meeting of the shareholders of the company following the election.*

The following directors who had been appointed since the last Annual Meeting of Shareholders were elected:

Election of Directors

- Mr. Roger Blackman
- Ms Sharon Christopher
- Ms Karen Darbasie
- John Chester Joseph

The term of the following Directors remained unexpired:

- Mrs. Carole Eleuthere Jn Marie,
- Mr Stephen Mc Namara,
- Mr. Trevor Louisy (Executive Director)

- (b) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

### **ANNUAL MEETING OF SHAREHOLDERS – 13<sup>TH</sup> MAY 2016**

The vote at the Annual Meeting of Shareholders is on a show of hands, 25 shareholders constitute a quorum. The number of shares present and voting is only tallied if a ballot is called for. The number of persons present at the Annual meeting totaled 57, no ballot was called for.

At the Annual Meeting held on 13<sup>th</sup> May 2016 the items listed below were voted on, all items were passed by unanimous consent including the re-election and election of Directors, there were not abstentions on any of the items listed below:

1. To consider and adopt the Directors' Report.
2. To consider and adopt the Auditors' Report and the Financial Statements for the year ended 31<sup>st</sup> December 2015.
3. To appoint the auditor.

4. To sanction a final dividend in respect of the year ended 31<sup>st</sup> December 2015.

5. To re-elect the following Directors:

- Dr. Mkabi Walcott
- Mr Roger Blackman
- Mr. Matthew Lincoln Mathurin

6. To elect the following Directors

- Mr. Roger Blackman
- Ms Sharon Christopher
- Ms Karen Darbasie
- Mr. John Chester Joseph

### **SPECIAL MEETING OF SHAREHOLDERS – 13<sup>TH</sup> MAY 2016**

A special meeting was convened to consider amendments to By Law No. 1 of St. Lucia Electricity Services Limited.

Clause 33 (c) of By Law No 1 of St. Lucia Electricity Services Limited requires a special resolution to be tabled and passed in order to amend the Company's By Law. Section 543 of the Companies Act of Saint Lucia defines a special resolution *inter alia* as "a resolution of which at least 21 days' notice is given which (a) is passed by a majority of not less than 75 percent of the votes cast by shareholders who voted in respect of the resolution." The Company gave shareholders 25 days' notice of the Special Meeting, 57 shareholders were present which equated to 16,694,038 being present and voting and the following items were tabled and passed by unanimous consent:

1. Clauses Nos. 4, 5, 10, 11, 12, 16, 17, 21, 25, 33, 56, 57, 63, 64, 65, 66, 67, 79, 80, 94, 107, 110, 114 of By Law No. 1 of St, Lucia Electricity services Limited be amended .
2. All references to any rights and obligations of the Commonwealth Development Corporation (CDC) be deleted from By Law No 1
3. That By Law No. 1 be accordingly restated effective 13<sup>th</sup> May 2016

- (c) A description of the terms of any settlement between the registrant and any other participant.

N/A

- (d) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

N/A



**8. Other Information.**

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report.

N/A

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Unaudited Consolidated Financial Statements  
For the Six Months Ended June 30, 2016  
(Expressed in Eastern Caribbean Dollars)

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**ST. LUCIA ELECTRICITY SERVICES LIMITED**


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**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
 Unaudited Consolidated Statement of Financial Position  
 (Expressed In Eastern Caribbean Dollars)

	As at June 30, 2016	As at December 31, 2015
<b>Assets</b>		
<b>Non-current</b>		
Property, plant and equipment	\$ 335,650,872	341,491,994
Intangible assets	12,324,044	13,081,709
Retirement benefit assets	1,058,000	1,058,000
Other financial assets	172,972	172,278
<b>Total non-current assets</b>	<u>349,205,888</u>	<u>355,803,981</u>
<b>Current</b>		
Inventories	15,942,007	14,381,152
Trade, other receivables and prepayments	55,176,346	63,208,484
Other financial assets	14,401,108	18,991,757
Cash and cash equivalents	43,992,532	39,098,895
<b>Total current assets</b>	<u>129,511,993</u>	<u>135,680,288</u>
<b>Total assets</b>	<u>\$ 478,717,881</u>	<u>491,484,269</u>
<b>Shareholders' equity and liabilities</b>		
<b>Shareholders' equity</b>		
Share capital	\$ 80,162,792	80,162,792
Retained earnings	142,219,639	135,354,298
Retirement benefit reserve	1,058,000	1,058,000
Revaluation reserve	15,350,707	15,350,707
Self-insurance reserve	29,927,361	28,204,502
<b>Total shareholders' equity</b>	<u>268,718,499</u>	<u>260,110,299</u>
<b>Liabilities</b>		
<b>Non-current</b>		
Borrowings	110,021,558	121,712,672
Consumer deposits	16,436,147	16,111,107
Deferred tax liabilities	33,132,850	34,379,011
Retirement benefit liability	5,667,000	5,667,000
Post-employment medical benefit liabilities	1,935,000	1,935,000
<b>Total non-current liabilities</b>	<u>167,192,555</u>	<u>179,804,790</u>
<b>Current</b>		
Borrowings	19,309,690	16,101,653
Trade and other payables	20,848,294	25,828,230
Provision for other liabilities	1,485,493	1,485,493
Derivative financial instruments	68,921	5,588,334
Dividends payable	442,057	423,771
Income tax payable	652,372	2,141,699
<b>Total current liabilities</b>	<u>42,806,827</u>	<u>51,569,180</u>
<b>Total liabilities</b>	<u>209,999,392</u>	<u>231,373,970</u>
<b>Total shareholders' equity and liabilities</b>	<u>\$ 478,717,881</u>	<u>491,484,269</u>

Approved on behalf of the Board of Directors:

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

## Unaudited Consolidated Statement of Comprehensive Income

(Expressed In Eastern Caribbean Dollars)

	For the 6 months ended June 30, 2016	For the 6 months ended June 30, 2015	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Revenue</b>				
Energy sales	\$ 126,853,291	157,118,204	309,148,671	323,899,359
Other revenue	<u>1,009,669</u>	<u>1,559,622</u>	<u>2,624,292</u>	<u>3,661,302</u>
	<u>127,862,960</u>	<u>158,677,826</u>	<u>311,772,963</u>	<u>327,560,661</u>
<b>Operating expenses</b>				
Fuel costs	55,599,184	89,115,072	172,061,379	190,235,561
Transmission and distribution	19,027,710	17,945,068	34,808,981	34,609,145
Generation	<u>9,871,647</u>	<u>10,085,074</u>	<u>21,952,515</u>	<u>21,060,780</u>
	<u>84,498,541</u>	<u>117,145,214</u>	<u>228,822,875</u>	<u>245,905,486</u>
<b>Gross income</b>	43,364,419	41,532,612	82,950,088	81,655,175
Administrative expenses	<u>(14,746,181)</u>	<u>(13,903,105)</u>	<u>(32,514,572)</u>	<u>(33,354,720)</u>
<b>Operating profit</b>	28,618,238	27,629,507	50,435,516	48,300,455
Interest income	452,923	517,719	1,031,219	1,589,465
Other gains, net	<u>28,282</u>	<u>78,479</u>	<u>307,043</u>	<u>67,121</u>
<b>Profit before finance costs and taxation</b>	29,099,443	28,225,705	51,773,778	49,957,041
Finance costs	<u>(4,816,904)</u>	<u>(6,082,567)</u>	<u>(11,820,118)</u>	<u>(12,956,548)</u>
<b>Profit before taxation</b>	24,282,539	22,143,138	39,953,660	37,000,493
Taxation	<u>(6,735,539)</u>	<u>(6,156,221)</u>	<u>(11,044,646)</u>	<u>(10,192,086)</u>
<b>Net profit for the period</b>	<u>17,547,000</u>	<u>15,986,917</u>	<u>28,909,014</u>	<u>26,808,407</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	-	-	(6,719,300)	1,615,529
Gain on revaluation of land	-	-	<u>15,350,707</u>	-
<b>Total other comprehensive income</b>	-	-	<u>8,631,407</u>	<u>1,615,529</u>
<b>Total comprehensive income for the period</b>	<u>\$ 17,547,000</u>	<u>15,986,917</u>	<u>37,540,421</u>	<u>28,423,936</u>
<b>Basic and diluted earnings per share</b>	<u>\$ 0.77</u>	<u>0.70</u>	<u>1.26</u>	<u>1.17</u>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Unaudited Consolidated Statement of Cash Flows

For the Six Months Ended June 30, 2016

(Expressed In Eastern Caribbean Dollars)

	For the 6 months ended June 30, 2016	For the 6 months ended June 30, 2015	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Cash flows from operating activities</b>				
Profit before taxation	\$ 24,282,539	22,143,138	39,953,660	37,000,493
<b>Adjustments for:</b>				
Depreciation	16,196,831	15,840,664	31,987,180	30,970,042
Amortisation of intangible assets	1,160,198	1,156,926	2,313,936	2,180,034
Finance costs expensed	4,816,905	6,082,567	11,820,118	12,956,548
Interest income	(452,923)	(517,719)	(1,031,219)	(1,589,465)
Movement in allowance for impairment	-	-	1,509,808	2,885,884
Gain on disposal of property, plant and	(13,043)	(11,000)	(60,517)	(28,039)
Post-retirement benefits	-	-	(138,959)	53,887
Operating profit before working capital	45,990,507	44,694,576	86,354,007	84,429,384
(Increase)/decrease in inventories	(1,560,855)	(2,142,780)	(3,916,343)	1,551,133
Decrease/(increase) in trade, other				
receivables and prepayments	2,512,724	14,612,100	31,176,397	(11,035,411)
Decrease in trade and other payables	(4,980,143)	1,109,185	(2,595,660)	(1,628,644)
Increase in provision for other liabilities	-	-	1,485,493	-
Cash generated from operations	41,962,233	58,273,081	112,503,893	73,316,462
Interest received	234,173	401,532	759,322	1,498,365
Finance costs paid	(4,765,351)	(6,431,565)	(12,072,996)	(12,829,710)
Income tax paid	(9,471,027)	(7,347,189)	(10,801,259)	(13,369,190)
<b>Net cash from operating activities</b>	<b>27,960,028</b>	<b>44,895,859</b>	<b>90,388,961</b>	<b>48,615,927</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and	(10,355,707)	(7,824,269)	(21,177,659)	(26,571,380)
equipment				
Proceeds from disposal of property, plant	13,043	11,000	64,064	28,444
and equipment				
Acquisition of intangible assets	(402,533)	(67,245)	(763,517)	(1,086,397)
Acquisition of deposits	(379,116)	(10,287,037)	(13,621,670)	(5,010,531)
Sale of deposits	5,187,822	-	-	-
<b>Net cash used in investing activities</b>	<b>(5,936,491)</b>	<b>(18,167,551)</b>	<b>(35,498,782)</b>	<b>(32,639,864)</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings	(8,460,875)	(7,596,437)	(15,347,041)	(14,724,543)
Dividends paid	(8,920,515)	(8,178,681)	(17,106,411)	(16,035,784)
Consumer deposits, net	251,490	(210,917)	199,224	427,951
<b>Net cash used in financing activities</b>	<b>(17,129,900)</b>	<b>(15,986,035)</b>	<b>(32,254,228)</b>	<b>(30,332,376)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,893,637</b>	<b>10,742,273</b>	<b>22,635,951</b>	<b>(14,356,313)</b>
Cash and cash equivalents at beginning of				
period	39,098,895	16,462,944	16,462,944	30,819,257
<b>Cash and cash equivalents at end of</b>				
<b>period</b>	<b>\$ 43,992,532</b>	<b>27,205,217</b>	<b>39,098,895</b>	<b>16,462,944</b>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Unaudited Consolidated Financial Statements

For the Six Months Ended June 30, 2016

*(Expressed In Eastern Caribbean Dollars)*

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**Accompanying Notes**

- These unaudited consolidated financial statements present the results of the St. Lucia Electricity Services Limited and its two subsidiaries-LUCELEC Cap-Ins. Inc. and LUCELEC Trust Company Inc.
- The principal accounting policies adopted and methods of computation have been consistently applied to the periods presented in these unaudited consolidated financial statements.
- There were no unusual assets, liabilities, income or expenses recorded during the quarter.
- There were no significant changes in estimates of amounts reported in the prior financial year.
- There were no issuances, repurchases and repayments of equity securities during the quarter.
- During the reporting period, three of the Company's loans were refinanced to take advantage of lower interest rates offered by the lending institutions. Annual interest rates now incurred by the Company range from 3.95% to 7.15% per annum, compared to 7.15% to 8.00% per annum charged prior to June 2016.
- Loan principal and interest repayments during the first half of 2016 totaled \$13.2M.
- A final dividend of \$0.39 per share was approved at the annual general meeting of the shareholders held in May 2016. Dividends totaling \$8.9M were paid out in June 2016.
- There were no material events subsequent to the end of the quarter that have not been reflected in the unaudited consolidated financial statements.
- In January 2016, a 100% owned subsidiary company was incorporated. There were no transactions for this subsidiary during the reporting period.
- There were no changes in contingent liabilities or assets since the end of the prior financial year.