

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended September 30, 2017
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:

Name of Director: **LESLIE PROSPER**

Trevor Louisy

SIGNED AND CERTIFIED

SIGNED AND CERTIFIED

Signature

Signature

20 - 10 - 17

20 - 10 - 17

Date

Date

Name of Chief Financial Officer:

Ian Peter

SIGNED AND CERTIFIED

Signature

20 - 10 - 17

Date

NUMBER	CLASS
22,400,000	Ordinary Shares
750,000	Non-voting Ordinary Shares

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 main revenue source of the Company continues to be from the sale of electricity to customers in Saint Lucia.

Sales growth is anticipated in the near future due to planned construction in the housing, hotel and commercial sectors.

However, this growth may be countered by reductions in the domestic and commercial sector as customers continue to engage in the self-generation of electricity through the use of solar photovoltaic panels and energy efficient technologies.

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.

During the 3rd quarter, a large hotel in the north of the island was connected to the grid. With electricity consumption of that hotel surpassing what was initially anticipated, and growth in electricity sales projected in the Domestic and Commercial sectors, total electricity sales is forecast to surpass prior year by 3.42% as compared to 1.98% originally projected.

(2) Capital Resources

Capital expenditure for the nine months ended September 30, 2017 totaled EC\$26.8M, which was primarily on upgrades to the Transmission and distribution (T&D) network, generation engine overhauls and purchase of land for the solar PV plant.

The project to install the new SCADA system, complete with data collection, system monitoring and system restoration capabilities, continued during the third quarter. Due to some changes in requirements, the completion of this project is now scheduled for the first quarter of 2018 at an estimated cost of EC\$3.9M, financed entirely by working capital.

At the end of the third quarter, a ground-breaking ceremony was held to signal the commencement of the construction of the 3MW solar PV plant. This plant is expected to be commissioned by the second quarter of 2018 at an estimated cost of EC\$20M. This project will be debt-financed.

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 analysis following is based on the consolidated results of St. Lucia Electricity Services Limited and its subsidiaries - LUCELEC Cap-Ins. Inc., LUCELEC Trust Company Inc. and Energyze Holdings Inc.

Unit sales for the year to date of 267.9M kWhs were 2.7% (6.9M kWhs) greater than the corresponding period in 2016 of 261.0M kWhs. Increases were realised in the Domestic (3.3%), Commercial (0.9%) and Hotel (5.9%) sectors, while sales to the Industrial and Street Lights sectors declined by 0.5% and 0.1%, respectively. The significant increase in the Hotel sector can be attributed to the opening of a large hotel in the north of the island, whose electricity consumption has exceeded forecasts.

Revenue for the period to September 30, 2017 of EC\$209.6M was greater than the corresponding period of 2016 of EC\$195.7M by 7.1% (EC\$13.9M) driven by the increases in units of electricity sold and the average tariff. The average tariff charged for the current period was EC\$0.776 per kilowatt hour, which represented a 4.3% increase from the tariff charged for same period last year of EC\$0.744 per kilowatt hour.

Transmission and distribution costs for the year to date of EC\$29.0M exceeded the costs for the same period last year of EC\$28.5M by EC\$0.5M (1.8%) as a result of increases in T&D network maintenance (EC\$0.3M) and depreciation (EC\$0.5M), despite the lower payroll costs (EC\$0.3M).

Generation costs for the nine months ended September 30, 2017 of EC\$16.0M were greater than the same period in the previous year of \$15.6M by EC\$0.4M (2.6%) due to an increase in engine maintenance costs (EC\$0.5M) despite a decline in depreciation costs (EC\$0.1M).

Year-to-date administrative expenditure of EC\$22.4M were lower than the same period last year of EC\$22.7M by EC\$0.3M (1.3%) due mainly to reductions in consultancy and research costs, amortisation of intangible assets and meter reading costs.

The profit before tax for the current period of EC\$43.6M was 14.7% (EC\$5.6M) greater than the same period in 2016 of EC\$38.0M.

Profit after tax for the nine months to September 2017 of EC\$31.3M was 14.2% (EC\$3.9M) greater than the corresponding period last year of EC\$27.4M.

Earnings per share for the current period of EC\$1.36 was 13.3% greater than the same period last year of EC\$1.20.

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.

This risk is considered stable

2. A significant portion of the total electricity price to consumers is the cost of fuel. The company is vulnerable to the volatility of fuel prices on the world market. Increases in fuel prices have a negative impact on consumption and by extension the Company's sales. The Company has engaged in fuel price hedging to help mitigate rising fuel prices. The strategy has proven to be successful in achieving the Company's objectives.

This risk is considered stable

3. The inability to meet consumer demand for electricity is considered a major risk to the Company. This can be brought on by either an unforeseen increase in the demand for power or the loss of generators or substations. The Company estimates that by 2019 a decision has to be made regarding investment in future energy generation. In the meantime the company employs a robust preventative maintenance programme to mitigate the risk of unplanned asset downtime.

The likelihood of this risk materializing is low.

4. The annual hurricane season between June and November remains a constant risk factor. As far as practicable the Company continued to design its systems to minimize the impact from hurricanes. The company continues to maintain a robust disaster recovery plan, in the event of extensive damage resulting from a weather system.
This risk is considered high.
5. Obtaining insurance coverage for the Transmission & Distribution (T&D) plant on the market, at a cost effective rate, continues to be a challenge. As such, the Company established a Self- Insurance Fund as a vehicle to mitigate losses in the event of catastrophic events. As at September 30, 2017 the Fund balance was EC\$33.5M. The Company also has access to a standby credit facility of EC\$10.0M to meet any emergency asset restoration costs should the need arise. The Net Book Value of the T&D assets was estimated at EC\$135.4M at the end of the third quarter of 2017. Although periodic risk assessments are conducted to ascertain the most likely potential damage from a natural disaster, the recent increase in the incidence of category 5 hurricanes impacting the region and the resulting devastation has raised the risk ranking of this particular threat. With the likelihood and impact of this risk increasing, the need for additional mitigation measures to ensure recovery and business continuity in the aftermath of any catastrophic event, is more urgent than has been in the past.
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. Shareholders gave approval to the setting up of a subsidiary holding company in 2014 to implement diversification plans. The company continues to roll out its plans for the operationalization of the subsidiary holding company, in 2017.
7. Receivable management remains a priority for the Company. All accounts continue to be monitored on an on-going basis to keep delinquency at its minimum. Credit risk is considered to be low.
8. The Company utilizes Return on Equity as one of the measures of its performance. As shareholders' equity increases and profit levels remain fairly constant, the Company is faced with the risk of continued diminishing Return On Equity. The Company will continue focusing on cost management through increased efficiencies as a means of mitigating this risk.
This risk is considered low.
9. System Losses, specifically due to electricity theft, continue to be a concern for the Company, given the implications for unrecognized revenues and ultimately reduced shareholder returns. This risk is stable and does not show any sign of worsening.
10. The company has always recognized the risk of industrial action and its potential impact on all aspects of service delivery. The fallout from industrial action can affect the company's reputation and by extension that of the country, with regards to foreign direct investment. To this end, the company has established an industrial action response plan and has made employee engagement and staff relations a priority in its annual work plan. Until all Union negotiations are satisfactorily concluded, the likelihood of industrial action continues to be high.

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	A/N
	A/N

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/N
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(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)

N/A

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

N/A

- Name and address of underwriter(s)

N/A

- Amount of expenses incurred in connection with the offer

N/A

- Net proceeds of the issue and a schedule of its use

N/A

- Payments to associated persons and the purpose for such payments

N/A

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

N/A

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.

N/A

- (b) 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.

N/A

- (c) 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.

N/A

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

N/A

- (e) 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 Nine Months Ended September 30, 2017
(Expressed in Eastern Caribbean Dollars)



ST. LUCIA ELECTRICITY SERVICES LIMITED

Table of Contents	Page
Unaudited Consolidated Statement of Financial Position	3
Unaudited Consolidated Statement of Comprehensive Income	4
Unaudited Consolidated Statement of Cash Flows	5
Notes to Unaudited Consolidated Financial Statements	6



ST. LUCIA ELECTRICITY SERVICES LIMITED

Unaudited Consolidated Statement of Financial Position

(Expressed In Eastern Caribbean Dollars)

	Note	As at September 30, 2017	As at December 31, 2016
Assets			
Non-current			
Property, plant and equipment		\$ 337,443,944	336,182,410
Intangible assets		<u>10,947,746</u>	<u>11,772,829</u>
Total non-current assets		<u>348,391,690</u>	<u>347,955,239</u>
Current			
Inventories		15,294,751	11,881,268
Trade, other receivables and prepayments		59,938,163	53,396,370
Derivative financial instruments	4	4,577,868	-
Other financial assets		39,105,876	36,669,002
Cash and cash equivalents		<u>20,094,479</u>	<u>29,600,146</u>
Total current assets		<u>139,011,137</u>	<u>131,546,786</u>
Total assets		<u>\$ 487,402,827</u>	<u>479,502,025</u>
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		\$ 80,162,792	80,162,792
Retained earnings		166,424,327	150,517,899
Fair value reserve		268,650	(551,394)
Revaluation reserve		15,350,707	15,350,707
Self-insurance reserve		<u>33,237,731</u>	<u>30,717,043</u>
Total shareholders' equity		<u>295,444,207</u>	<u>276,197,047</u>
Liabilities			
Non-current			
Borrowings		88,155,518	100,181,035
Consumer deposits		17,275,457	16,441,756
Deferred tax liabilities		31,539,421	33,364,975
Retirement benefit liability		4,035,000	4,035,000
Post-employment medical benefit liabilities		<u>1,786,000</u>	<u>1,786,000</u>
Total non-current liabilities		<u>142,791,396</u>	<u>155,808,766</u>
Current			
Borrowings		19,408,898	19,585,036
Trade and other payables		27,548,705	22,614,479
Provision for other liabilities		1,485,493	1,485,493
Dividends payable		441,928	444,886
Income tax payable		<u>282,200</u>	<u>3,366,318</u>
Total current liabilities		<u>49,167,224</u>	<u>47,496,212</u>
Total liabilities		<u>191,958,620</u>	<u>203,304,978</u>
Total shareholders' equity and liabilities		<u>\$ 487,402,827</u>	<u>479,502,025</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 9 months ended September 30, 2017	For the 9 months ended September 30, 2016	For the year ended December 31, 2016	For the year ended December 31, 2015
Revenue				
Energy sales	\$ 208,020,813	194,137,765	259,885,129	309,148,671
Other revenue	<u>1,584,563</u>	<u>1,537,415</u>	<u>1,984,207</u>	<u>2,624,292</u>
	<u>209,605,376</u>	<u>195,675,180</u>	<u>261,869,336</u>	<u>311,772,963</u>
Operating expenses				
Fuel costs	94,697,415	84,910,266	114,854,090	172,061,379
Transmission and distribution	29,024,518	28,498,236	39,245,421	35,683,702
Generation	<u>15,950,884</u>	<u>15,573,400</u>	<u>21,364,047</u>	<u>21,952,515</u>
	<u>139,672,817</u>	<u>128,981,902</u>	<u>175,463,558</u>	<u>229,697,596</u>
Gross income	<u>69,932,559</u>	<u>66,693,278</u>	<u>86,405,778</u>	<u>82,075,367</u>
Administrative expenses	<u>(22,372,007)</u>	<u>(22,700,996)</u>	<u>(31,389,207)</u>	<u>(31,639,851)</u>
Operating profit	<u>47,560,552</u>	<u>43,992,282</u>	<u>55,016,571</u>	<u>50,435,516</u>
Interest income	534,733	565,116	727,339	1,031,219
Other gains, net	<u>62,654</u>	<u>54,714</u>	<u>44,925</u>	<u>307,043</u>
Profit before finance costs and taxation	<u>48,157,939</u>	<u>44,612,112</u>	<u>55,788,835</u>	<u>51,773,778</u>
Finance costs	<u>(4,605,868)</u>	<u>(6,568,365)</u>	<u>(8,352,870)</u>	<u>(11,820,118)</u>
Profit before taxation	<u>43,552,071</u>	<u>38,043,747</u>	<u>47,435,965</u>	<u>39,953,660</u>
Taxation	<u>(12,289,755)</u>	<u>(10,624,445)</u>	<u>(13,468,323)</u>	<u>(11,044,646)</u>
Net profit for the period	<u>31,262,316</u>	<u>27,419,302</u>	<u>33,967,642</u>	<u>28,909,014</u>
Other comprehensive income:				
Items that may be reclassified to profit or loss:				
Fair value gain/ (loss) on available- for-sale investments	<u>820,044</u>	<u>-</u>	<u>(551,394)</u>	<u>-</u>
Items that will not be reclassified to profit or loss:				
Re-measurements of defined benefit pension plans, net of tax	-	-	1,566,600	(7,737,800)
Gain on revaluation of land	-	-	-	15,350,707
Total other comprehensive income	<u>820,044</u>	<u>-</u>	<u>1,015,206</u>	<u>7,612,907</u>
Total comprehensive income for the period	<u>\$ 32,082,360</u>	<u>27,419,302</u>	<u>34,982,848</u>	<u>36,521,921</u>
Basic and diluted earnings per share	<u>\$ 1.36</u>	<u>1.20</u>	<u>1.48</u>	<u>1.26</u>

ST. LUCIA ELECTRICITY SERVICES LIMITED

Unaudited Consolidated Statement of Cash Flows

(Expressed In Eastern Caribbean Dollars)

	For the 9 months ended September 30, 2017	For the 9 months ended September 30, 2016	For the year ended December 31, 2016	For the year ended December 31, 2015
Cash flows from operating activities				
Profit before taxation	\$ 43,552,071	38,043,747	47,435,965	39,953,660
Adjustments for:				
Depreciation	24,963,669	24,565,372	33,110,236	31,987,180
Amortisation of intangible assets	1,434,521	1,730,553	2,278,547	2,313,936
Finance costs expensed	4,605,867	6,568,365	8,352,870	11,820,118
Interest income	(534,734)	(565,116)	(727,339)	(1,031,219)
Movement in allowance for impairment	-	-	538,231	1,509,808
Gain on disposal of property, plant and equipment	(51,599)	(14,368)	(12,929)	(60,517)
Gain on disposal of other financial assets	7,659	-	-	-
Post-retirement benefits	-	-	60,000	(138,959)
Operating profit before working capital	<u>73,977,454</u>	<u>70,328,553</u>	<u>91,035,581</u>	<u>86,354,007</u>
(Increase)/decrease in inventories	(3,413,483)	1,559,928	2,499,884	(3,916,343)
(Increase)/decrease in trade, other receivables and prepayments	(6,892,196)	448,100	3,685,549	31,176,397
Increase/(decrease) in trade and other payables	706,387	(5,387,640)	(3,214,209)	(2,595,660)
Increase in provision for other liabilities	-	-	-	1,485,493
Cash generated from operations	<u>64,378,162</u>	<u>66,948,941</u>	<u>94,006,805</u>	<u>112,503,893</u>
Interest received	453,887	318,599	893,610	759,322
Finance costs paid	(4,316,396)	(6,216,889)	(8,298,868)	(12,072,996)
Income tax paid	<u>(17,199,427)</u>	<u>(13,492,640)</u>	<u>(13,492,640)</u>	<u>(10,801,259)</u>
Net cash from operating activities	<u>43,316,226</u>	<u>47,558,011</u>	<u>73,108,907</u>	<u>90,388,961</u>
Cash flows from investing activities				
Acquisition of property, plant and equipment	(26,225,401)	(18,039,304)	(27,800,940)	(21,177,659)
Proceeds from disposal of property, plant and equipment	51,797	14,368	13,217	64,064
Acquisition of intangible assets	(609,438)	(542,667)	(969,667)	(763,517)
Acquisition of other financial assets	(2,196,875)	(11,526,550)	(33,625,294)	(13,621,670)
Proceeds from disposal of other financial asset:	<u>653,232</u>	<u>15,558,259</u>	<u>15,402,661</u>	<u>-</u>
Net cash used in investing activities	<u>(28,326,685)</u>	<u>(14,535,894)</u>	<u>(46,980,023)</u>	<u>(35,498,782)</u>
Cash flows from financing activities				
Repayment of borrowings	(12,415,327)	(11,521,739)	(18,008,714)	(15,347,041)
Dividends paid	(12,838,158)	(8,921,226)	(17,856,485)	(17,106,411)
Consumer deposits, net	<u>758,277</u>	<u>144,553</u>	<u>237,566</u>	<u>199,224</u>
Net cash used in financing activities	<u>(24,495,208)</u>	<u>(20,298,412)</u>	<u>(35,627,633)</u>	<u>(32,254,228)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(9,505,667)</u>	<u>12,723,705</u>	<u>(9,498,749)</u>	<u>22,635,951</u>
Cash and cash equivalents at beginning of period	<u>29,600,146</u>	<u>39,098,895</u>	<u>39,098,895</u>	<u>16,462,944</u>
Cash and cash equivalents at end of period	<u>\$ 20,094,479</u>	<u>51,822,600</u>	<u>29,600,146</u>	<u>39,098,895</u>

ST. LUCIA ELECTRICITY SERVICES LIMITED

Notes to Unaudited Consolidated Financial Statements

For the Nine Months Ended September 30, 2017

(Expressed In Eastern Caribbean Dollars)

Accompanying Notes

1. These unaudited consolidated financial statements present the results of the St. Lucia Electricity Services Limited and its subsidiaries-LUCELEC Cap-Ins. Inc., LUCELEC Trust Company Inc. and Energyze Holdings Inc. (“the Group”).
2. The principal accounting policies adopted and methods of computation have been consistently applied to the periods presented in these unaudited consolidated financial statements.
3. There were no unusual assets, liabilities, income or expenses recorded during the period.
4. The Group currently holds swap and options contracts as part of its hedging strategy. The fair value of these contracts at the end of the period as disclosed on the Unaudited Consolidated Statement of Financial Position as Derivative Financial Asset was \$4.6M.
5. During the quarter, St. Lucia Electricity Services Limited purchased 100% shares in Energyze Holdings Inc., a company incorporated in January 2016. Apart from this acquisition, there were no other issuances, repurchases and repayments of equity securities during the period.
6. Loan principal and interest repayments during the nine months totaled \$16.7M.
7. There were no material events subsequent to the end of the period that have not been reflected in the unaudited consolidated financial statements.
8. There were no changes in contingent liabilities since the end of the prior financial year.