

**Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended March 31, 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)

Hasache Building, Goodlands, 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 M. Louisy**

SIGNED AND CERTIFIED

Signature

21<sup>st</sup> APRIL, 2017

Date

Name of Director: **CHARLES SERIEUX**

SIGNED AND CERTIFIED

Signature

21 APRIL, 2017

Date

Name of Chief Financial Officer:

**Ian Peter**

SIGNED AND CERTIFIED

Signature

21<sup>ST</sup> APRIL, 2017

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

As more residential customers continue to engage in the self-generation of electricity through the use of solar photovoltaic panels and energy efficiency initiatives, the Company is uncertain as to the impact this will have on electricity sales in the future, particularly if this trend extends to larger commercial and industrial customers.

#### 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

Under the provisions of the Electricity Supply Act (ESA) Cap 9.02, the base tariffs for 2017 were re-set to reflect the new average fuel price of the previous 12 months, reducing the base average tariff from EC\$0.914/kWh to EC\$0.744/kWh, a decline of 18.6% (EC \$0.17). However, as fuel prices for the first quarter of 2017 were greater than the average price paid in 2016, the final price of electricity charged to customers was increased by an average of EC\$0.035/kWh

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.

#### (2) Capital Resources

The Company's 2017 capital budget of EC\$75.6M is expected to fund enhancements to the transmission and distribution (T&D) network and the generation engines, the installation of smart meters and renewable energy projects such as solar and waste-heat recovery. Approximately 75% of the Company's capital budget is being financed out of working capital; debt financing is being sought for the 3MW solar farm.

Capital expenditure for the first quarter of 2017 totaled EC\$3.3M, which was primarily on upgrades to the T&D network and renovations to the main office building and replacement of the main office air conditioning system.

The project to install the new SCADA system commenced during the quarter. This system will have data collection, system monitoring and system restoration capabilities. This project is expected to be completed by year end at an estimated cost of EC \$2.6M.

Negotiations are ongoing for the construction of the 3MW solar farm estimated at EC\$20M. The Company anticipates that construction will commence in the upcoming quarter.

The project to construct a wind farm in the east of the island has been put on hold until the land acquisition issues are resolved. The Company is currently reviewing its options for the way forward.

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 two subsidiaries - LUCELEC Cap-Ins. Inc. and LUCELEC Trust Company Inc.

Actual unit sales for the first quarter of 2017 of 85.1M kWhs were 2.2% (1.8M kWhs) greater than the first quarter of 2016 of 83.3M kWhs. Increases were realised in the Domestic (4.2%), Commercial (1.6%) and Hotel (0.8%) sectors while sales to the Industrial and Street Lights sectors declined (0.5% and 0.2%, respectively).

Revenue for the quarter of EC\$68.2M was greater than the corresponding period of 2016 of EC\$61.2M by 11.4% (EC\$7.0M). The increase was due to the increase in units of electricity sold and the average tariff. The average tariff charged for the current period was EC\$0.795 per kilowatt hour, which represented an 9.0% increase from the tariff charged for same period last year of EC\$0.730 per kilowatt hour.

Generation costs for the quarter of EC\$5.2M were greater than the same period in the previous year of \$4.7M by EC\$0.5M (11.3%) primarily due to increases in engine maintenance costs (\$0.4M) and depreciation (\$0.1M).

Transmission and distribution costs for the first quarter of EC\$9.3M were in line with the same period last year.

Administrative expenditure for the quarter of EC\$6.9M were lower than the same period last year of EC\$7.0M by EC\$0.1M (1.8%) due mainly to reductions in consultancy, audit fees and meter reading costs.

This quarter's profit before tax of EC\$14.6M was 25.5% (EC\$3.0M) greater than the same period in 2016 of EC\$11.6M.

Likewise, profit after tax for the quarter of EC\$10.4M was 23.9% (EC\$2.0M) greater than the corresponding period last year of EC\$8.4M.

Earnings per share for the quarter of EC\$0.46 was 23.9% greater than the first quarter for 2016 of \$0.37.



### 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. Associated risk implications for the Company include the possibility of stranded assets, fines and the loss of professional staff to Independent Power Producers (IPPs). The Company has continued to engage the NURC through its Regulatory Reform Team as the energy sector transitions to a new competitive environment.

The Customer Service Department is also engaged in the review and revision of its core business processes in order to identify and eliminate bottlenecks to the delivery of excellent customer care. This process will be ongoing as the focus remains on efficiency improvements and customer satisfaction as the Company prepares for the standards that will be set by the NURC.

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. During 2016, the Company reviewed its fuel price hedging strategy and explored the use of alternative hedging tools to help mitigate rising fuel prices. The strategy has proven to be successful in achieving the Company's objectives.

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 latter is a risk on account of the age of the Transmission, distribution and generation assets. The Company continues to examine and assess 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 the level of capital investment and the source of generation for satisfying future energy demand needs such as:

- a) The most efficient and effective technology, taking into consideration the environmental effects, reliability of supply, and price;
- b) The cost of the various options and the likely impact on the financial operations of the Company;
- c) Access to the required capital on favorable terms;
- d) The nature and extent of renewable power to be included in the energy portfolio, their costs and likely tariff mechanism;
- e) The risk factors to be managed in the event that there are delays in the delivery of new energy capacity requirements, when required;
- f) The likely impact of changes in the regulatory regime on energy strategy and supply;
- g) Support and cooperation of other stakeholders such as the GOSL;
- h) General economic and operating conditions.

The Company continues 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. 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.

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.

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 March 31, 2017 the Fund balance was EC\$31.3M. 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\$134.0M at the end of the first quarter of 2017. 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. The Company continues to explore other Insurance options that could further reduce its exposure, in the event of a total loss.

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. There are plans in place to operationalize 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.

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. Management will continue focusing on cost management through increased efficiencies as a means of mitigating this risk. As part of this strategy, the Company is continuing the Business Process Review towards identifying opportunities for efficiency improvements.

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. The Company has been in discussions with the Royal St. Lucia Police Force in order to obtain additional resources so that investigation of identified instances of electricity theft can be done on a more timely basis.

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 2017 work plan.

Overall, there is no indication that any of the risks identified above have worsened since the last reporting date.

**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
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**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
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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)

\_\_\_\_\_

- 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



**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.

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- (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.

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- (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.

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

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

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**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

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**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Unaudited Consolidated Financial Statements  
For the Three Months Ended March 31, 2017  
(Expressed in Eastern Caribbean Dollars)

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**ST. LUCIA ELECTRICITY SERVICES LIMITED**

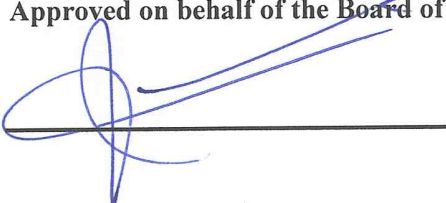
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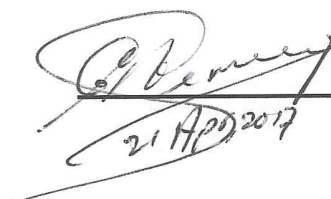
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**ST. LUCIA ELECTRICITY SERVICES LIMITED**  
 Unaudited Consolidated Statement of Financial Position  
 (Expressed In Eastern Caribbean Dollars)

	Note	As at March 31, 2017	As at December 31, 2016
<b>Assets</b>			
<b>Non-current</b>			
Property, plant and equipment		\$ 330,932,476	336,182,410
Intangible assets		<u>11,500,468</u>	<u>11,772,829</u>
<b>Total non-current assets</b>		<u>342,432,944</u>	<u>347,955,239</u>
<b>Current</b>			
Inventories		10,977,154	11,881,268
Trade, other receivables and prepayments		62,241,078	53,396,370
Derivative financial instruments	4	832,648	-
Other financial assets		37,127,051	36,669,002
Cash and cash equivalents		<u>21,516,849</u>	<u>29,600,146</u>
<b>Total current assets</b>		<u>132,694,780</u>	<u>131,546,786</u>
<b>Total assets</b>		<u>\$ 475,127,724</u>	<u>479,502,025</u>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital		\$ 80,162,792	80,162,792
Retained earnings		160,137,595	150,517,899
Fair value reserve		(218,282)	(551,394)
Revaluation reserve		15,350,707	15,350,707
Self-insurance reserve		<u>31,538,525</u>	<u>30,717,043</u>
<b>Total shareholders' equity</b>		<u>286,973,337</u>	<u>276,197,047</u>
<b>Liabilities</b>			
<b>Non-current</b>			
Borrowings		96,894,800	100,181,035
Consumer deposits		16,501,450	16,441,756
Deferred tax liabilities		32,478,064	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>
<b>Total non-current liabilities</b>		<u>151,695,314</u>	<u>155,808,766</u>
<b>Current</b>			
Borrowings		19,934,599	19,585,036
Trade and other payables		13,566,352	22,614,479
Provision for other liabilities		1,485,493	1,485,493
Dividends payable		443,077	444,886
Income tax payable		<u>1,029,552</u>	<u>3,366,318</u>
<b>Total current liabilities</b>		<u>36,459,073</u>	<u>47,496,212</u>
<b>Total liabilities</b>		<u>188,154,387</u>	<u>203,304,978</u>
<b>Total shareholders' equity and liabilities</b>		<u>\$ 475,127,724</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 3 months ended March 31, 2017	For the 3 months ended March 31, 2016	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>Revenue</b>				
Energy sales	\$ 67,614,203	60,734,737	259,885,129	309,148,671
Other revenue	<u>538,798</u>	<u>458,685</u>	<u>1,984,207</u>	<u>2,624,292</u>
	<u>68,153,001</u>	<u>61,193,422</u>	<u>261,869,336</u>	<u>311,772,963</u>
<b>Operating expenses</b>				
Fuel costs	30,735,779	26,132,296	114,854,090	172,061,379
Transmission and distribution	9,303,858	9,310,552	39,245,421	35,683,702
Generation	<u>5,196,521</u>	<u>4,668,108</u>	<u>21,364,047</u>	<u>21,952,515</u>
	<u>45,236,158</u>	<u>40,110,956</u>	<u>175,463,558</u>	<u>229,697,596</u>
<b>Gross income</b>	<b>22,916,843</b>	<b>21,082,466</b>	<b>86,405,778</b>	<b>82,075,367</b>
Administrative expenses	<u>(6,912,436)</u>	<u>(7,040,109)</u>	<u>(31,389,207)</u>	<u>(31,639,851)</u>
<b>Operating profit</b>	<b>16,004,407</b>	<b>14,042,357</b>	<b>55,016,571</b>	<b>50,435,516</b>
Interest income	160,494	240,303	727,339	1,031,219
Other gains, net	<u>5,665</u>	<u>26,625</u>	<u>44,925</u>	<u>307,043</u>
<b>Profit before finance costs and taxation</b>	<b>16,170,566</b>	<b>14,309,285</b>	<b>55,788,835</b>	<b>51,773,778</b>
Finance costs	<u>(1,565,133)</u>	<u>(2,675,900)</u>	<u>(8,352,870)</u>	<u>(11,820,118)</u>
<b>Profit before taxation</b>	<b>14,605,433</b>	<b>11,633,385</b>	<b>47,435,965</b>	<b>39,953,660</b>
Taxation	<u>(4,164,255)</u>	<u>(3,208,812)</u>	<u>(13,468,323)</u>	<u>(11,044,646)</u>
<b>Net profit for the period</b>	<b>10,441,178</b>	<b>8,424,573</b>	<b>33,967,642</b>	<b>28,909,014</b>
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified to profit or loss:</b>				
Fair value gain/(loss) on available- for-sale investments	<u>335,112</u>	<u>-</u>	<u>(551,394)</u>	<u>-</u>
<b>Items that will not be reclassified to profit or loss:</b>				
Re-measurements of defined benefit pension plans, net of tax	-	-	1,566,600	(7,737,800)
Gain on revaluation of land	-	-	-	15,350,707
<b>Total other comprehensive income</b>	<u>-</u>	<u>-</u>	<u>1,015,206</u>	<u>7,612,907</u>
<b>Total comprehensive income for the period</b>	<b>\$ 10,776,290</b>	<b>8,424,573</b>	<b>34,982,848</b>	<b>36,521,921</b>
<b>Basic and diluted earnings per share</b>	<b>\$ 0.46</b>	<b>0.37</b>	<b>1.48</b>	<b>1.26</b>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

## Unaudited Consolidated Statement of Cash Flows

(Expressed In Eastern Caribbean Dollars)

	For the 3 months ended March 31, 2017	For the 3 months ended March 31, 2016	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>Cash flows from operating activities</b>				
Profit before taxation	\$ 14,605,433	11,633,384	47,435,965	39,953,660
<b>Adjustments for:</b>				
Depreciation	8,380,478	8,023,287	33,110,236	31,987,180
Amortisation of intangible assets	490,304	585,453	2,278,547	2,313,936
Finance costs expensed	1,565,133	2,675,901	8,352,870	11,820,118
Interest income	(160,494)	(240,303)	(727,339)	(1,031,219)
Movement in allowance for impairment	-	-	538,231	1,509,808
Gain on disposal of property, plant and	-	(13,043)	(12,929)	(60,517)
Post-retirement benefits	-	-	60,000	(138,959)
Operating profit before working capital	<u>24,880,854</u>	<u>22,664,679</u>	<u>91,035,581</u>	<u>86,354,007</u>
Decrease/(increase) in inventories	904,114	1,874,158	3,685,549	(3,916,343)
(Increase)/decrease in trade, other				
receivables and prepayments	(8,998,288)	5,099,240	2,499,884	31,176,397
Decrease in trade and other payables	(9,727,317)	(7,981,876)	(3,214,209)	(2,595,660)
Increase in provision for other liabilities	-	-	-	1,485,493
Cash generated from operations	<u>7,059,363</u>	<u>21,656,201</u>	<u>94,006,805</u>	<u>112,503,893</u>
Interest received	134,292	129,479	893,610	759,322
Finance costs paid	(1,345,949)	(2,266,291)	(8,298,868)	(12,072,996)
Income tax paid	(7,387,932)	(5,449,414)	(13,492,640)	(10,801,259)
<b>Net cash (used in)/from operating activities</b>	<u>(1,540,226)</u>	<u>14,069,975</u>	<u>73,108,907</u>	<u>90,388,961</u>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(3,130,544)	(5,314,100)	(27,800,940)	(21,177,659)
Proceeds from disposal of property, plant and				
equipment	-	13,043	13,217	64,064
Acquisition of intangible assets	(217,943)	(219,874)	(969,667)	(763,517)
Acquisition of other financial assets	(96,735)	-	(33,625,294)	(13,621,670)
Proceeds from disposal of other financial				
assets	-	-	15,402,661	-
<b>Net cash used in investing activities</b>	<u>(3,445,222)</u>	<u>(5,520,931)</u>	<u>(46,980,023)</u>	<u>(35,498,782)</u>
<b>Cash flows from financing activities</b>				
Repayment of borrowings	(3,138,229)	(2,248,754)	(18,008,714)	(15,347,041)
Dividends paid	(1,809)	2,331	(17,856,485)	(17,106,411)
Consumer deposits, net	<u>42,189</u>	<u>130,611</u>	<u>237,566</u>	<u>199,224</u>
<b>Net cash used in financing activities</b>	<u>(3,097,849)</u>	<u>(2,115,812)</u>	<u>(35,627,633)</u>	<u>(32,254,228)</u>
<b>Net (decrease)/ increase in cash and cash</b>				
<b>equivalents</b>	<u>(8,083,297)</u>	<u>6,433,232</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>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 21,516,849</u>	<u>45,532,127</u>	<u>29,600,146</u>	<u>39,098,895</u>

**ST. LUCIA ELECTRICITY SERVICES LIMITED**

Notes to Unaudited Consolidated Financial Statements (Cont'd)

For the Three Months Ended March 31, 2017

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*(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 two subsidiaries-LUCELEC Cap-Ins. Inc. and LUCELEC Trust Company Inc.
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 quarter.
4. As part of the company's hedging strategy, swaps and option contracts were entered into during the quarter. The fair value of these contracts at the end of the quarter as disclosed on the Unaudited Consolidated Statement of Financial Position as Derivative Financial Asset was \$0.8M.
5. There were no issuances, repurchases and repayments of equity securities during the quarter.
6. During the quarter, loan principal and interest repayments totaled \$3.1M.
7. The final dividend for 2016 will be declared at the annual general meeting of the shareholders scheduled for the upcoming quarter.
8. There were no material events subsequent to the end of the quarter that have not been reflected in the unaudited consolidated financial statements.
9. There were no changes in contingent liabilities since the end of the prior financial year.