

SECURITIES ACT 2001
SECURITIES (ACCOUNTING AND FINANCIAL REPORTS) RULES NO. 1 OF 2002

IN EXERCISE of the powers conferred on it by sections 98, 161 (a) and 162 of the Securities Act 2001, the Commission makes the following procedural rules and specifies the form of annual reports and periodic reports to be filed by reporting issuers.

CITATION AND COMMENCEMENT

1. These Rules may be cited as the Securities (Accounting and Financial Reports) Rules No.1 of 2002 and shall come into force on the date issued by the Commission.

ANNUAL REPORTS

2. Quarterly Reports to be submitted to the Commission

- (1) The Commission may require a reporting issuer to submit a quarterly financial report within thirty days of the end of each of the first three quarters of the financial year. Included in this report shall be the financial statement schedules, exhibits and all other papers and documents.
- (2) At the request of the reporting issuer the Commission may extend, from time to time, the period within which such reporting issuer is, in accordance with the provisions of the Securities Act 2001, obliged to furnish any document or information.
- (3) This report shall be in form ECSRC – Q as specified in Schedule 3. It must contain the information specified in paragraphs 1-8 of Schedule 3.

**Schedule 3
FORM ECSRC - Q**

(Select One)

Quarterly Report
For the period ended: 30 September 2012

Or

TRANSITION REPORT

N/A

(Applicable where there is a change in reporting issuer's financial year)

For the transition period from _____ to _____

Issuer Registration Number: LUCELEC09091964SL

St. Lucia Electricity Services Limited

(Exact name of reporting issuer as specified in its charter)

Saint Lucia
(Territory or jurisdiction of incorporation)

John Compton Highway, Sans Soucis. Castries. Saint Lucia
(Address of principal executive Offices)

Reporting issuer's:

Telephone number 1-758-457 4400

Fax number: 1-758-457-4409

Email address: lucelec@candw.lc

N/A

(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
Ordinary Shares	22,400,000
Non-voting Ordinary Shares	520,000

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Quarterly Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Name of Director:

Signature

Signature

Date

Date

Name of Chief Financial Officer:

Signature

Date

INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

- a) Condensed Statement of Financial Position as at September 30, 2012 is attached
- b) Condensed Statement of Comprehensive Income for the Nine Months Ended September 30, 2012 and the corresponding period in the previous financial year are attached; and.
- c) Condensed Statement of Cash Flows for the Nine Months Ended September 30, 2012 and the corresponding period in the previous financial year are attached.

2. Management's Discussion and Analysis of Financial Condition and Results of Operations

a) Liquidity

During the period under review, the Government of Saint Lucia (GOSL) launched two major incentives that are expected to stimulate economic activity on the island. The Short Term Employment Programme (STEP) program estimated at \$4.5M and the Construction Stimulus Package estimated at over \$195M are both expected to boost economic activity through reduced unemployment and stimulation of the construction sector. It is anticipated that these initiatives will positively impact electricity sales.

The Saint Lucia Tourist Board (SLTB) reported a 2% decline in total stay-over arrivals for the first seven months of 2012 from the same period last year due to reductions in major source markets owing largely to reduced airlifts from those markets. The SLTB plans to generate increased airlift capacity for the island from the major source markets through various targeted marketing initiatives.

The country prepared for the implementation of the value added tax (VAT) which became effective October 1. The VAT Implementation Project Office in collaboration with the business sector facilitated a number consumer education programmes prior to implementation. Under the VAT Act, electricity consumption is zero-rated; customers' electricity bills will attract no VAT charges.

For the period under review, unit sales were lower than the corresponding period last year by 0.3%.

The Company drew down the final \$10M from the new long-term loan facility of EC\$100M. Some of this funding was utilised to finance the purchase of G10, the new generating unit to be installed at the Cul De Sac Power Station.

b) Capital Resources

The Company continued the implementation of its 2012 capital programme.

The medium term generation expansion strategy which involves purchasing a new Wartsila 10.2MW generating unit progressed well during the period under review. Civil, maintenance and engineering works continued during the quarter. The engine and supporting equipment for installation were received at the end of August and have been installed. Most of the mechanical works have been completed; there are still some electrical works to be done on the switchyard and the generator. Commissioning for the new generating plant has been targeted for the first week in December 2012.

The Company's long term Generation Expansion Plan is being re-examined in light of the projected system growth, the falling prices of photovoltaic panels, and rejuvenated interest in the development of the local geothermal resource by the geothermal developer, who has engaged a new partner ORMAT.

LUCELEC continued discussions with UNEC and the geothermal company ORMAT on the way forward for the development of the geothermal resource at Soufriere. Work has commenced on the preparation of a Term Sheet, which will provide the basis for the commencement of the feasibility phase of the project.

Work continued on:-

1. The implementation of a new Customer Information System (CIS); the project which had an initial 'Go Live' date of July, 2012 has had to be rescheduled to mid-November 2012 to ensure that all requirements are adequately addressed.
2. The replacement of the failed transformers at Soufriere and Praslin substations.
3. The reinforcements of the Transmission and Distribution system.
4. The deployment of the AMI meters; three thousand three hundred meters were ordered during the quarter.

Other capital projects included:

1. The AMI Meter Capture Exercise which commenced during the month of September. Meter routes within the Northern section of the island had been completed while meter routes within the Central Castries area are in progress.

2. The GIS Data Enhancement Exercise, facilitating the Planning Department's upload of GIS Data into the new Planning modelling software; Data verification and capture of information also continued.

The Company is covenanted to its financiers to a 2:1 debt/equity gearing. The comparable positions for the current and prior periods are indicated below.

	30 September 2012 EC\$ 000s	30 September 2011 EC\$ 000s
Borrowings		
Current	6,384	22,026
Long Term	183,396	94,709
TOTAL	189,780	116,735
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	104,089	96,889
TOTAL	184,252	177,052

The Company does not foresee potential violation of those covenants.

Results of Operations

Total Revenues of \$255.9M represented an increase of 8.7% as compared to the same corresponding period last year. This was attributable to a higher tariff associated with increased fuel costs.

Unit Sales of 248.9 MWh declined by 0.3% when compared to the same period last year. Declines were also recorded in the Domestic sector (1.2%) and the Industrial sector (5.1%). Increases of 0.3%, 0.8% and 2.7% were recorded in the Commercial, Hotels and Street Light sectors, respectively.

Gross profit of EC\$53.9M, recorded a decrease of 0.3% over last year's position of EC\$54.M. Profit before tax was EC\$27.5M, a decrease of 0.5% over the corresponding period last year (\$27.8M). This decline is attributable to a decrease in sales and higher finance costs.

System reliability performance of 9.78 hours deteriorated compared to the same period in 2011 (6.45 hours) and against a target of 7.5 hours. These results are attributed to failed equipment at two substations and adverse weather conditions

experienced during the month of September.

Year to date fuel efficiency performance of 4.30 kWh/litre was on par with that of the previous year but below the target for 2012 of 4.32 kWh/litre. Fuel efficiency performance was adversely affected by the running of less efficient high speed generators (HSUs) that have been relocated to the Soufriere area on the western side of the island. The HSUs were moved to this location after the failure of two 66,000/11,000 volt transformers, one each at Praslin and Soufriere substations. While the HSUs help to provide better voltages and increased reliability to customers in the Soufriere area, they consume more fuel for each kWh of electricity produced than the larger generators at LUCELECs main generating station at Cul de Sac.

System losses recorded at 9.53% compared favorably with 9.75% recorded in the same period last year but were slightly lower than a target of 9.5% for 2012.

3. Disclosure of Risk Factors.

- a) VAT charges (input tax) on equipment imported for use in the generation, transmission and distribution of electricity continues to be a concern for the Company. VAT input payments remitted to government on a monthly basis may put the company in an almost permanent 'Refund position' thus creating cash flow challenges as the Company awaits such refunds from the GOSL. The Company has since written to the GOSL requesting an exemption and is awaiting a response.

- b) The ability of the Company to provide a reliable source of electricity supply to the southern part of the island due to the current configuration of the T & D system continues to be of concern to the Company. Since the failure of the 66/11kV transformers at two substations in Praslin which is on the south-eastern side of the island and Soufriere on the west coast of the island, the company has relocated the two High Speed Units (HSUs), which were commissioned towards the end of 2011 as part of the short term generation strategy to the south western part of the island. Running the HSUs improves voltage levels in the Soufriere area; however use of the HSUs has been associated with high operating costs and resident complaints of high noise levels. In order to optimise the trade-off between improved reliability to the south of the island area while minimising running costs of the HSUs, a switching scheme was implemented to allow rapid reconfiguration of the Vieux Fort West 66kV Line between 11kV and 66kV operation. The switching scheme allows the Vieux Fort West Line to be run at 11kV to minimise running of the HSUs in good weather conditions and when no maintenance is to be performed on the Vieux Fort East 66kV Line. The line can be reconfigured to operate at 66 kV in the event of inclement weather to maximise reliability to the Vieux Fort area. Meanwhile, the Company has

- approved the purchase of the replacement transformers and is currently finalising the order specifications.
- c) Challenges associated with system losses continued to be a concern during the quarter under review, a portion of which is associated with electricity abstraction. The Company plans to launch an island-wide investigation of such cases and has obtained the commitment of the Royal Saint Lucia Police Force to proceed with the proposed Abstraction Reduction Initiative.
 - d) Various initiatives are being advanced at ensuring that the Company has sufficient generating capacity in order to meet future demand as well as ensuring adherence to the legal requirements established under the Electricity Supply Act. The Company is also concerned that despite best effort it has been unable to include renewable energy into the energy mix in keeping with the policy directive contained in the National Energy Policy 2010.
 - e) The 2012 hurricane season started on June 1, 2012, with no adverse weather condition being experienced thus far. As is customary, the Company continued its preparatory work in order to ensure that damage which could interrupt service delivery are minimized in the event of any adverse weather conditions
 - f) The company Hess Oil St. Lucia Ltd has been placed on the open market for sale. They are the sole provider of diesel to the Company. The Company is monitoring this situation carefully to ensure that the new owner is aware of the existing fuel supply arrangement and the importance of securing the continuation of the existing contractual arrangement.
 - g) The introduction of a new Regulatory framework for the electricity sector has been planned for March, 2014. Internally, the Company is making preparations to embrace changes that may arise as a result of additional regulation in the sector.
 - h) Arrangements are being finalised for the selection and recruitment of a suitable candidate to fill the vacancy of Financial Controller; a recommendation is expected to be made by November 30th 2012.
 - i) Plans for the formation of a Credit Management Section advanced with the selection of a suitable candidate to manage this section. The Credit Management Section is earmarked to be in place by November 1st 2012. The expectation is to realize improvements in the area of credit management at a time when customers are facing difficulties in servicing their debt in a timely manner.

4. Legal Proceedings

There were no legal proceedings during the quarter under review that would have had a material effect on the Company's financial position

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.

NOT APPLICABLE

- b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)
- Offer closing date (provide explanation if different from date disclosed in the registration statement)
- Name and address of underwriter(s)
- Amount of expenses incurred in connection with the offer
- Net proceeds of the issue and a schedule of its use
- Payments to associated persons and the purpose for such payments

NOT APPLICABLE

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

NOT APPLICABLE

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.

NONE

- b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

NONE

ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2012

	Unaudited September 30 2012 EC\$ 000s	Unaudited September 30 2011 EC\$ 000s	Audited Dec 31 2011 EC\$ 000s
Assets			
Non-Current			
Property, plant and equipment	329,469	280,557	291,178
Intangible Assets	12,248	7,830	9,822
Retirement benefit asset	9,135	9,017	9,135
Available-for-sale financial asset	168	166	166
Total non-current assets	351,020	297,570	310,301
Current			
Inventories	18,417	21,689	21,252
Income tax refundable	3,916	4,880	829
Trade, other receivables and prepayments	82,016	78,739	74,525
Cash and cash equivalents	49,536	14,212	28,036
Total current assets	153,885	119,520	124,642
TOTAL ASSETS	504,905	417,090	434,943
Equity and liabilities			
Shareholders' equity			
Stated capital	80,163	80,163	80,163
Retained earnings	104,089	96,889	84,374
Total equity attributable to equity holders	184,252	177,052	164,537
Retirement benefit reserve	9,135	9,017	9,135
Total shareholders' equity	193,387	186,069	173,672
Liabilities			
Non-Current			
Borrowings	183,396	94,709	123,396
Consumer deposits	14,541	13,942	13,871
Deferred tax liabilities	22,826	24,619	22,826
Consumer contributions	32,334	30,678	31,534
Retirement benefit liability	1,240	1,156	1,240
Total non-current liabilities	254,337	165,104	192,867
Current			
Bank overdraft	0	15,265	0
Borrowings	6,384	6,761	11,965
Trade and other payables	50,580	43,683	45,106
Income tax payable	0	0	0
Dividends payable	217	207	11,333
Total current liabilities	57,181	65,916	68,404
Total liabilities	311,518	231,021	261,271
TOTAL EQUITY & LIABILITIES	504,905	417,090	434,943

Director

Director

ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

	Unaudited September 30, 2012 EC\$ 000s	Unaudited September 30, 2011 EC\$ 000s	Audited Dec 31 2011 EC\$ 000s
Cash flows from Operating Activities			
Net Income Before Tax	27,530	27,665	36,274
Adjustments for			
Depreciation	23,715	21,402	33,268
Amortization of intangible assets	266	4,747	997
Finance Charges	6,837	6,439	8,761
Gain on Disposal of Property, Plant and Equipment	(39)	(27)	(85)
Amortization of Consumer Contributions	(374)	(797)	(1,065)
Post-retirement benefits	-	-	(226)
Gain on cash flow hedge	-	-	-
Operating Income before Working Capital Changes	<u>57,935</u>	<u>59,429</u>	<u>77,924</u>
Increase in trade and other receivable	(7,491)	(18,956)	(14,742)
Decrease/(increase) in Inventories	2,835	(1,704)	(1,267)
Increase in Trade and Other Payables	5,474	1,967	3,389
Cash Generated from Operations	<u>58,753</u>	<u>40,736</u>	<u>65,304</u>
Interest Received	613	363	483
Finance costs paid	(6,783)	(5,950)	(8,906)
Income Tax Paid	(10,795)	(14,850)	(14,850)
Net Cash from Operating Activities	<u>41,788</u>	<u>20,299</u>	<u>42,030</u>
Cash Flows from Investing Activities			
Purchase of Investment	-	-	-
Sale of Investment	-	-	-
Acquisition of Property, Plant and Equipment	(62,281)	(23,771)	(38,544)
Proceeds on Disposal of Property, Plant and Equipment	48	29	87
Acquisition of intangible assets	(2,426)	(890)	(6,845)
Net Cash used in Investing Activities	<u>(64,659)</u>	<u>(24,632)</u>	<u>(45,302)</u>
Cash Flows from Financing Activities			
Proceeds from borrowings	60,000	-	40,000
Repayment of borrowings	(6,216)	(7,572)	(13,159)
Dividends paid	(11,224)	(11,012)	(17,885)
Transfer of tariff reduction rebate	-	-	(557)
Consumer Contributions Received	1,173	1,600	2,724
Consumer Deposits Received net	638	382	302
Net Cash used in Financing Activities	<u>44,371</u>	<u>(16,602)</u>	<u>11,425</u>
Increase/Decrease in Cash and Cash Equivalents	<u>21,500</u>	<u>(20,935)</u>	<u>8,152</u>
Cash and Cash Equivalents, Beginning of Period	<u>28,036</u>	<u>19,882</u>	<u>19,882</u>
Cash and Cash Equivalents, End of Period	<u>49,536</u>	<u>(1,053)</u>	<u>28,036</u>

ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

	Unaudited SEPTEMBER 30 2012 EC\$000s	Unaudited SEPTEMBER 30 2011 EC\$000s
Revenue		
Energy Sales	237,507	210,342
Fuel Surcharge Recovered	17,275	23,921
Other Revenue	1,165	1,273
	<u>255,947</u>	<u>235,536</u>
Operating Expenses		
Diesel Generation	159,611	129,435
Transmission and Distribution	25,209	28,709
Fuel Surcharge	17,236	23,347
	<u>202,056</u>	<u>181,491</u>
Gross Income	<u>53,891</u>	<u>54,045</u>
Administrative Expenses	<u>(19,588)</u>	<u>(19,958)</u>
Operating Profit	34,303	34,087
Other (Losses)/Gains	<u>64</u>	<u>17</u>
Profit Before Finance Costs and Taxation	34,367	34,104
Finance Costs	<u>(6,837)</u>	<u>(6,439)</u>
Profit Before Taxation	27,530	27,665
Taxation	<u>(7,708)</u>	<u>(7,746)</u>
Net Profit for the Period from continuing operations	<u>19,822</u>	<u>19,919</u>
Other comprehensive income:		
Actuarial (losses)/gains on defined benefit plans	0	0
Other comprehensive income for the year	0	0
Total comprehensive income for the year	19,822	19,919
Earnings Per Share	<u>\$ 0.86</u>	<u>\$ 0.87</u>

*The Earnings per share for 2011 was restated to reflect the number of shares after the stock split