

## **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<sup>th</sup> September, 2011

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

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(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

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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	11,200,000
Non-voting Ordinary Shares	520,000

### SIGNATURES

Name of Chief Executive Officer:

Trevor M. Louisy



Signature

1<sup>st</sup> November 2011

Date

Name of Director:

Matthew L. Hornum



Signature

27. 10. 11

Date

## **INFORMATION TO BE INCLUDED IN THE REPORT**

### **1. Financial Statements**

Condensed Balance Sheet as at 30<sup>th</sup> September, 2011 is attached

- (a) Condensed Statement of Income for the Nine Months Ended 30<sup>th</sup> September, 2011 and the corresponding period in the previous financial year are attached.
- (b) Condensed Statement of Cash Flows for the Nine Months Ended 30<sup>th</sup> September, 2011 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**

There appeared to be a significant slowdown in economic activity on the island amidst the continued economic and financial crisis in the developed economies of the world.

There was heightened political activity as the country awaits the announcement date for general elections. The island's Minister for Physical Development, Environment & Housing resigned from the Cabinet and the Prime Minister has assumed responsibility for his portfolio.

At the end of August, 2011 tourist arrivals registered a decline of 6% compared to the same period last year. Based on the latest available information hotels have been discounting rates to attract visitors and focussing on local clientele to boost occupancy levels.

The levels of foreign direct investments have been minimal and little improvement is expected in the short term although there are major refurbishments in progress at three hotels which is expected to bring positive results in 2012. Construction of the EU funded General Hospital is continuing as well as the reconstruction of St. Jude's hospital in the south of the island. The redevelopment/expansion of the international airport is scheduled to commence before the end of the year.

The management of accounts receivables continued to be under constant review as customers continued to face challenges in settling accounts within the allotted credit period. The Company, in its effort to enhance its relationship with customers, has provided some assistance by lengthening the credit period and making other payment arrangements on a case by case basis.

The Company's strategy of fuel price hedging continued during the period under review. The main objective of this strategy is to reduce the volatility of tariffs caused by the constant changes in global fuel prices from market forces. To date the objectives of the fuel price hedging programme continue to be achieved. Hedge contracts are in place to December 2011, and approval was given at the August 2011 Board of Directors' meeting for the hedging program to continue until the end of June 2012.

There has been no material shift in the Company's liquidity.

(b) **Capital Resources**

In fulfilment of the Company's strategy for meeting the requirements of the Electricity Supply Act (ESA) and customer demand, the Company made payments towards two high speed generating units that will complement its installed capacity by 2.5 MW and meet short term needs. These units are expected to be commissioned during the last quarter of 2011.

The Company has also committed to acquiring a 10.2 MW generating unit engine for its medium term strategy to meet the requirements of the ESA. The longer term generation strategy is under active review and consideration.

The Company is covenanted to its financiers to a 2:1 debt/equity gearing for which there are no potential violations. The comparable positions for this year and last year are indicated below:

	30 <sup>th</sup> September 2011 EC\$ 000s	30 <sup>th</sup> September 2010 EC\$ 000s
<b>Borrowings</b>		
Current	22,026	7,234
Long Term	94,709	107,848
<b>TOTAL</b>	<b>116,735</b>	<b>115,082</b>
<b>Shareholders' Equity</b>		
Share Capital	80,163	80,163
Retained Earnings	96,889	88,190
<b>TOTAL</b>	<b>177,052</b>	<b>168,353</b>

The agreed changes to the Security Sharing Agreement, increasing the debt/equity gearing to 2:1 were finalized during the third quarter.

The Company has also notified the regulatory bodies, the Eastern Caribbean Stock Exchange and shareholders of its intention to execute a 2 for 1 stock split effective 1<sup>st</sup> October, 2011 as approved at the Special Meeting of Shareholders held in May 2011.

### **Results of Operations**

At EC\$235.5M, there was an increase in total revenues of 12% when compared to the achievement in the same period last year of EC\$210.1M. This was attributable to higher fuel costs which are fully passed through to customers at cost as the Fuel Surcharge, in accordance with the Electricity Supply Act (as amended).

Electricity sales declined 1% when compared to the same period last year. Declines were recorded in the Domestic sector (2.2%); the Hotels sector (7.40%) and the Industrial sector (0.25%). Increases of 3.1% and 3.3% were recorded in the Commercial and Street Light sectors, respectively.

Gross profit of EC\$54.0M, recorded a decrease of 7.8% over last year's position of EC\$58.6M and Profit before tax was EC\$27.7M, a decrease of 15.6% over the corresponding period last year (\$32.8M). This decline is attributable to the decrease in electricity sales and higher network maintenance costs.

System reliability performance for the year to date of 6.45 hours was higher than the 5.03 hours achieved in the same period in 2010. These results are attributed to post Hurricane Tomas effects on the T&D system as well as the continuous higher than usual rainfall levels and inclement weather. As such the target of 5.9 hours for the year will not be achieved.

Year to date fuel efficiency increased to 4.30 kWh per litre up from 4.29 kWh per litre over the same period last year but slightly lower than the target of 4.32. Down time on the more efficient plant was minimal during the period under review, and this contributed to the improved fuel efficiency.

System losses recorded at 9.75% at the end of the period has deteriorated from the 9.51% recorded in the same period last year. Based on analysis, strategies geared at improving this situation commenced during the last quarter and the expectation is for losses to reduce but not below the 9.0% target for the year

While some results are below expectations for the period under review, the outlook is for some level of improvement in the last quarter, a period of relatively higher activity.

### **3. Disclosure of Risk Factors.**

As of the end of September 2011, no significant weather system was recorded. The island has however experienced increased levels of rainfall, combined with thunderstorm conditions, which have impacted the Company's operations as revealed in our reliability performance.

A formal announcement from the World Bank was issued in relation to the formation of the Eastern Caribbean Energy Regulatory Authority (ECERA). This organization it is hoped will pave the way to the establishment of independent regulatory authorities in St. Lucia and other jurisdictions within the OECS region, establish best practice regulatory principles and provide meaningful, effective standards and guidelines for the sub region's energy sector. Internally, the Company is making preparations to embrace changes that may arise as a result of additional regulation in the sector.

As a result of the reduced economic activity, sales have not performed as anticipated and this has forced the Company to take a more conservative approach to sales growth forecast for the immediate future. The level of receivables is also growing and has adversely impacted cash flows, forcing the company to come up with innovative ways to encourage customers to service their accounts 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 percent 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**

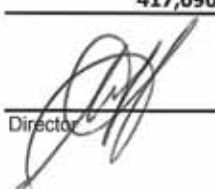
- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

**NONE**

**ST LUCIA ELECTRICITY SERVICES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2011**

	Unaudited September 30 2011 EC\$ 000s	Unaudited September 30, 2010 EC\$ 000s	Audited Dec 31 2010 EC\$ 000s
<b>Assets</b>			
<b>Non-Current</b>			
Property, plant and equipment	280,557	286,143	285,904
Intangible Assets	7,830	4,777	3,973
Retirement benefit asset	9,017	8,828	9,017
Available-for-sale financial asset	166	8,630	163
<b>Total non-current assets</b>	<b>297,570</b>	<b>308,378</b>	<b>299,058</b>
<b>Current</b>			
Inventories	21,689	21,519	19,985
Income tax refundable	4,880	1,590	0
Trade, other receivables and prepayments	78,739	57,781	59,783
Cash and cash equivalents	14,212	10,469	19,882
<b>Total current assets</b>	<b>119,520</b>	<b>91,359</b>	<b>99,650</b>
<b>TOTAL ASSETS</b>	<b>417,090</b>	<b>399,737</b>	<b>398,708</b>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Stated capital	80,163	80,163	80,163
Retained earnings	96,889	86,761	76,970
Hedging Reserve	0	1,429	0
<b>Total equity attributable to equity holders</b>	<b>177,052</b>	<b>168,353</b>	<b>157,133</b>
Retirement benefit reserve	9,017	8,828	9,017
<b>Total shareholders' equity</b>	<b>186,069</b>	<b>177,181</b>	<b>166,150</b>
<b>Liabilities</b>			
<b>Non-Current</b>			
Borrowings	94,709	107,848	94,709
Consumer deposits	13,942	13,123	13,402
Deferred tax liabilities	24,619	27,704	24,619
Consumer contributions	30,678	30,023	29,876
Retirement benefit liability	1,156	1,081	1,156
<b>Total non-current liabilities</b>	<b>165,104</b>	<b>179,779</b>	<b>163,762</b>
<b>Current</b>			
Bank overdraft	15,265	0	0
Borrowings	6,761	7,234	13,635
Trade and other payables	43,683	35,375	41,717
Income tax payable	0	0	2,224
Dividends payable	207	168	11,219
<b>Total current liabilities</b>	<b>65,916</b>	<b>42,777</b>	<b>68,796</b>
<b>Total liabilities</b>	<b>231,021</b>	<b>222,556</b>	<b>232,558</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>417,090</b>	<b>399,737</b>	<b>398,708</b>

  
 Director

  
 Director

**ST LUCIA ELECTRICITY SERVICES LIMITED**  
**STATEMENT OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

	Unaudited SEPTEMBER 30 2011 EC\$000s	Unaudited September 30, 2010 EC\$000s	Audited Dec 31 2010 EC\$000s
<b>Revenue</b>			
Energy Sales	210,342	190,169	247,945
Fuel Surcharge Recovered	23,921	18,830	26,908
Other Revenue	1,273	1,118	1,417
	<u>235,536</u>	<u>210,117</u>	<u>276,270</u>
<b>Operating Expenses</b>			
Diesel Generation	19,292	18,742	24,491
Transmission and Distribution	28,709	25,067	33,721
Fuel Surcharge	133,489	107,660	143,890
	<u>181,491</u>	<u>151,469</u>	<u>202,102</u>
<b>Gross Income</b>	54,045	58,648	74,168
<b>Administrative Expenses</b>	<u>(19,958)</u>	<u>(19,619)</u>	<u>(26,488)</u>
<b>Operating Profit</b>	34,087	39,029	47,680
<b>Other (Losses)/Gains</b>	<u>17</u>	<u>136</u>	<u>296</u>
<b>Profit Before Finance Costs and Taxation</b>	34,104	39,165	47,975
<b>Finance Costs</b>	<u>(6,439)</u>	<u>(6,371)</u>	<u>(7,618)</u>
<b>Profit Before Taxation</b>	27,665	32,794	40,357
<b>Taxation</b>	<u>(7,746)</u>	<u>(9,838)</u>	<u>(11,138)</u>
<b>Net Profit for the Period from continuing operations</b>	<u>19,919</u>	<u>22,956</u>	<u>29,219</u>
<b>Other comprehensive income:</b>			
Cash Flow Hedge	0	1,429	-
Actuarial (losses)/gains on defined benefit plans	0	0	178
<b>Other comprehensive income for the year</b>	0	1,429	(178)
<b>Total comprehensive income for the year</b>	19,919	24,385	29,041
<b>Earnings Per Share</b>	<u>\$ 1.70</u>	<u>\$ 1.96</u>	<u>\$ 2.49</u>

**ST LUCIA ELECTRICITY SERVICES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

	Unaudited September 30, 2011 EC\$ 000s	Unaudited September 30, 2010 EC\$ 000s	Audited Dec 31 2010 EC\$ 000s
<b>Cash flows from Operating Activities</b>			
Net Income Before Tax	27,665	32,795	40,357
Adjustments for			
Depreciation	21,402	22,187	34,314
Amortization of intangible assets	4,747	3,449	
Finance Charges	6,439	6,370	7,594
Loss/(Gain) on Disposal of Property, Plant and Equipment	(27)	(75)	(219)
Amortization of Consumer Contributions	(797)	(975)	(1,328)
Post-retirement benefits	0	0	(293)
Gain on cash flow hedge	0	0	0
Operating Income before Working Capital Changes	<u>59,429</u>	<u>63,751</u>	<u>80,427</u>
Increase in trade and other receivable	(18,956)	(3,847)	(8,848)
Increase in Inventories	(1,704)	(3,045)	(2,266)
Increase in Trade and Other Payables	1,967	(6,347)	-334
Cash Generated from Operations	<u>40,736</u>	<u>50,512</u>	<u>68,979</u>
Interest Received	363	159	260
Finance costs paid	(5,950)	(4,884)	(7,585)
Income Tax Paid	(14,850)	(12,712)	(12,712)
Net Cash from Operating Activities	<u>20,298</u>	<u>33,075</u>	<u>48,941</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investment	0	0	(13)
Sale of Investment	0	0	8,494
Acquisition of Property, Plant and Equipment	(23,771)	(14,626)	(20,982)
Proceeds on Disposal of Property, Plant and Equipment	29	84	227
Acquisition of intangible assets	(890)	0	(1,280)
Net Cash used in Investing Activities	<u>(24,632)</u>	<u>(14,542)</u>	<u>(13,554)</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings	0	0	0
Repayment of borrowings	(7,572)	(6,544)	(11,832)
Dividends paid	(11,012)	(17,223)	(17,220)
Transfer of tariff reduction rebate	0	0	(2,555)
Consumer Contributions Received	1,600	1,912	2,118
Consumer Deposits Received net	383	347	539
Net Cash used in Financing Activities	<u>(16,602)</u>	<u>(21,508)</u>	<u>(28,950)</u>
<b>Decrease in Cash and Cash Equivalents</b>	<u>(20,935)</u>	<u>(2,975)</u>	<u>6,438</u>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<u>19,882</u>	<u>13,444</u>	<u>13,444</u>
<b>Cash and Cash Equivalents, End of Period</b>	<u>(1,053)</u>	<u>10,469</u>	<u>19,882</u>