

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:

30th June, 2009

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

SIGNATURES

Name of Chief Executive Officer:

Name of Director:

Trevor Louisy

Matthew L. Mathurin

Signature

Signature

Date

Date

INFORMATION TO BE INCLUDED IN THE REPORT

1. **Financial Statements**

Condensed Balance Sheet as at 30th June, 2009 is attached.

- (a) Condensed Statement of Income for the Six Months Ended 30th June, 2009 and the corresponding period in the previous financial year are attached.
- (b) Condensed Statement of Cash Flows for the Six Months Ended 30th June, 2009 and the corresponding period in the previous financial year.

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

(a) **Liquidity**

The positive effect of lower fuel prices has redounded to our customers' benefit resulting in reduced electricity prices averaging approximately 30%. During the second quarter the average price paid for fuel was EC\$5.59 per gallon compared to EC\$12.18 for the similar period in 2008, a reduction of 54%. As a result, at the end of the reporting period the fuel cost adjustment factor moved from a charge of EC32.60 cents per unit in 2008, to a tariff reduction of EC cents.

Total unit sales grew by 3.5% over the corresponding period in 2008. This was due mainly to growth ranging from 1.49% to 6.54% across the various sectors.

Management of accounts receivable will continue to be critical during this time of reduced economic activity as the Company continues to monitor debt levels.

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

(b) **Capital Resources**

A preferred supplier has been selected, for the provision and implementation of a new Customer Information System (CIS). Contract negotiations should be completed shortly.

The company has arranged for a feasibility study to take place on the suitability of a proposed location for a new generating power plant in the south of the island.

The acquisition of a suitable parcel of land for the development of an additional substation in the North of the island has been completed. Upon completion of this substation it is expected that there will be a reduction in the load on existing substation systems and by extension improved transmission and efficiency.

The Automated Metering Initiative (AMI) is progressing as per schedule and currently a total of approximately 5,750 smart meters and 10 collector meters have been installed. Specifications for the interface between the AMI system and the existing Customer Information System (CIS) have been completed and are expected to be tested during the third quarter of this year.

The company is awaiting finalisation of the legislative process relating to the Self Insurance Fund so as to formalise the operations of the fund in accordance with prudent governance procedures.

Progress continued on the Heavy Fuel Oil (HFO) conversion project as Company officials held meetings with its fuel supplier. The Company's fuel supplier may be required to make a significant capital investment for the supply, storage and delivery of the Heavy Fuel Oil but this is proving difficult especially in light of the global economic downturn, but discussions are ongoing.

During the quarter, the Government of Saint Lucia acquired on behalf of the Company, a portion of land in the south eastern part of the island for the development of a wind farm. The necessary data gathering equipment will be installed early in the third quarter and it is expected that data gathering will take place over a period of 12 months. This will provide the required reliable information for the Company to make a determination on the technical feasibility of investing in a wind farm.

An agreement was reached with a local company to partner with LUCELEC for the testing of photovoltaic systems. The results to date are very encouraging and plans are in place to extend the tests to more locations.

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

	30 th June, 2009 EC\$ 000s	30 June, 2008 EC\$ 000s
Borrowings		
Current	8,835	16,951
Long Term	109,622	107,288
TOTAL	118,457	124,239
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	79,294	74,733
TOTAL	159,457	154,896

Results of Operations

Following formal Board approval, the company commenced a pilot fuel price hedging programme. During June, 2009 hedges were placed for the period up to end September, 2009 for 30% of its monthly consumption.

This price hedging programme's objective is to achieve stability in electricity costs through the reduction of the price fluctuations caused by purchases at spot market prices.

As part of the pilot programme, the Company has been meeting with stakeholders to sensitise them to the hedging rationale and strategy, highlighting the benefits that will be obtained from relatively stable prices. This has been well accepted so far.

At the end of the pilot project in December, 2009 Management will review the performance of the pilot project and if successful it is anticipated that a full hedge programme will be implemented for larger volumes and for appropriate periods.

There was a decline in total revenues of 28.2% when compared to the achievement during the same period last year (total revenues to date total EC\$108.7M compared to EC\$151.5M for the same period last year) This can be attributed to the significantly lower tariffs due to lower fuel prices which offset the gains from volume increases.

Unit sales of 154.3MWh recorded a 3.5% growth compared to the corresponding period last year of 149.1MWh.

There was growth of 6.5% in the commercial sector reflecting customer growth; an improvement of 5.7% in the industrial sector as a result of increased activity. The Hotel sector registered growth of 1.6% due to marketing and promotional efforts and the additional stock from properties that were reopened after refurbishment. The Domestic sector improved by 1.5% reflecting customer growth.

Gross profit of EC\$38.0M, recorded an increase of 7.7% over last year's position of EC\$35.3M. Profit before tax was EC\$20.6M, an increase of 6.3% over the corresponding period last year (\$19.4M) and this was as a direct result of the increased sales and lower non-fuel operating costs.

Though overall results are slightly ahead of expectations, to ensure sustainability, the Company will have to be vigilant during the second half of the year as indicators point to continued weak economic activity.

System reliability performance of 3.18 hours compared unfavorably to the same period in 2008 (2.54 hours). This situation is being closely monitored with a view to improving performance during the balance of the year.

A peak demand of 54.4 MWh was recorded on June 8th, 2009 at 1200 hours and was 200kWh higher than the previous peak.

Average fuel efficiency was 20.01 kWh per gallon up from 19.65 kWh per gallon over the same period last year and is currently ahead of target. The gains realised thus far are attributable to:

1. improvements to one of the more efficient generating units
2. the optimal use of newer more efficient plant.

System losses were recorded at 8.93% at the end of the period compared very favourably to 10.12% in the same period last year. Despite the positive trend, the Loss Reduction Working Group will be recommending initiatives to achieve further sustainable reductions. It would appear however that the AMI initiative is paying dividends.

Planning and analysis work is continuing on the next phase of new generation requirements which the company estimates will be required by 2012 or 2013. This includes (but is not limited to) a determination of the

most cost effective fuel source, site location and environmental impact assessments.

3. Disclosure of Risk Factors.

As a result of the global economic meltdown, the Company continued its monitoring efforts so that all necessary precautions can be taken to mitigate any adverse results. A formalised risk management programme and structure is now in place and reports to the Audit Committee of the Board on its analysis and actions.

In accordance with an existing agreement the Company, through the pension fund trustees served notice on CLICO (Trinidad) for the termination of the agreement relating to its role as fund manager for one of the company's pensions schemes. The procedure for reclaiming these funds has been implemented in accordance with the agreement and a new fund manager has been appointed.

The company has also continued to monitor the performance of its other fund managers and will take any required actions as deemed necessary.

June 1st, 2009 heralded the commencement of the Atlantic Hurricane Season with projections for an average season. As is customary, various preparatory activities have been conducted internally and with the national emergency authorities. The Company's Disaster Management Plan has been rolled out and various drills have been scheduled. Contributions continue to be made into the company's self insurance fund bank account.

4. Legal Proceedings

There are currently no legal proceedings that would have 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 has 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 INCOME
FOR THE SIX MONTHS ENDED JUNE 30TH, 2009

	Unaudited June 30th, 2009	Unaudited June 30th, 2008
Revenue		
Energy Sales	108,354	122,860
Fuel Surcharge Recovered	17	28,021
Sundry Revenue	352	585
Total	<u>108,723</u>	<u>151,466</u>
Operating Expenses		
Diesel Generation	10,793	10,288
Transmission and Distribution	14,271	15,122
Fuel & Lubricants	45,648	90,764
Sub Total	<u>70,712</u>	<u>116,174</u>
Gross Income	38,011	35,292
Administration Expenses	12,918	11,707
Operating Profit	<u>25,093</u>	<u>23,585</u>
Other Gains	(100)	378
Profit Before Finance Costs & Tax	24,993	23,963
Interest Income	(285)	(96)
Interest Costs	4,644	4,649
Profit/(Loss) After Interest	20,634	19,410
Taxation	5,571	4,828
Net Profit for the Period	<u>15,063</u>	<u>14,582</u>

ST LUCIA ELECTRICITY SERVICES LIMITED
BALANCE SHEET
AS AT JUNE 30, 2009

	Unaudited June 30th, 2009	Audited December 31st, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	5,423	10,847
Trade and other receivables	43,246	41,940
Income tax receivable	1,204	
Inventories	19,912	15,740
	<u>69,785</u>	<u>68,527</u>
Available for sale financial asset	7,396	5,643
Retirement benefit asset	8,847	8,847
Property, Plant and equipment (NBV)	296,061	302,498
	<u>382,089</u>	<u>385,515</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank borrowings	8,276	16,739
Bank overdraft	559	4
Total borrowings	8,835	16,743
Trade and other payables	26,183	25,750
Income tax payable	-	1,740
Dividend payable	164	8,251
	<u>35,182</u>	<u>52,484</u>
NON-CURRENT		
Borrowings	109,622	110,754
Consumer deposits	12,191	11,682
Deferred tax liabilities	28,696	28,695
Consumer contributions	28,094	28,428
	<u>213,785</u>	<u>232,043</u>
SHAREHOLDERS' EQUITY		
Stated Capital	80,163	80,163
Retained earnings	79,294	64,462
Total equity attributable to shareholders	159,457	144,625
Retirement benefit reserve	8,847	8,847
Total shareholders' equity	<u>168,304</u>	<u>153,472</u>
Total equity and liabilities	<u>382,089</u>	<u>385,515</u>

Director

Director

ST. LUCIA ELECTRICITY SERVICES LTD.
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2009

	Unaudited June 30th, 2009	Unaudited June 30th, 2008
Cash flows from Operating Activities		
Profit Before Tax	20,634	19,410
Adjustments for:		
Depreciation	15,679	14,655
Finance Charges	4,358	4,554
Gain on Disposal of Property, Plant and Equipment	7	(184)
Amortization of Consumer Contributions	(710)	(750)
Operating Income before Working Capital Changes	<u>39,968</u>	<u>37,685</u>
Decrease/(increase) in Accounts Receivable and Prepayments	(1,305)	(12,694)
(Increase)/decrease in Inventories	(4,173)	(5,754)
(Decrease)/increase in Trade and Other Payables	435	8,947
Cash Generated from Operations	<u>34,925</u>	<u>28,184</u>
Interest received	132	96
Interest Paid	(4,579)	(4,708)
Income Tax Paid	(8,515)	(7,442)
Net Cash Inflow from Operating Activities	<u>21,963</u>	<u>16,130</u>
Cash Flows from Investing Activities		
Purchase of Available for Sale Financial Asset	(1,600)	(44)
Purchase of Property, Plant and Equipment	(9,242)	(7,920)
Proceeds on Disposal of Property, Plant and Equipment	(7)	184
Net Cash used in Investing Activities	<u>(10,849)</u>	<u>(7,780)</u>
Cash Flows from Financing Activities		
Repayment of Borrowings	(9,550)	(9,798)
Decrease in Tariff Reduction Reserve	-	474
Increase in dividends/(dividends paid)	-	2
Transfer of Tariff Reduction Rebate	(231)	-
Dividends Paid	(8,087)	(9,018)
Consumer Contributions Received	357	1,789
Consumer Deposits Received net	418	498
Net Cash used in Financing Activities	<u>(17,093)</u>	<u>(16,053)</u>
Net increase in Cash and Cash Equivalents	<u>(5,979)</u>	<u>(7,704)</u>
Cash and Cash Equivalents at beginning of Period	<u>10,843</u>	<u>767</u>
Cash and Cash Equivalents at end of Period	<u>4,864</u>	<u>(6,937)</u>