

**Schedule 3
FORM ECSRC - Q**

(Select One)

Quarterly Report
For the period ended: 30 September, 2013

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.

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.
-

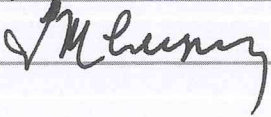
CLASS	NUMBER
Ordinary Shares	22,400,000
Non-voting Ordinary Shares	520,000

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.

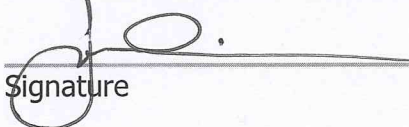
Name of Chief Executive Officer:

THOMAS M. LUNNEY

 Signature
29th October 2013
 Date

Name of Director:

MATTHEW L. MATHURIN

 Signature
29th October 2013
 Date

Name of Chief Financial Officer:

JONATHAN EDWARDS

 Signature
29th October 2013
 Date

Handwritten text, possibly a signature or name, located in the lower right quadrant of the page.

INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

- a) Condensed Statement of Financial Position as at September 30, 2013 is attached;
- b) Condensed Statement of Comprehensive Income for the Nine Months Ended September 30, 2013 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, 2013 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 quarter, United Airlines commenced weekly non-stop flights from Newark and New Jersey, into Saint Lucia. This new air carrier service provides convenient connections to many key US cities as well as to the major Canadian gateways of Ottawa and Quebec. This increase in airlift is expected to further boost the tourist arrivals to Saint Lucia, as reflected in a 15.4% increase in arrivals from the US market in August 2013.

Year-to-date tourist arrivals to Saint Lucia for August increased by 3% compared to the same period last year. While the US market realized an increase in arrivals, declines were registered in the United Kingdom, Canadian and Caribbean markets of 20%, 15% and 1%, respectively.

The highest unit sales for the year to date of 28.8M kWh were recorded in September. This may be attributed to the increase in tourist arrivals and the increased use of air cooling devices by customers due to higher temperatures. However, year-to-date unit sales continue to be 1.4% below budget.

Following the increase in tariffs granted to the Water and Sewerage Company (WASCO) during the last quarter, WASCO had indicated that they would be able to service the long-outstanding debt due to LUCELEC. During this quarter WASCO agreed to a financing arrangement with LUCELEC whereby WASCO will pay its existing debt plus interest over a four-year period while paying current bills monthly.

During the quarter under review, the Company received approximately \$1.9 Million from the VAT office, representing payment of the VAT refund for the period March to July 2013.

b) Capital Resources

The Capital Programme for 2013 continued during the quarter with \$5.1M spent on areas such as transmission and distribution improvements, streetlights and consumer financed capital expenditure.

The supplier of the replacement interbus transformers at the Soufriere and Praslin substations has been selected at an estimated cost of \$1.8 Million. An advance payment was made at the end of the quarter. The first transformer is scheduled to be delivered during the second quarter of 2014.

The overhaul of one of the engines at the Cul de Sac Power Station was completed during the quarter at a cost of \$1.3Million. The overhaul of a second engine commenced towards the end of this quarter.

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, 2013 EC\$ 000s	30 September, 2012 EC\$ 000s
Borrowings		
Current	6,355	6,384
Long Term	167,797	183,396
TOTAL	174,152	189,780
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	105,408	104,089
TOTAL	185,571	184,252

The Company does not foresee any potential violation of those covenants.

Results of Operations

Total year-to-date revenues of \$247.5M represented a decline of 3.3% as compared to the corresponding period last year. Although there was a slight increase in unit sales, the average tariff charged for 2013 was lower than last year by 3.4% due to higher average fuel prices recorded in 2012 which resulted in a higher fuel surcharge.

Unit sales for the year to date of 249M kWh were greater than the same period last year by 0.1%. Increases recorded in the Hotel (0.6%) and Streetlights (3.7%) sectors were offset by declines in the Domestic (0.2%), Commercial (0.1%) and Industrial (1.3%) sectors.

Year-to-date gross profit of EC\$58.1M was 7.8% greater than last year's position of EC\$53.9M, due to the decline in total operating costs. Profit before tax for the year to date was EC\$26M, a decline of 5.4% from the corresponding period last year (\$27.5M). This decline is attributable to the increase in administrative expenses and finance costs over last year.

System reliability performance for the period of 5.91 hours improved when compared to the same period in 2012 (9.78 hours) and against the target of 7.88 hours.

Year-to-date fuel efficiency of 4.34kWh per litre compared favourably to 4.31 kWh per litre over the same period last year and to the target of 4.30 kWh per litre.

System losses at the end of the period were 9.70% on a moving annual basis, compared to 9.53% recorded in the same period last year and a target of 9.55% for the year.

3. Disclosure of Risk Factors

- a) During the third quarter LUCELEC's Management Team met to review and update the Strategic Business Plan and the Balanced Scorecard (BSC) Report. The Management Team focused on the progress made in addressing high risk areas such as the new regulatory environment, diversifying the current portfolio of services being provided, replacement of key Transmission & Distribution (T&D) assets, and exploring the use of alternative energy sources.
- b) The Company continued to experience a reduction in demand for electricity. Factors affecting this decline include:-
 - 1. Stagnant economic activity which is negatively impacting all sectors of the economy.
 - 2. Increased utilization by individuals, businesses and the Government of Saint Lucia (GOSL) of energy saving devices and mechanisms to reduce demand for fuel-based electricity. To this end, GOSL has inter alia expressed an interest in converting the entire streetlight stock to the LED type.
- c) During the first quarter, the GOSL confirmed that it had agreed to operationalize the Petro Caribe Agreement which had been signed in 2005. The GOSL believes that this will give it greater flexibility to manage and stabilize the prices of petroleum products in the local market. Discussions continued during this quarter between the governments of Saint Lucia and Venezuela. It is unclear as to whether the GOSL expects LUCELEC to purchase its fuel product under the Agreement bearing in mind that LUCELEC has an existing long-term fuel supply agreement with HESS Oil St. Lucia Ltd (HOSLL).
- d) The HESS Corporation has entered into an agreement with Buckeye Partners LP, a U.S. based company, to sell its U.S. East Coast and St. Lucia storage terminal network. The Company is monitoring this situation carefully to ensure that HOSLL's obligations under the existing contract are transferred to the potential owners.
- e) The Company is in the process of preparing for a new regulatory framework. The team selected to lead this initiative has developed an action plan that is being executed. Training, third party engagements and collaborations are some of the initiatives which are being undertaken to prepare for the new regulatory environment.
- f) The hurricane season commenced during the second quarter. As is customary, the Company conducted its preparatory work in order to ensure that damage which could interrupt service delivery is minimized.
- g) The Company continues to pursue its policy of self-insurance, which was a necessary undertaking given the exorbitant costs of obtaining adequate

commercial insurance coverage on its Transmission & Distribution assets. The Fund comprises cash resources of \$19 Million. The Company also has access to a line of credit of \$10 Million. The Company is in the process of establishing a separate legal entity to manage the Self Insurance fund.

4. Legal Proceedings

There were no legal proceedings during the quarter under review 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 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, 2013

	Unaudited September 30, 2013 EC\$ 000s	Unaudited September 30, 2012 EC\$ 000s	Audited December 31, 2012 EC\$ 000s
Assets			
Non-Current			
Property, plant and equipment	339,044	329,469	350,554
Intangible assets	15,934	12,248	15,054
Retirement benefit asset	4,095	9,135	9,354
Investments	169	168	168
Total non-current assets	359,242	351,020	375,130
Current			
Inventories	18,382	18,417	19,169
Income tax refundable	2,273	3,916	9,044
Trade, other receivables and prepayments	77,870	82,017	77,581
Cash and cash equivalents	43,577	49,535	36,685
Total current assets	142,102	153,885	142,479
TOTAL ASSETS	501,344	504,905	517,610
Equity and liabilities			
Shareholders' equity			
Stated capital	80,163	80,163	80,163
Retained earnings	105,408	104,089	91,335
Total equity attributable to equity holders	185,571	184,252	171,498
Retirement benefit reserve	9,354	9,135	9,354
Total shareholders' equity	194,925	193,387	180,852
Liabilities			
Non-Current			
Borrowings	167,797	183,396	167,797
Consumer deposits	15,314	14,541	14,771
Deferred tax liabilities	29,055	22,826	29,055
Consumer contributions	33,081	32,334	33,171
Retirement benefit liability	1,878	1,240	1,403
Total non-current liabilities	247,125	254,337	246,198
Current			
Borrowings	6,355	6,384	15,263
Trade and other payables	52,622	50,580	64,199
Dividends payable	317	217	11,098
Total current liabilities	59,294	57,181	90,560
Total liabilities	306,419	311,518	336,758
 TOTAL EQUITY & LIABILITIES	 501,344	 504,905	 517,610

Approved on behalf of the Board of Directors on 29th October, 2013


 Director


 Director

ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

	Unaudited	Unaudited
	September 30,	September 30,
	2013	2012
	EC\$ 000s	EC\$ 000s
Cash flows from Operating Activities		
Net Income Before Tax	26,041	27,530
Adjustments for		
Depreciation	22,453	23,715
Amortization of intangible assets	1,448	266
Finance charges	10,151	6,837
Gain on Disposal of property, plant and equipment	(15)	(39)
Amortization of consumer contributions	(1,526)	(374)
Post-retirement benefits	537	-
Operating Income before Working Capital Changes	59,089	57,935
(Increase)/decrease in inventories	787	(7,491)
Decrease/(increase) in trade and other receivables	(289)	2,835
Increase in trade and other payables	(11,577)	5,474
Cash Generated from Operations	48,010	58,753
Interest received	408	613
Finance costs paid	(9,760)	(6,783)
Income tax Paid	-	(10,795)
Net Cash Generated from Operating Activities	38,658	41,788
 Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(13,271)	(62,015)
Proceeds on disposal of property, plant and equipment	15	48
Acquisition of intangible assets	-	(2,692)
Net Cash Used in Investing Activities	(13,256)	(64,659)
 Cash Flows from Financing Activities		
Proceeds from borrowings	-	60,000
Repayment of borrowings	(9,542)	(6,216)
Dividends paid	(10,781)	(11,224)
Consumer contributions received	1,436	1,173
Consumer deposits received, net	377	638
Net Cash (Used in)/Generated from Financing Activities	(18,510)	44,371
Increase in Cash and Cash Equivalents	6,892	21,500
Cash and Cash Equivalents - Beginning of Period	36,685	28,035
Cash and Cash Equivalents - End of Period	43,577	49,535

ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

	Unaudited September 30, 2013 EC\$ 000s	Unaudited September 30, 2012 EC\$ 000s
Revenue		
Energy Sales	245,179	237,507
Fuel Surcharge Recovered	1,172	17,275
Other Revenue	1,153	1,165
	<u>247,504</u>	<u>255,947</u>
Operating Expenses		
Diesel Generation	161,586	159,611
Transmission and Distribution	26,516	25,209
Fuel Surcharge	1,328	17,236
	<u>189,430</u>	<u>202,056</u>
Gross Income	58,074	53,891
Administrative Expenses	<u>(21,910)</u>	<u>(19,588)</u>
Operating Profit	36,164	34,303
Other Gains	<u>28</u>	<u>64</u>
Profit Before Finance Costs and Taxation	36,192	34,367
Finance Costs, Net	<u>(10,151)</u>	<u>(6,837)</u>
Profit Before Taxation	26,041	27,530
Taxation	<u>6,771</u>	<u>7,708</u>
Net Profit for the Period from Continuing Operations	<u><u>19,270</u></u>	<u><u>19,822</u></u>
Other Comprehensive Income:		
Actuarial losses on defined benefit plans	<u>-</u>	<u>-</u>
Other Comprehensive Income for the Year	<u>-</u>	<u>-</u>
Total Comprehensive income for the Year	<u><u>19,270</u></u>	<u><u>19,822</u></u>
Earnings Per Share	<u><u>\$ 0.84</u></u>	<u><u>\$ 0.86</u></u>

