

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: 31st March 2010

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 M. Louisy

Signature

Signature

Date

Date

INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

Condensed Balance Sheet as at 31st March, 2010 is attached

- (a) Condensed Statement of Income for the Three Months Ended 31st March, 2010 and the corresponding period in the previous financial year are attached.
- (b) Condensed Statement of Cash Flows for the Three Months Ended 31st March, 2010 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

Under the provisions of the Electricity Supply Act Cap 9.02 Revised Laws of Saint Lucia 2001 (as amended), the base tariffs for 2010 were reduced by \$0.231 per kWh and this took effect from February 2010. This was a direct result of the reduction in fuel prices during 2009 which positively impacted the average price during that year. While the base tariff was favourably impacted, the monthly Fuel Surcharge Cost Adjustment Factor has resurfaced reflecting the trend of gradually increasing prices, and resulting in EC\$0.08 and EC\$0.06 per unit being applied to bills for February and March 2010.

Managing fuel price risk is not only an essential aspect of LUCELEC's operations but critical to maintaining customer confidence and loyalty, as fuel is a pass through cost. The Company therefore entered into a fuel price hedging contract arrangement for February and March 2010 with one of four contracted counterparties for 75% of its estimated volume of fuel. Fuel price hedging was approved by the Board as a strategic initiative for the reduction in the volatility in tariffs caused by the purchase of fuel at spot prices. This programme will continue for the entire year.

The Company continued to monitor accounts receivable as customers have found it increasingly difficult to service their debts in a timely

manner. Customer education campaigns on efficient electricity use continued during the quarter. Of particular concern is WASCO's debt level which has at least remained stable due to improved payment arrangements. However WASCO has engaged its sole shareholder, the Government of Saint Lucia and LUCELEC Management in discussions on workable alternatives for the settlement of the overdue debt.

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

(b) **Capital Resources**

The project committee for the implementation of the new Customer Information System (CIS) has been evaluating other suitable alternatives geared at optimizing the efficiencies of any chosen solution.

Following the completion of the feasibility study with respect to an identified portion of land for the proposed generating power plant in the south of the island, an expert from the International Civil Aviation Organization (ICAO) visited the island during the latter part of the quarter and a report with their decision on the suitability of the site is expected early in the second quarter. The land identified is situated close to the international airport.

The interface between the Automated Metering Infrastructure (AMI) project and the existing Customer Information System (CIS) for the capture of customer usage for billing was completed. Phased implementation will continue initially on high usage customers pending the receipt of the final report on the independent meter tests requested by the Saint Lucia Bureau of Standards, which is not expected to delay the full implementation of AMI meters.

Amendments to the existing legislation on the operation of the insurance industry on the island have been deferred pending the passage of new legislation. . The necessary amendments to the Income Tax Act were completed and the Company is continuing to set aside funds for the purpose of a self insurance fund for its Transmission & Distribution (T&D) assets, in the first instance.

A second independent valuation of the recommended site for the wind farm project has been presented to the Company which is significantly higher than the initial estimate. The Company has since identified seven other possible locations that have the potential to be developed as a wind farm; the Company will continue its due diligence on these potential sites

as the year progresses.

Discussions also continued with financial institutions in relation to the provision of concessionary interest rates and the provision of assistance with matters related to green energy production such as the utilisation of carbon credits for renewable energy undertakings.

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.

	31 st March 2010 EC\$ 000s	31 st March 2009 EC\$ 000s
Borrowings		
Current	12,583	15,711
Long Term	107,848	109,622
TOTAL	120,431	125,333
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	77,921	70,841
Hedging Reserve	1,757	0
TOTAL	159,841	151,004

The amendments to various sections of the Security Sharing Agreement (SSA) which will enable the Company to access additional financing have been agreed in principle with all lenders. The document was sent to the company's solicitors for preparation of the legal documentation and formal approval by these lenders.

Results of Operations

As a result of the fuel price hedge programme the Company's strategic objective of reduced volatility and price stability was accomplished. The Company has entered into hedging contractual arrangements for the second quarter in full and partially for the remainder of the year.

There was an increase in total revenues of 27.1% when compared to the

same period last year (total revenues to date were EC\$65.8M compared to EC\$51.8M for the same period last year). This was largely attributable to the increased sales in all sectors except the Industrial sector and higher tariffs due to upward fuel price movements.

Sales growth achieved in the quarter was 8.8% in the Commercial sector, 8.3% in the Hotel sector, 8.2% in the Domestic sector and 2.3% in Streetlights. The Industrial sector recorded a decline of 1.9%. The total increase was 7.6% over the same period last year and primarily reflected customer base growth, an improved tourism sector and higher usage due to fairly high ambient temperatures caused by the recent drought. Growth trends are expected to continue as the island prepares for the ICC World 20/20 Cricket competition and the annual Jazz Festival.

Gross profit of EC\$18.7M, recorded an increase of 6.2% over last year's position of EC\$17.6M. Profit before tax was EC\$10.1M, an increase of 7.6% over the corresponding period last year (\$9.4M) all as a direct result of the increased sales.

Overall results are ahead of expectations and the Company continued its vigilance despite some positive signs of economic stabilisation.

System reliability performance of 1.18 hours compared extremely favorably to the same period in 2009 (1.59 hours) and the target of 1.47 hours for the quarter.

A new peak demand of 57.1 MW was recorded on March 16th, 2010 at 1401 hours.

Year to date fuel efficiency was 4.30 kWh per litre down from 4.40 kWh per litre over the same period last year and was also down when compared to the target of 4.34. This decrease was experienced because of some unplanned generator outages in January and a planned overhaul on the newest unit, resulting in the use of the lesser efficient units during the period under review.

System losses were recorded at 9.58% at the end of the period a remarkable achievement compared to the 9.79% recorded in the same period last year. Despite the positive trend the result is not comforting compared to the 2009 year end achievement of 9.27%. The Loss Reduction Working Group has been performing an analysis of the contributing factors with a view to obtaining further improvements.

3. Disclosure of Risk Factors.

The island has seen very little evidence of momentum in Foreign Direct Investments and this and other economic activities will continue to be monitored.

The World Bank has been providing technical assistance to some of the governments of the islands of the OECS towards reform of the regulatory regime governing the sector. This work is expected to gather pace shortly. The Company has contributed to a position paper prepared by CARILEC on regulatory reform and liberalisation issues, among others. With continued engagement of the stakeholders and provision of technical advice and support where necessary, the Company is optimistic that the end result of the exercise will be the implementation of an enabling environment for the sector.

The white paper on the National Energy Policy for St. Lucia was presented to the Cabinet of Ministers. The Company actively participated in the process.

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 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