

[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 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

(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.

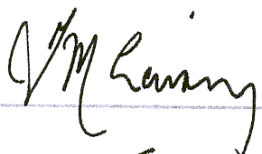
CLASS	NUMBER
Ordinary Shares	11,200,000
Non-voting Ordinary Shares	520,000

SIGNATURES

Name of Chief Executive Officer:

Name of Director: MATTHEW L. HATHURIN

Trevor M. Louisy



Signature



Signature

21st July 2011

Date

21st July 2011

Date

INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

- (a) Condensed Balance Sheet as at 30th June, 2011 is attached
- (b) Condensed Statement of Income for the Six Months Ended 30th June, 2011 and the corresponding period in the previous financial year are attached.
- (c) Condensed Statement of Cash Flows for the Six Months Ended 30th June, 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

During the presentation of the Estimates of Revenue and Expenditure for 2011/12 reference was made to the Social and Economic Review 2010 which disclosed a growth rate of 4.4% (on a rebased basis). The Government projects further growth in the current budget period of 4.5% based on restorative works following the passage of Hurricane Tomas and general increase in economic activity.

The Minister of Finance also announced in the presentation of The Estimates of Revenue and Expenditure for 2011/12 that the VAT system will be implemented on April 1st 2012. The implementation exercise is being led by the special unit which had been established for the sensitisation, consultation, preparatory and other preliminary work.

For the year to date the Company continued its strategy of fuel price hedging as part of its commitment to assist its customers by reducing the volatility of tariffs caused by the constant changes in fuel prices. Notwithstanding, the gradually increasing fuel prices being experienced globally, the hedging programme has been successful so far and the Board will be requested to extend this programme on a rolling 12 month basis.

Management of account receivables, continue to be under constant review as some customers have faced challenges in settling their accounts in a timely manner, but the Company has assisted in making settlement

arrangements where possible.

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

(b) **Capital Resources**

The implementation of the new Customer Information System is in progress and on schedule. The Company's Oracle based JD Edwards Enterprise Resource Planning (ERP) system was upgraded for a completely new Chart of Accounts and other system improvements that will assist in better performance reporting and analysis that will greatly facilitate efficiency and planning improvements across the Company.

After extensive Board consideration, the Company has adopted short, medium and long term strategies in relation to the provision of new generating capacity. The short term element will comprise the purchase of 2 High Speed Units that will provide an additional 2.5 MW of capacity and the medium term will comprise the acquisition of a 10.2 MW engine to be located at Cul de Sac. This will cater to medium term demand requirements and allow the Company to defer its long term plan until 2015 in order that the optimum solution can be obtained. There remain sufficiently significant issues in relation to technology, fuel supply, type of fuel and regulatory developments that necessitates a longer time frame for proper analysis and evaluation prior to making such a significant investment decision.

In relation to renewables, there was a further setback on the Wind initiative as recent study results indicate that the recent sites identified on the north-east coast were not suitable for wind farm development. The Company will continue to examine all options as far as this initiative is concerned.

Discussions are continuing with the developers of the geothermal resource. A first draft of a Power Purchase Agreement (PPA) is under review by the parties and progress was also made with regard to the development of the 'Interconnection Agreement and Procedures' document. To date exploratory works have not commenced and as such there is concern as to whether the timelines established under the Term Sheet executed between the parties will be met.

A Committee headed by a senior official in the Ministry of Physical Development, Environment & Housing, has been set up to review the way forward with respect to *Waste to Energy* proposals received by the

Government of Saint Lucia. The deliberations are likely to be guided by the recently approved National Energy Policy and the result of the Consultant's report with respect to this energy resource's availability and viability in Saint Lucia. The recently signed Memorandum Of Understanding between the Government of Saint Lucia and a developer is being reviewed by the Company; in the interim the Company has engaged in discussions with the developer.

The Company is covenanted under Security Sharing Agreement 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 2011 EC\$ 000s	30 th June 2010 EC\$ 000s
Borrowings		
Current	6,570	6,231
Long Term	94,709	107,848
TOTAL	101,279	114,079
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	88,357	88,401
TOTAL	168,520	168,564

The Company's lenders have agreed to amend the provisions of the Security Sharing Agreement to increase the debt/ equity gearing to 2:1. The documentation will be formally executed in the third quarter.

At a Special Meeting of Shareholders held on 6th May, 2011 approval was given for the Company to increase its ordinary authorised share capital from 15,000,000 to 100,000,000 and this will assist the Company in obtaining additional equity to fund its capital programme. Approval was also obtained to undertake a stock split prior to obtaining additional equity at a time and in a ratio to be determined by the Board of Directors

A final dividend of EC\$0.94 per ordinary share was approved by shareholders at the Annual Meeting of Shareholders held on 6th May, 2011; the dividend was paid in June. This was based on the Company's

performance in 2010.

Results of Operations

Total revenues to date are EC\$150.3M, an increase of 8.7% when compared to the same period last year (EC\$138.3M). As fuel is a pass through cost, steadily increasing fuel prices resulted in a higher fuel costs to the company, which are then recovered from customers via the fuel surcharge mechanism.

Unit sales of 162.1mWh declined by 2.8% when compared to the same period last year (166.9mWh). The Domestic sector recorded a decline of 3.3%; the Commercial sector declined by 0.8% with the Hotels and Industrial sectors recording declines of 6.6% and 1.3%, respectively. The Street Light sector recorded an increase of 3.4%.

Sales continued to be impacted by lower demand following the passage of Hurricane Tomas, relatively cooler temperatures for the year to date compared to last year, resulting in reduced use of cooling equipment and appliances. The important tourism sector's performance also declined over the previous year.

Gross profit of EC\$33.8M, registered a decrease of 14.4% over last year's position of EC\$39.5M and Profit before tax was EC\$15.9M, a decrease of 28.7% over the corresponding period last year (\$22.3M). This was attributable the lower sales and economic activity.

System reliability performance (SAIDI) for the year to date of 3.9 hours is slightly higher than the same period in 2010 (2.99 hours). This is below the Company's target and will continue to be monitored for the remainder of the year.

A new peak demand of 60.30 MW was recorded on June 9th, 2011 at 14:45 hours and has been attributed to higher usage of cooling equipment due to recent sporadic high ambient temperatures and the staging of the 20th anniversary of the St. Lucia Jazz Festival.

Year to date fuel efficiency was 4.31 kWh per litre up from 4.28 kWh per litre over the same period last year and slightly lower than target. This decrease was experienced because of the unexpected intermittent higher loads which forced the Company to run lesser efficient generating units to meet the demand. Various initiatives are in place to identify opportunities for improving this measure by regular fuel analysis, improved fuel consumption measurements and technical initiatives.

System losses of 10.48% at the end of the period were higher than the 9.84% recorded in the same period last year. Strategies geared at improving this situation commenced during the quarter and the expectation is for losses to decline below 10%.

3. Disclosure of Risk Factors.

June 1, 2011 marked the start of the 2011 Atlantic Hurricane season with projections indicating activity at above average levels. Prior to the start of the hurricane season and continuing on the heels of the recovery process since the passage of Hurricane Tomas in October, 2010 all emergency plans were reviewed and necessary action taken in an effort to ensure that the Company is in a state of readiness should there be a similar event this year

The Company's management continued strategic review and preparation for the new regulatory environment. The World Bank recently confirmed funding for the creation of a new body called the Eastern Caribbean Energy Regulatory Authority (ECERA) that will regulate the sector initially in St. Lucia and Grenada with other OECS territories expected to join later.

Management has taken a decision to enhance the Company's risk management programme and to implement a Business Continuity Management System (BCMS) based on international standards (BS25999). The intention is to obtain certification as soon as practicable.

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.

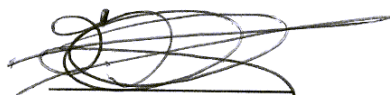
NONE


- (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 JUNE 30, 2011

	Unaudited June 30 2011 EC\$ 000s	Unaudited June 30, 2010 EC\$ 000s	Audited Dec 31 2010 EC\$ 000s
Assets			
Non-Current			
Property, plant and equipment	280,714	287,537	285,904
Intangible Assets	6,857	5,867	3,973
Retirement benefit asset	9,017	8,828	9,017
Investments	165	8,587	163
Total non-current assets	<u>296,753</u>	<u>310,819</u>	<u>299,058</u>
Current			
Inventories	21,431	20,662	19,985
Income tax refundable	3,721	829	0
Trade, other receivables and prepayments	70,490	60,068	59,783
Cash and cash equivalents	2,376	6,835	19,882
Total current assets	<u>98,018</u>	<u>88,394</u>	<u>99,650</u>
TOTAL ASSETS	<u>394,770</u>	<u>399,213</u>	<u>398,708</u>
Equity and liabilities			
Shareholders' equity			
Stated capital	80,163	80,163	80,163
Retained earnings	88,357	86,496	76,970
Hedging reserve		1,905	0
Total equity attributable to equity holders	<u>168,520</u>	<u>168,564</u>	<u>157,133</u>
Retirement benefit reserve	9,017	8,828	9,017
Total shareholders' equity	<u>177,537</u>	<u>177,392</u>	<u>166,150</u>
Liabilities			
Non-Current			
Borrowings	94,709	107,848	94,709
Consumer deposits	13,677	13,078	13,402
Deferred tax liabilities	24,619	27,704	24,619
Consumer contributions	30,350	29,511	29,876
Retirement benefit liability	1,156	1,081	1,156
Total non-current liabilities	<u>164,512</u>	<u>179,222</u>	<u>163,762</u>
Current			
Borrowings	6,570	6,231	13,635
Trade and other payables	45,944	36,201	41,717
Income tax payable	0	0	2,224
Dividends payable	207	167	11,219
Total current liabilities	<u>52,721</u>	<u>42,599</u>	<u>68,796</u>
Total liabilities	<u>217,233</u>	<u>221,821</u>	<u>232,558</u>
TOTAL EQUITY & LIABILITIES	<u>394,770</u>	<u>399,213</u>	<u>398,708</u>


Director


Director

ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2011

	Unaudited June 30, 2011 EC\$000s	Unaudited June 30, 2010 EC\$000s	Audited Dec 31 2010 EC\$000s
Revenue			
Energy Sales	136,600	126,732	247,945
Fuel Surcharge Recovered	12,911	10,858	26,908
Other Revenue	836	706	1,417
	<u>150,347</u>	<u>138,296</u>	<u>276,270</u>
Operating Expenses			
Diesel Generation	12,667	12,151	140,639
Transmission and Distribution	18,198	16,403	33,721
Fuel Surcharge	85,673	70,239	27,742
	<u>116,537</u>	<u>98,793</u>	<u>202,102</u>
Gross Income	33,810	39,503	74,168
Administrative Expenses	<u>13,367</u>	<u>13,027</u>	<u>-26,488</u>
Operating Profit	20,443	26,476	47,680
Other Gains	<u>(145)</u>	<u>116</u>	<u>296</u>
Profit Before Finance Costs and Taxation	20,298	26,592	47,975
Finance Income		218	0
Finance Costs	<u>(4,370)</u>	<u>(4,472)</u>	<u>(7,618)</u>
Profit Before Taxation	15,928	22,338	40,357
Taxation	<u>4,541</u>	<u>6,702</u>	<u>11,138</u>
Net Profit for the Period from continuing operations	<u><u>11,387</u></u>	<u><u>15,636</u></u>	<u><u>29,219</u></u>
Other comprehensive income:			
Cash Flow Hedge	0	667	0
Actuarial losses on defined benefit plans	0	0	(178)
Other comprehensive income for the year	<u>0</u>	<u>667</u>	<u>-178</u>
Total comprehensive income for the year	<u><u>11,387</u></u>	<u><u>16,303</u></u>	<u><u>29,041</u></u>
Earnings Per Share	<u><u>\$ 0.97</u></u>	<u><u>\$ 1.33</u></u>	<u><u>\$ 2.49</u></u>

ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2011

	Unaudited June 30, 2011 EC\$ 000s	Unaudited June 30, 2010 EC\$ 000s	Audited Dec 31 2010 EC\$ 000s
Cash flows from Operating Activities			
Net Income Before Tax	15,928	22,339	40,358
Adjustments for			
Depreciation	16,670	16,368	33,197
Amortization of intangible assets	665	551	1,118
Finance Charges	4,370	4,253	7,594
Gain on Disposal of Property, Plant and Equipment	(10)	(72)	(219)
Amortization of Consumer Contributions	(528)	(513)	(1,328)
Post-retirement benefits	-	-	(293)
Gain on cash flow hedge	-	667	-
Operating Income before Working Capital Changes	<u>37,095</u>	<u>43,593</u>	<u>80,427</u>
Increase in Trade and Other Receivables	(10,373)	(6,134)	(8,848)
Decrease/(increase) in Inventories	(1,445)	(2,943)	(2,266)
Increase in Trade and Other Payables	4,227	(5,520)	(335)
Cash Generated from Operations	<u>29,504</u>	<u>28,996</u>	<u>68,979</u>
Interest Received	238	136	260
Finance costs paid	(4,944)	(4,386)	(7,585)
Income Tax Paid	(10,486)	(8,814)	(12,712)
Net Cash from Operating Activities	<u>14,312</u>	<u>15,932</u>	<u>48,942</u>
Cash Flows from Investing Activities			
Acquisition of Available for Sale Financial Asset	-	-	(13)
Acquisition of Property, Plant and Equipment	(11,469)	(8,386)	(20,982)
Sale of Available for Sale Financial Asset	-	72	8,494
Proceeds on Disposal of Property, Plant and Equipment	-	-	227
Acquisition of intangible assets	(3,549)	-	(1,280)
Net Cash used in Investing Activities	<u>(15,018)</u>	<u>(8,314)</u>	<u>(13,554)</u>
Cash Flows from Financing Activities			
Proceeds from borrowings	-	-	-
Repayment of borrowings	(7,065)	(5,861)	(11,832)
Dividends paid	(11,012)	(9,606)	(17,220)
Transfer of tariff reduction rebate	-	-	(2,555)
Consumer Contributions Received	1,002	938	2,118
Consumer Deposits Received net	275	303	539
Net Cash used in Financing Activities	<u>(16,801)</u>	<u>(14,226)</u>	<u>(28,950)</u>
Decrease in Cash and Cash Equivalents	<u>(17,507)</u>	<u>(6,608)</u>	<u>6,438</u>
Cash and Cash Equivalents - Beginning of Period	<u>19,881</u>	<u>13,444</u>	<u>13,444</u>
Cash and Cash Equivalents - End of Period	<u>2,376</u>	<u>6,836</u>	<u>19,881</u>