

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 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 30th June, 2010 is attached

- (a) Condensed Statement of Income for the Six Months Ended 30th June, 2010 and the corresponding period in the previous financial year are attached.

- (b) Condensed Statement of Cash Flows for the Six Months Ended 30th June, 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

The Prime Minister delivered the 2010/11 national budget, with an emphasis on recovery and return to positive economic growth of 2.9% in 2011. Whilst the Prime Minister confirmed the Government's commitment to implement the Value Added Tax (VAT) no reference was made in the address to the implementation date. In the address it was noted that the basis for the calculation of property taxes had been altered to incorporate market values of properties; the extent to which this will impact operations is being evaluated.

As a result of gradually increasing fuel prices the monthly Fuel Surcharge Cost Adjustment Factor averaged EC\$0.08 per unit for the period compared to tariff reduction averaging EC\$0.28 during the same period in the previous year. During the period under review, the Company continued with the approved fuel price hedging strategy to cover 75% of its monthly volumes. The Board also extended the hedge duration to cover the period up to 31st December, 2011. This activity is part of the Company's commitment to meet stakeholder requirements for a more stable price of electricity and to assist them in budgeting and generally managing their financial affairs more efficiently.

The reduced level of economic activity has posed challenges to customers to meet their commitments to the Company and as a result the management of accounts receivables is critical. The Company has had to implement more creative strategies in order to reduce levels of customer delinquency. Of major concern to the Company is the level of WASCO's debt and the Company's management is continuing to dialogue with the Government of Saint Lucia, its sole shareholder, in an effort to have all arrears settled. The debt level has remained steady as WASCO settles current bills on a monthly basis.

The Management of the Company and the Government of Saint Lucia are in ongoing discussions on the regularization of utility payments to LUCELEC.

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

(b) **Capital Resources**

Funding approval for the Customer Information System (CIS) implementation was given by the Board, and the various aspects of the implementation plan are being concluded including contracts for the project manager and the completion of the agreement with the software supplier.

The report from the International Civil Aviation Organization (ICAO) on the issues surrounding the locations of the proposed power plant in close proximity to the international airport in the south of the island was presented to LUCELEC via the Saint Lucia Air & Sea Ports Authority (SLASPA). The report advised that a power plant will not interfere with the operations of the airport and as a result the Company is continuing its discussions with the land owner on acquisition of the property

The delays in further rollout of the Automated Metering Infrastructure (AMI) due to local certification issues appear likely to be resolved following a meeting with the local standards board. Results from the meters installed so far have disclosed the efficiencies and benefits associated with this system.

Rollout of the installation of Distribution Automation (DA) equipment has continued and is providing positive results. It has allowed for more efficient system operations particularly in the area of outage

management. It is also reducing staff and equipment costs through the remote management of the system.

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 2010 EC\$ 000s	30 th June 2009 EC\$ 000s
Borrowings		
Current	12,584	15,711
Long Term	107,848	109,622
TOTAL	120,430	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 documentation required to conclude the amendments to the Security Sharing Agreement (SSA) will be executed shortly. This amendment, approved in principle by the lenders, will allow the Company to increase the debt to equity ratio from 1:1 to 2:1, enabling access to additional financing for future development needs.

Results of Operations

The Company's strategic objective of reduced volatility and price stability as a result of hedging fuel prices continued to be met during the period under review.

Total revenue of EC\$138.3M registered an increase of 27.2% over the EC\$108.7M registered in the same period in the previous year. This was largely attributable to the increased sales and higher average tariffs.

Sales growth registered an increase of 8.1% over the previous year. The domestic sector improved by 9.3%, the Commercial sector by 7.4%, Hotel sector by 11.4% and Streetlights by 2.0%. The Industrial sector registered a decline of 2.4%.

The increase reflected customer base growth, the positive impact from Saint Lucia Jazz Festival and the ICC World 20/20 cricket tournament and generally improved tourism performance so far. Sales for the period were also impacted by the unusually high ambient temperatures and drought conditions that persisted early in the year which created additional demand for cooling and use of other electrical equipment.

It is expected that this rate of growth will dampen for the remainder of the year though the overall positive trend is expected to continue.

Gross profit of EC\$39.5M, recorded an increase of 3.9% over last year's position of EC\$38.0M. Profit before tax was EC\$22.3M, an increase of 8.3% over the corresponding period last year of EC\$20.6M, all as a direct result of the increased sales.

Overall, results are ahead of expectations and developments will be monitored over the remainder of the year so as to ensure that the general trend remains for the balance of the year.

System reliability performance for the year to date of 2.99 hours is slightly higher than the same period in 2009 (2.96 hours) and will be monitored closely now that we are in the annual hurricane season.

A new peak demand of 59.0 MW was recorded on June 28th, 2010. Continuing high ambient temperatures are driving increased use of air conditioning and other cooling equipment resulting in increased demand on the system.

The year to date fuel efficiency was 4.28 kWh per litre, which is lower than the 4.40 kWh per litre achieved in the same period last year. The decrease was experienced because of the unexpected higher demand loads which required the Company to increase the use of the lesser efficient generating units in an effort to meet the demand for power. There were some planned and unplanned generator plant outages during the period under review.

System losses recorded at 9.84% at the end of the period was up from the 8.94% recorded in the same period last year, partly reflecting the significant increase in load growth. A complete review of the operating regime of the system is currently in progress in an effort to bring this figure back in line

with the anticipated year end position of 9.0%.

3. Disclosure of Risk Factors.

June 1, 2010 marked the start of the Atlantic Hurricane Season. Forecasters have predicted a very active hurricane season this year and the Company, prior to the start of the hurricane season reviewed all emergency plans in an effort to ensure that it is in a state of readiness.

The Self Insurance funds set aside to cover its main T&D assets remain available as well as the standby credit facility of up to EC\$10M with one of the commercial banks. A new investment policy to govern the self insurance funds will be presented to the Board at its meeting in August, 2010 so as to enable the fund to optimise its returns through a wider pool of investment opportunities.

A fund solvency report was recently completed by an independent consultant detailing the best options for ensuring the long term stability of the fund based on certain scenarios. This will be reviewed by the Board and appropriate action taken.

We have been advised that the National Energy Policy was approved by the Cabinet of Ministers. Management will be reviewing this document and will engage the relevant authorities to determine implementation and other plans that emanate from this policy.

The Company continues to monitor developments relating to proposed regulatory reform and has made submissions on this matter to the relevant authorities. Stakeholder engagement, staff training and internal strategy review are ongoing.

Risk management remains an important part of management's functions and a Risk Register is maintained and updated continuously. Risk update reports are submitted at every Board meeting to the Directors.

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