

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 September, 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.

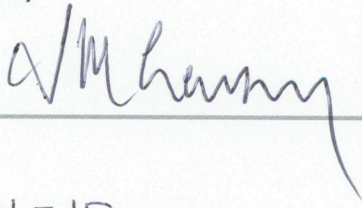
CLASS	NUMBER
Ordinary Shares	11,200,000
Non-voting Ordinary Shares	520,000

SIGNATURES

Name of Chief Executive Officer:

Name of Director: MATTHEW MATHURIN

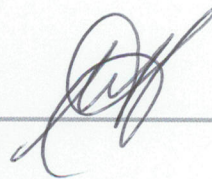
Trevor M. Louisy



Signature

3-11-10

Date



Signature

28-10-10

Date

INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

Condensed Balance Sheet as at 30th September, 2010 is attached

- (a) Condensed Statement of Income for the Nine Months Ended 30th September, 2010 and the corresponding period in the previous financial year are attached.
- (b) Condensed Statement of Cash Flows for the Nine Months Ended 30th September, 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

Amidst the continuing economic challenges being experienced, the Company has continued to operate in a manner that provides high levels of confidence in the sector.

Some customers however continued to face challenges in settling their accounts in a timely manner and in these instances the Company has assisted them by agreeing to flexible payment terms. In addition to the foregoing the Company continued its education efforts with respect to the more efficient use of energy thereby better enabling customers to better manage their expenses.

The Company continued efforts at proactively addressing settlement issues with its major customers which includes WASCO and the Government of Saint Lucia (GOSL). It is expected that there will be more positive results in the 4th quarter of the year when commitments made come to fruition, the implementation of more efficient collection procedures are realised, along with continued interaction with these customers.

With the price of fuel gradually increasing from 2009, the year to date

average fuel price was EC\$7.36 per gallon, 24.2% higher than the 2009 average of EC\$5.93.

During the quarter under review, the company continued its Fuel Price Hedging programme covering 75% of the estimated volume of fuel use, with the continued objective of reducing the tariff volatility and enhancing stability being achieved. A communications strategy targeted to all stakeholders has commenced and includes flyers, radio and TV spots. Additional training was also completed for the Fuel Risk Management Committee members and other staff.

The interim dividend of EC\$0.65 per share approved at the August meeting of the Board of Directors was paid in September.

The Company has met all its obligations for the year to date and expects that this will remain for the foreseeable future.

(b) **Capital Resources**

Contracts have been executed with the Project Manager and the software supplier for the new Customer Information System (CIS) which will replace the current system which is technologically obsolete. Initial work is already underway and it is expected that during November, 2010 the full project team will formally commence the implementation plan. This new software forms a critical element of the Company's strategic objective to deliver excellent customer care.

The Company expects that a Memorandum of Understanding will be executed shortly with the land owner of the proposed new generation site at Vieux Fort. This will allow access to the property in order to conduct the required tests that will assist in confirming the suitability of the preferred generation option. The same applies for a site regarding wind power developments.

The Company continues to explore the possibility and feasibility of utilizing various other fuel sources such as Natural Gas, Waste and Wind. The 'rights' to the Geothermal resource were granted to a third party and a Term Sheet, which is the precursor to a Power Purchase Agreement, has been executed. There appears to be limited progress in this area by the developers.

Implementation of the Distribution Automation plans has continued and this is expected to have an increased impact on network efficiency, reduced customer outages and cost savings.

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

	30 th September, 2010 EC\$ 000s	30 th September, 2009 EC\$ 000s
Borrowings		
Current	7,234	7,834
Long Term	107,848	109,622
TOTAL	115,082	117,456
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	86,761	80,201
Hedging Reserve	1,429	(702)
TOTAL	168,353	159,662

Following approval by the Directors, the Company has engaged its lenders in dialogue to obtain approval for the amending of the Security Sharing Agreement to increase the debt/equity ratio to a maximum 2:1 basis. Agreement in principle has been obtained and the relevant documentation is expected to be executed shortly. The amendment is required to enable the Company to raise the necessary finance to meet its future capital works programme.

Results of Operations

The latest available statistics indicate that the tourism sector recorded significant improvement over the previous year. Stay-over arrivals have increased by 16%, driven by a 40% increase in arrivals from USA, 14% Canada and 114% from Germany. These results reflect increased airlift in all these markets, sales efforts of the hotels and marketing of the destination by

the various stakeholders.

Unit sales growth registered an increase of 8.0% over the same period last year with continued growth in the Domestic sector (8.5%) the Commercial sector (7.6%) and the Hotel Sector (11.3%) These increases primarily reflect customer base growth, high ambient temperatures for a significant part of the year requiring the sustained use of cooling equipment and the positive impacts of the growth in the tourism sector.

As a result total revenues to date were EC\$210.1M compared to EC\$173.2M for the same period last year, an improvement of 21.3%.

Gross profit of EC\$58.6M, recorded an increase of 4.3% over last year's achievement of EC\$56.2M. Profit before tax was EC\$32.8M, an increase of 1.5% over the corresponding period last year of EC\$32.3M, all as a direct result of the increased sales.

Total expenses increased by 9% over the same period last year. This was due to an increase in operating expenses of 7.4% as a result of extensive maintenance work on T&D infrastructure, and administration expenses of 12.8% due in part to consultancy and staff related costs.

Profit after tax was slightly lower by 2.5% (EC\$0.6M) as a result of a higher tax charge for the year to date.

The Financial Statements as at 31st December 2009 were restated to reflect inventory reconciliations adjustments of \$EC\$0.8M.

The Earnings per Share was EC\$1.96 compared to EC\$2.01 for the same period last year.

Overall, results are slightly ahead of expectations and the Company anticipates a continuation of this trend through to year end.

System reliability performance for the year to date of 5.03 hours is slightly higher than the 4.55 hours recorded for same period in 2009. The deployment of the additional distribution automation equipment is ongoing and is expected to improve this measure.

No new all time peak demand was recorded during the quarter. The maximum demand for the period under review was 58.1 MW and occurred in

September. This was lower than the peak recorded in the last period and is consistent with weather patterns, as temperatures have very recently been cooler due to the increased levels of rainfall.

Year to date fuel efficiency was 4.29 kWh per litre, a lower performance than the 4.35 kWh per litre achieved over the same period last year. This decrease was due to primarily to forced outages on the generation systems thus resulting in the Company having to run lesser efficient generating units in an effort to meet the demand for power.

System losses recorded at 9.51% at the end of the period, up from the 9.31% recorded in the same period last year. The Company intends taking various initiatives to return the loss levels to an acceptable level by the end of year.

3. Disclosure of Risk Factors.

This being the hurricane season the Company continued to take required actions, and to monitor its disaster management plan and activities accordingly. To date there have been no significant events.

The Company has obtained a report with respect to the recommended funding policy for the long-term sustainability of the Self Insurance Fund (the "Fund") taking various disaster scenarios into account. This will guide the inclusion of the appropriate budgetary provisions going forward.

The Company has also sent out Requests for Proposals (RFP's) to various institutions in respect of contracting a Fund Manager to manage the the Fund's investments in a manner commensurate with the funding report and Company objectives and policy. The Fund was established to insure the Company's Transmission and Distribution assets (in the first instance) against natural disasters.

In order to ensure that the Company meets its statutory obligations in relation to available generating capacity, the Company is finalising plans for the installation of temporary generation capacity should this become necessary. Current estimates are that the installation of new generating capacity will be required by 2013 to avoid contravention of the statutory requirements.

The Company continued to monitor planned developments for new regulation in the electricity sector as announced by the GOSL earlier in the year.

Strategic plans are being designed so as to enable the Company to ensure, to the greatest extent possible, that its systems, processes and structure are developed to ensure success in the new environment.

There has not been additional information provided on the precise nature or scope of the new regulatory environment and the extent of competition (if any) that will take place in the sector. Plans are however in place to ensure that the Company makes a contribution to the design of the new regime that will ensure the long term viability of the sector and by extension the country's development.

The rollout of the Automated Metering Infrastructure (AMI) has been placed on hold pending the receipt of formal communication of certification from the St. Lucia Bureau of Standards.

4. Legal Proceedings

Legal proceedings before the court are unlikely to 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 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, 2010

	Unaudited SEPTEMBER 30 2010 EC\$ 000s	Unaudited SEPTEMBER 30, 2009 EC\$ 000s	Restated Dec 31 2009 EC\$ 000s
Assets			
Non-Current			
Property, plant and equipment	286,143	290,821	298,127
Intangible Assets	4,777	5,504	3,811
Retirement benefit asset	8,828	8,847	8,828
Available-for-sale financial asset	8,630	7,956	8,505
Total non-current assets	308,378	313,128	319,271
Current			
Inventories	21,519	18,600	18,474
Income tax refundable	1,590	1,728	0
Trade, other receivables and prepayments	57,781	47,797	53,934
Cash and cash equivalents	10,469	8,441	16,425
Total current assets	91,358	76,566	88,833
TOTAL ASSETS	399,736	389,694	408,104
Equity and liabilities			
Shareholders' equity			
Stated capital	80,163	80,163	80,163
Retained earnings	86,761	80,201	71,423
Hedging Reserve	1,429	(702)	1,429
Total equity attributable to equity holders	168,352	159,662	153,015
Retirement benefit reserve	8,828	8,847	8,828
Total shareholders' equity	177,180	168,509	161,843
Liabilities			
Non-Current			
Borrowings	107,848	109,622	107,848
Consumer deposits	13,123	12,419	12,667
Deferred tax liabilities	27,704	28,695	27,704
Consumer contributions	30,023	28,432	29,085
Retirement benefit liability	1,081	0	1,081
Total non-current liabilities	179,779	179,168	178,385
Current			
Bank overdraft	0	0	2,982
Borrowings	7,234	7,834	12,115
Trade and other payables	35,375	26,380	41,722
Income tax payable	0	0	1,284
Dividends payable	168	7,803	9,773
Total current liabilities	42,776	42,017	67,876
Total liabilities	222,555	221,185	246,261
TOTAL EQUITY & LIABILITIES	399,736	389,694	408,104

Director

Director

ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010

	Unaudited Sept 30, 2010 EC\$000s	Unaudited Sept 30, 2009 EC\$000s	Audited Dec 31 2009 EC\$000s
Revenue			
Energy Sales	190,169	172,549	237,859
Fuel Surcharge Recovered	18,830	17	20
Other Revenue	1,118	644	1,926
	<u>210,117</u>	<u>173,210</u>	<u>239,805</u>
Operating Expenses			
Diesel Generation	18,742	17,244	132,788
Transmission and Distribution	25,067	23,532	37,108
Fuel Surcharge	107,660	76,187	0
	<u>151,469</u>	<u>116,963</u>	<u>169,896</u>
Gross Income	58,648	56,247	69,909
Administrative Expenses	<u>19,619</u>	<u>17,394</u>	<u>24,915</u>
Operating Profit	39,029	38,853	44,994
Other (Losses)/Gains	<u>136</u>	<u>(89)</u>	<u>636</u>
Profit Before Finance Costs and Taxation	39,165	38,764	45,629
Finance Income	285	396	
Finance Costs	<u>(6,656)</u>	<u>(6,846)</u>	<u>6,915</u>
Profit Before Taxation	32,795	32,314	38,714
Taxation	<u>9,838</u>	<u>8,724</u>	<u>11,075</u>
Net Profit for the Period from continuing operations	<u>22,957</u>	<u>23,590</u>	<u>27,639</u>
Other comprehensive income:			
Cash Flow Hedge	1,429	(702)	1,429
Actuarial (losses)/gains on defined benefit plans	0	0	-239
Other comprehensive income for the year	1,429	(702)	1,190
Total comprehensive income for the year	24,385	22,888	28,829
Earnings Per Share	<u>\$ 1.96</u>	<u>\$ 2.01</u>	<u>\$ 2.36</u>

ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	Unaudited September 30, 2010 EC\$ 000s	Unaudited September 30, 2009 EC\$ 000s	Audited Dec 31 2009 EC\$ 000s
Cash flows from Operating Activities			
Net Income Before Tax	32,795	32,313	38,714
Adjustments for			
Depreciation	22,187	21,226	30,741
Amortization of intangible assets	3,449	2,333	1,091
Finance Charges	6,370	6,450	6,915
Loss/(Gain) on Disposal of Property, Plant and Equipment	(75)	7	(702)
Amortization of Consumer Contributions	(975)	(1,072)	(1,443)
Post-retirement benefits	0	0	(241)
Gain on cash flow hedge	0	0	1,429
Operating Income before Working Capital Changes	<u>63,751</u>	<u>61,257</u>	<u>76,504</u>
Increase in trade and other receivable	(3,847)	(5,858)	(11,994)
Increase in Inventories	(3,045)	(2,860)	(1,979)
Increase in Trade and Other Payables	(6,347)	(71)	15,973
Cash Generated from Operations	<u>50,513</u>	<u>52,468</u>	<u>78,504</u>
Interest Received	159	183	237
Finance costs paid	(4,884)	(5,500)	(7,291)
Income Tax Paid	(12,712)	(12,193)	(12,193)
Net Cash from Operating Activities	<u>33,076</u>	<u>34,958</u>	<u>59,256</u>
Cash Flows from Investing Activities			
Acquisition of Available for Sale Financial Asset	0	(2,100)	(2,599)
Acquisition of Property, Plant and Equipment	(14,626)	(17,386)	(30,103)
Proceeds on Disposal of Property, Plant and Equipment	84	(7)	713
Acquisition of intangible assets	0	0	(1,178)
Net Cash used in Investing Activities	<u>(14,543)</u>	<u>(19,493)</u>	<u>(33,167)</u>
Cash Flows from Financing Activities			
Proceeds from borrowings	0	0	10,000
Repayment of borrowings	(6,544)	(11,214)	(17,381)
Dividendes paid	(17,223)	(8,066)	(15,707)
Decrease in Tariff Reduction Reserve		(232)	
Transfer of tariff reduction rebate	0	0	(3,213)
Consumer Contributions Received	1,912	1,058	2,101
Consumer Deposits Received net	347	587	711
Net Cash used in Financing Activities	<u>(21,507)</u>	<u>(17,867)</u>	<u>(23,489)</u>
Decrease in Cash and Cash Equivalents	<u>(2,974)</u>	<u>(2,402)</u>	<u>2,600</u>
Cash and Cash Equivalents, Beginning of Period	<u>13,444</u>	<u>10,843</u>	<u>10,843</u>
Cash and Cash Equivalents, End of Period	<u>10,470</u>	<u>8,441</u>	<u>13,443</u>