

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.

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

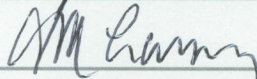
SIGNATURES

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:

Michael M. Henry

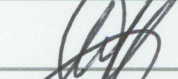


Signature 16th August, 2012

Date

Name of Director:

Matthew B. Mathewson

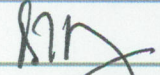


Signature 27th July 2012

Date

Name of Chief Financial Officer (Ag)

ZIVA PHILLIPS



Signature August 16th 2012

Date

INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

- a) Condensed Statement of Financial Position as at June 30, 2012 is attached
- b) Condensed Statement of Comprehensive Income for the Six Months Ended June 30, 2012 and the corresponding period in the previous financial year are attached; and.
- c) Condensed Statement of Cash Flows for the Six Months Ended June 30, 2012 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 and Minister of Finance, Economic Planning, Economic Affairs and National Security presented the 2012/2013 Budget Address to the nation in May. He highlighted a three pronged strategy for the economic recovery of the country which would center primarily on job creation, stimulation of the construction sector and fiscal consolidation measures including the introduction of a Value Added Tax (VAT). VAT is to be levied at 15% on goods & services and at 8% in hotels. The Prime Minister in his presentation projected economic growth of 2.5% in 2012 as compared to 1.0% in 2011 (2010- 0.6%), driven mainly by investment in the construction sector and developments in tourism and other sectors. It is expected that these initiatives will positively impact electricity sales.

The Government of Saint Lucia (GOSL) also announced the revised date of October 1st 2012 for the implementation of VAT having previously advised of a September 1st, 2012 introductory date. The GOSL has also stated that Electricity consumption will not attract any VAT during the initial implementation phase, and as such will be 'Zero-rated' . This means that in a case where the provision of a service such as electricity is zero-rated, the rate at which tax is charged is 0%; hence no tax shall be charged on the sale of electricity to consumers - output VAT will therefore be zero. However, input tax paid on purchases relating to the provision of zero

project costs and environmental considerations. The Company is critically examining each of these and other factors prior to proceeding to secure capital financing.

Work continued on:-

1. the implementation of a new Customer Information System (CIS); the project which had an initial 'Go Live' date of July, 2012 has had to be rescheduled to mid-September 2012 to ensure that all requirements are adequately addressed.
2. The VHF communication system with the installation of the link antenna in the south western part of the island.
3. The island wide meter investigation programme, the results of which revealed cases of defective meters as well as evidence of tampering or electricity diversion. This programme will continue, as this will partially address the issue of losses which has become a major concern.

The Company is covenanted to its financiers to a 2:1 debt/equity gearing. The comparable positions for the current and prior years are indicated below.

	30 June 2012 EC\$ 000s	30 June 2011 EC\$ 000s
Borrowings		
Current	6,567	6,570
Long Term	173,396	94,709
TOTAL	179,963	101,279
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	98,612	88,357
TOTAL	178,775	168,520

The Company does not foresee potential violation of those covenants.

A final dividend of EC\$0.49 per ordinary share was approved by

3. Disclosure of Risk Factors.

- a) Electricity sales have been classified as 'zero-rated' in the initial phase of the VAT implementation programme; however equipment imported for use in the generation, transmission and distribution of electricity will attract input VAT. VAT input payments remitted to government on a monthly basis may put the company in an almost permanent 'Refund position' thus creating cash flow challenges as the Company awaits such refunds from the GOSL. Company officials continue to dialogue with government officials in order to ensure a smooth transition when the October 1, 2012 implementation date comes into effect.
- b) Challenges associated with system losses continued to be a concern during the quarter under review, a portion of which is associated with electricity abstraction. A programme for an island-wide investigation of such cases will be undertaken along with the necessary authorities.
- c) Various initiatives are being advanced at ensuring that the Company has sufficient generating capacity in order to meet future demand as well as ensuring adherence to the legal requirements established under the Electricity Supply Act. The Company is also concerned that despite best effort it has been unable to include renewable energy into the energy mix in keeping with the policy provision contained in the National Energy Policy 2010.
- d) The 2012 hurricane season started on June 1, 2012, with no adverse weather condition being experienced thus far. As is customary, the Company continued its preparatory work in order to ensure that damage that could interrupt service delivery are minimized in the event of any adverse weather conditions.
- e) The company Hess Oil St. Lucia Ltd has been placed on the open market for sale. They are the sole provider of diesel to the Company. The Company is monitoring this situation carefully to ensure that the new owner is aware of the existing fuel supply arrangement and the importance of securing the continuation of the existing contractual arrangement.
- f) The introduction of a new Regulatory framework for the electricity sector has been planned for March, 2014. Internally, the Company is making preparations to embrace changes that may arise as a

- 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 JUNE 30, 2012

	Unaudited June 30 2012 EC\$ 000s	Unaudited June 30, 2011 EC\$ 000s	Audited Dec 31 2011 EC\$ 000s
Assets			
Non-Current			
Property, plant and equipment	290,642	280,712	291,178
Intangible Assets	11,480	6,857	9,822
Retirement benefit asset	9,135	9,017	9,135
Investments	167	165	166
Total non-current assets	<u>311,424</u>	<u>296,751</u>	<u>310,301</u>
Current			
Inventories	21,052	21,431	21,252
Income tax refundable	3,547	3,721	830
Trade, other receivables and prepayments	81,807	70,490	74,525
Cash and cash equivalents	66,771	2,376	28,035
Total current assets	<u>173,177</u>	<u>98,018</u>	<u>124,642</u>
TOTAL ASSETS	<u>484,600</u>	<u>394,769</u>	<u>434,944</u>
Equity and liabilities			
Shareholders' equity			
Stated capital	80,163	80,163	80,163
Retained earnings	98,612	88,357	84,374
Total equity attributable to equity holders	<u>178,775</u>	<u>168,520</u>	<u>164,537</u>
Retirement benefit reserve	9,135	9,017	9,135
Total shareholders' equity	<u>187,910</u>	<u>177,537</u>	<u>173,672</u>
Liabilities			
Non-Current			
Borrowings	173,396	94,709	123,396
Consumer deposits	14,292	13,677	13,871
Deferred tax liabilities	22,826	24,619	22,826
Consumer contributions	31,857	30,350	31,535
Retirement benefit liability	1,240	1,156	1,240
Total non-current liabilities	<u>243,611</u>	<u>164,511</u>	<u>192,867</u>
Current			
Borrowings	6,567	6,570	11,965
Trade and other payables	44,733	45,944	45,106
Dividends payable	1,779	207	11,334
Total current liabilities	<u>53,080</u>	<u>52,721</u>	<u>68,404</u>
Total liabilities	<u>296,690</u>	<u>217,232</u>	<u>261,272</u>
TOTAL EQUITY & LIABILITIES	<u>484,600</u>	<u>394,769</u>	<u>434,944</u>

Director

Director

ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2012

	Unaudited June 30, 2012 EC\$000s	Unaudited June 30, 2011 EC\$000s
Revenue		
Energy Sales	156,314	136,600
Fuel Surcharge Recovered	12,216	12,911
Other Revenue	766	836
	169,296	150,347
Operating Expenses		
Fuel cost at base price	90,525	73,719
Fuel cost over base price	12,206	11,953
Generation	13,064	12,667
Transmission and Distribution	16,435	18,198
	132,230	116,537
Gross Income	37,066	33,810
Administrative Expenses	12,811	13,367
Operating Profit	24,255	20,443
Other Gains	15	(145)
Profit Before Finance Costs and Taxation	24,270	20,298
Finance Income		
Finance Costs	(4,346)	(4,370)
Profit Before Taxation	19,924	15,928
Taxation	5,579	4,541
Net Profit for the Period from continuing operations	14,345	11,387
Other comprehensive income:		
Actuarial losses on defined benefit plans	0	0
Other comprehensive income for the year	0	0
Total comprehensive income for the year	14,345	11,387
Earnings Per Share	\$ 0.63	\$ 0.50

ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2012

	Unaudited June 30, 2012 EC\$ 000s	Unaudited June 30, 2011 EC\$ 000s
Cash flows from Operating Activities		
Net Income Before Tax	19,924	15,928
Adjustments for		
Depreciation	15,803	16,670
Depreciation written off	(14)	-
Amortization of intangible assets	102	665
Finance Charges	4,346	4,370
Gain on Disposal of Property, Plant and Equipment	-	(10)
Amortization of Consumer Contributions	(231)	(528)
Post-retirement benefits	-	-
Operating Income before Working Capital Changes	<u>39,930</u>	<u>37,095</u>
Increase in Trade and Other Receivables	(7,282)	(10,373)
Decrease/(increase) in Inventories	200	(1,445)
Decrease in Trade and Other Payables	(373)	4,227
Cash Generated from Operations	<u>32,475</u>	<u>29,504</u>
Interest Received	363	238
Finance costs paid	(4,960)	(4,944)
Income Tax Paid	(8,296)	(10,486)
Net Cash from Operating Activities	<u>19,582</u>	<u>14,312</u>
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(15,253)	(11,469)
Proceeds on Disposal of Property, Plant and Equipment	-	-
Acquisition of intangible assets	(1,760)	(3,549)
Net Cash used in Investing Activities	<u>(17,013)</u>	<u>(15,018)</u>
Cash Flows from Financing Activities		
Proceeds from borrowings	50,000	-
Repayment of borrowings	(5,179)	(7,065)
Dividends paid	(9,661)	(11,012)
Transfer of tariff reduction rebate	-	-
Consumer Contributions Received	553	1,002
Consumer Deposits Received net	453	275
Net Cash used in Financing Activities	<u>36,166</u>	<u>(16,800)</u>
Decrease in Cash and Cash Equivalents	<u>38,736</u>	<u>(17,506)</u>
Cash and Cash Equivalents - Beginning of Period	<u>28,035</u>	<u>19,881</u>
Cash and Cash Equivalents - End of Period	<u>66,771</u>	<u>2,375</u>