

**Schedule 3
FORM ECSRC - Q**

(Select One)

Quarterly Report For the period ended: **30th June, 2008**

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.

11,720,000

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

SIGNATURES

Name of Chief Executive Officer:

Name of Director:

Trevor Louisy

Signature

Signature

Date

Date

INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

Condensed Balance Sheet as at 30th June, 2008 is attached.

- (a) Condensed Statement of Income for the Six Months Ended 30th June, 2008 and the corresponding period in the previous financial year are attached.
- (b) Condensed Statement of Cash Flows for the Six Months Ended 30th June, 2008 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

Recent trends and latest forecasts indicate that the upward trend in global fuel and food prices will continue, with the resulting negative impact on the Company, its customers and the general economy. The average price for fuel delivered to the Company during the second quarter was EC\$12.17 per gallon compared to EC\$9.57 per gallon for the first quarter of 2008 an increase of 27.2%, and EC\$10.90 per gallon during the first half of 2008 compared to EC\$6.40 during the same period of 2007 an increase of 70.3%.

The Fuel Surcharge Cost Adjustment factor has recorded a similar trend. As a result average tariffs for the first six months had increased to EC\$0.9073 compared to EC\$0.67 for the first six months in 2007, a 35.4% increase, and EC\$0.8377 for the first quarter of 2008, a 8.3% increase. Customers have been expressing concern about the high utility bills as a result of which the Company has been promoting energy conservation techniques to assist customers as well as engaging the Government in discussion on a strategy going forward.

Energy unit sales registered a growth rate of 1.7% over the same period in 2007 and this was attributable to activity in the Hotel and Industrial sectors.

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

(b) Capital Resources

The two bulk fuel storage tanks were officially handed over in June and are functioning as expected.

Work is ongoing on the Rodney Bay Marina expansion project to provide a dedicated 6MW power supply including 2MW at 60Hz to that facility.

There was no further progress on the passage of an amendment to the Insurance Act relating to the Self Insurance Fund. This will be tabled at the next scheduled sitting of Parliament.

The Company is covenanted to its financiers to a 1:1 debt/equity gearing. As at 30th June, 2008 the position compared with 30th June, 2007 is as follows:-

	30 th June, 2008 EC\$ 000s	30 th June, 2007 EC\$ 000s
Borrowings		
Current	16,951	9,919
Long Term	107,288	120,523
TOTAL	124,239	130,442
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	74,733	68,813
TOTAL	154,896	148,976

There are no potential violations of those covenants.

Results of Operations

The Board has continued to review and to escalate initiatives aimed at providing consumers with cheaper and more environmentally friendly energy sources. These include wind, solar, geothermal and cheaper fossil fuels. Some of these initiatives require the assistance, cooperation and in some cases approval of the Government in order to proceed further.

Total revenues were 33.2% higher than the comparative period last year attributed mainly to higher fuel surcharges.

Unit sales recorded a 1.7% growth compared to last year and are marginally short of this year's expectations. Year on year growth of 8.8% and 23.8% was recorded in the Industrial and Hotel sectors, respectively. The Domestic and Commercial sectors have declined by 0.8% and 3.2%, respectively, as consumers have employed various conservation activities.

Under the provisions of Acts 12 and 13 of 2006 of the Electricity Supply Act, the amount of EC\$4.8 million was available for re-distribution to the Hotel and Industrial customers. An Order was issued by the Minister of Finance on June 9th, 2008, by which Domestic customers who consumed up to 180 kWh would also benefit. This equated to a reduction in tariff to EC4.33 cents per kWh to these three groups of customers.

Gross profit was EC\$35.3M, 4.7% higher than the previous year (EC\$33.7M) due largely to increased sales in the Hotel and Industrial sectors, despite higher generation, transmission and distribution costs.

Profit before tax was EC\$19.4M, 2.3% lower than the corresponding period last year (\$19.9M) due to higher finance, depreciation and technical support costs.

Overall results are better than expectations and efforts will continue in that vein under what is expected to be difficult economic circumstances.

Line losses at 10.12% are higher than expected for the year but an improvement over the 10.24% recorded at the end of the same period last year. Steps are being taken to determine the cause and to remedy this situation.

The year to date fuel efficiency was recorded at 19.66 kWh/ gallon compared to 19.43 kWh/ gallon for the same period last year. This was better than the year end target of 19.52 kWh, but as the engine overhauls commence in the second half of the year this figure will decline as greater use will be made of the less efficient generators during that period. We still expect to achieve the year end target.

System reliability has been excellent with the year to date system average interruption duration index recorded as 2.54 hours, a dramatic improvement over the same period last year of 5.3 hours.

Management of trade debtors and, by extension, improvement in cash management continues to be a major challenge though the debt turnover ratio has improved compared to the previous year. Greater efforts will be expended in the second half of the year.

3. Disclosure of Risk Factors.

- a) Members of the public are continuing to express their concerns regarding the high energy bills caused by the steep increases in fuel prices. The Company has discussed these issues in the media with the public, and will undertake various education programs largely geared to conservation issues. Discussions were also held with the Cabinet of Ministers and it was mutually agreed that various short, medium and long term measures were required to be taken. These include conservation initiatives and where possible Government assistance in the Company's drive for cheaper alternative energy sources, including environmentally friendly sources.
- b) The Government of St. Lucia has given indications that they will now review the "PetroCaribes" initiative considering the negative economic effects of the recent upsurge in fuel prices. Under this initiative fuel will be sold by the Government of Venezuela to the Government of St. Lucia under concessionary terms utilising a very generous deferred payment plan for approximately half of the costs of the product. This initiative will not reduce electricity prices to the consumers as the fuel will be sold at world market prices.

This will be monitored so as to ascertain the implications for the Company if this agreement is concluded.

- c) It is expected that increased calls for some form of deregulation will escalate in light of the current situation. There have also been calls from the public for a review of the Electricity Supply Act. Any such issues will most likely occur in the medium to long-term and the Company will be expected to put forward its views and positions.
- d) The company is continuing its evaluation of cheaper and greener alternative energy sources but is reliant to a large extent on the Government to grant some necessary approvals and, in the case of geothermal to ensure the developers make some progress on this initiative.
- e) The Hurricane Season commenced on June 1st, 2008. Weather forecasters have predicted an active season. In the event of natural disasters affecting the company's assets the company has access to a Self Insurance fund of approximately EC\$15.5 million comprising EC\$10M standby credit facility, EC\$3.5 million in a US Dollar money market account and a further EC\$ 2 million allocated in 2007.
- f) The Insurance Act Amendments are still pending but will be tabled at the next session of Parliament; this will allow for the formal commencement of operations of the Self Insurance Fund.

4. Legal Proceedings

There are currently no legal proceedings that would 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 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

**ST LUCIA ELECTRICITY SERVICES LIMITED
BALANCE SHEET
AS AT JUNE 30, 2008**

	Unaudited June 30, 2008 EC\$ 000s	Audited Dec 31, 2007 EC\$ 000s
Assets		
Non-Current		
Property, plant and equipment	295,019	302,549
Retirement benefit asset	3,274	3,274
Available-for-sale financial asset	3,496	3,452
Total non-current assets	301,788	309,275
Current		
Inventories	19,757	14,003
Income tax refundable	1,366	0
Trade and other receivables	58,961	46,267
Deferred expenses	1,371	575
Cash and cash equivalents	168	3,149
Total current assets	81,622	63,994
TOTAL ASSETS	383,410	373,269
Equity and liabilities		
Shareholders' equity		
Stated capital	80,163	80,163
Retained earnings	74,733	59,678
Total equity attributable to equity holders	154,896	139,841
Retirement benefit reserve	3,274	3,274
Total shareholders' equity	158,170	143,115
Liabilities		
Non-Current		
Borrowings	107,288	107,288
Consumer deposits	11,809	11,311
Deferred tax liabilities	29,232	29,232
Consumer contributions	25,586	24,547
Total non-current liabilities	173,915	172,378

Current

Borrowings	16,951	22,083
Trade and other payables	34,224	25,277
Income tax payable	0	1,247
Dividends payable	151	9,169
Total current liabilities	<u>51,325</u>	<u>57,776</u>
Total liabilities	<u>225,240</u>	<u>230,154</u>

TOTAL EQUITY & LIABILITIES

383,410	<u>373,269</u>
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**ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF INCOME
FOR THE 6 MONTHS ENDED JUNE 30, 2008**

	Unaudited June 30, 2008 EC\$000s	Unaudited June 30, 2007 EC\$000s
Revenue		
Energy Sales	122,861	113,394
Fuel Surcharge Recovered	28,021	(222)
Other Revenue	585	520
	<u>151,466</u>	<u>113,691</u>
Operating Expenses		
Diesel Generation	10,288	9,671
Transmission and Distribution	15,122	14,436
Fuel & Lubricants	90,763	55,884
	<u>116,173</u>	<u>79,990</u>
Gross Income	35,293	33,701
Administrative Expenses	<u>11,612</u>	<u>10,518</u>
Operating Profit	23,681	23,183
Other Gains	378	(3)
Profit Before Finance Costs and Taxation	24,059	23,181
Finance Costs	<u>4,649</u>	<u>3,324</u>
Profit Before Taxation	19,410	19,857
Taxation	<u>4,828</u>	<u>4,964</u>
Net Profit for the Period	14,581	<u>14,892</u>

**ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

	Unaudited June 30, 2008	Unaudited June 30, 2007
	EC\$ 000s	EC\$ 000s
Cash flows from Operating Activities		
Net Income Before Tax	19,410	19,857
Adjustments for		
Depreciation	14,655	13,143
Finance Charges	4,554	3,324
Gain on Disposal of Property, Plant and Equipment	(184)	(1)
Amortization of Consumer Contributions	(750)	(742)
Pension benefits		(3)
Operating Income before Working Capital Changes	<u>37,685</u>	<u>35,578</u>
Increase in Accounts Receivable and Prepayments	(12,694)	(9,685)
Increase in Deferred Expenses	(796)	0
Increase in Inventories	(5,754)	(1,947)
Increase/(Decrease) in Trade and Other Payables	<u>8,947</u>	<u>(4,431)</u>
Cash Generated from Operations	27,388	19,515
Interest Received	96	
Interest Paid	(4,708)	(3,333)
Income Tax Paid	<u>(7,442)</u>	<u>(2,900)</u>
Net Cash from Operating Activities	<u>15,334</u>	<u>13,282</u>
Cash Flows from Investing Activities		
Purchase of Available for Sale Financial Asset	(44)	(643)
Purchase of Property, Plant and Equipment	(7,124)	(28,467)
Proceeds on Disposal of Property, Plant and Equipment	184	1
Net Cash from Investing Activities	<u>(6,984)</u>	<u>(29,110)</u>
Cash Flows from Financing Activities		
Proceeds from Borrowings	0	39,163
Repayment of Borrowings	(9,798)	(15,534)
Decrease in Tariff Reduction Reserve	474	0
Dividends Paid	(9,018)	(4,221)
Consumer Contributions Received	1,789	1,807
Consumer Deposits Received/(paid) net	498	521
Net Cash used in Financing Activities	<u>(16,055)</u>	<u>21,736</u>
Increase in Cash and Cash Equivalents	<u>(7,705)</u>	<u>5,908</u>
Cash and Cash Equivalents, Beginning of Period	<u>767</u>	<u>8,041</u>
Cash and Cash Equivalents, End of Period	<u>(6,938)</u>	<u>13,949</u>