

**Schedule 3
FORM ECSRC - Q**

(Select One)

Quarterly Report For the period ended: **31th March 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

Matthew Lincoln Mathurin

Signature

Signature

Date

Date

INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

- (a) Condensed Balance Sheet as at 31st December, 2007 is attached.
- (b) Condensed Statement of Income for the three Month Ended 31st March 2008 and the corresponding period in the previous financial year are attached.
- (c) Condensed Statement of Cash Flows for the three Months Ended 31st March 2008 and the corresponding period in the previous financial year.

2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(a) Liquidity

The Company and its customers continue to be impacted by upward movements in the price of fuel. The average price for the first quarter was EC\$9.5701/ gallon compared to EC\$5.8972/ gallon in the same period last year. The average price for 2007 was EC\$7.1862/ gallon. Customers have therefore seen a corresponding increase in their monthly bills as the Fuel Surcharge Cost Adjustment factor has continued to rise.

Energy unit sales registered a 2.6% growth over the same period in 2007. This was in part attributable to high hotel occupancy levels and the opening of two relatively large resorts on the island – the Landings and the Plantation Resorts. Increased activity has also continued in the Industrial sector.

Despite the above there has been no material shift in the Company's liquidity.

(b) Capital Resources

The Company has reached an arrangement with the Rodney Bay Marina to provide a dedicated 6MW power supply including 2MW at 60Hz. If work proceeds as scheduled this project should be completed during the last quarter of this year and will positively impact sales going forward.

There have been some delays with the hand over of the bulk storage tanks but delivery is anticipated early in the second quarter.

An agreement for a standby credit facility of EC\$10 million with FirstCaribbean International Bank will be utilised if necessary to restore Transmission and Distribution lines and related assets damaged by hurricane and other natural disasters. This facility is convertible into a 12 year term demand instalment loan subject to the necessary approvals.

The Government of Saint Lucia also approved an amendment to the Income Tax Act which would make contributions to a Self Insurance Fund a tax deductible.

Passage of an amendment to the Insurance Act relating to the Self Insurance Fund is expected to be completed during the second quarter of this year. The Company made a provision of EC \$ 2M from its 2007 profits towards the commencement of the operations of the Fund. The Fund will be augmented by an existing Unit Trust Investment amount when formal operations commence.

The Company is covenanted to its financiers to a 1:1 debt/equity gearing. As at 31st March, 2008 the position compared with March, 2007 is as follows:-

	31 st March, 2008 EC\$ 000s	31 st March, 2007 EC\$ 000s
Borrowings		
Current	18,764	18,829
Long Term	107,288	100,594
TOTAL	126,052	119,423
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	65,609	58,382
TOTAL	145,772	138,545

There are no potential violations of those covenants.

(c) Results of Operations

Total revenues were 29% higher than the previous year as a result of the unit sales increases and higher tariffs as a result of increasing fuel prices. Energy unit sales reflect an increase of 2.7% over the same period last year and are 1.0% below expectations.

We anticipate year on year trends to continue, since the results of a recently completed survey of the Caribbean islands reported that the island is poised to benefit from a 5.3% growth in tourist arrivals during 2008. Year on year growth in unit sales have been realised in the Hotel and Industrial sectors at 8.1% and 30.6%, respectively. The Domestic and Commercial Sectors recorded marginal

declines for the period under review, possibly due to the higher prices for electricity.

In accordance with the provisions of the Electricity Supply Amendment Acts 12 and 13 of 2006, due to the current average price of fuel being higher than the average for 2007, the resulting tariff increases have been around 5%.

Also in accordance with the foregoing amendments to the Act, based on the Company's results for the year ended 31st December, 2007 the amount of EC\$4.8 million is available for re-distribution. This figure represents a 50% sharing of the Company's profits in excess of the threshold Rate of Return provided for under the Act. As a result Hotel and Industrial customers have been receiving a rebate equivalent to EC 6.19 cents per unit.

Gross profit was EC\$16.1M, 18.8% higher than the previous year (EC\$13.6) due largely to more efficient cost management.

Profit before tax was EC\$7.9M, 33.8% higher than the previous year of \$5.9M.

Line losses at 10.02% are higher than expected for the quarter. The target for this year is set at 9.67% and plans are in progress to meet this objective.

The fuel efficiency was 19.49 kWh/ gallon at the end of the quarter; this was well within the year end target of 19.52 kWh, as greater use was made of the more efficient generators during the period.

System reliability has been excellent with the system average interruption duration index recorded as 1.22 hours for the period ending March 31st, 2008; an improvement over the same period last year (1.8 hours).

Securing suitable land for the development of a wind farm in the South of the island is still posing a challenge as alternative economic options for land use are being evaluated by the Government.

Evaluations and discussions with respect to Geothermal and other fuel sources continue with the aim of providing a cheaper and environmentally friendly energy source for the country's next Generation development phase.

Debt management and, by extension, improvement in cash management has continued with gradual reduction in debt levels and days outstanding.

3. Disclosure of Risk Factors.

- a) There is no information to suggest that the Government of Saint Lucia has pursued the "PetroCaribes" initiative with the Government of Venezuela. Under

this initiative it is proposed that fuel will be sold to the Government of Saint Lucia with a provision for, among other things, deferred payment of approximately half of the costs on very generous terms. Should this initiative be pursued it is unclear the extent to which this would affect the Company's operations in terms of its existing supplier contract, the final delivered price of fuel to the Company or the method of instituting the legal and operational mechanisms once the contract is signed.

- b) Customers continue to express their concerns regarding the high energy bills caused by the increases in fuel prices. It is expected that some form of deregulation may take place in the sector in the medium term, but no specific discussions have taken place in relation to this matter.
- c) The continuing escalation in fuel prices is also impacting upon the Company's ability to increase the level of customer satisfaction. The recent appointment of a Corporate Communications Manager should give added impetus to the Company's customer information and education programmes, focussing on energy conservation and understanding of the various factors affecting the Company and the industry generally.
- d) The recently completed Heavy Fuel Oil study indicated cost savings over a relatively short time frame, but the company is also in the process of carrying out further analysis on other technologies available on the market in order to arrive at an informed conclusion based on all available alternatives.
- e) Natural disasters and specifically hurricanes pose a constant threat to the Company's infrastructure during the hurricane season which commences in June. The company eagerly awaits the Insurance Act Amendments during the second quarter which 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 arrear on the date of filing this report.

NONE

(b) If any material arrear 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 arrear or delinquency.

NONE

**ST LUCIA ELECTRICITY SERVICES LIMITED
BALANCE SHEET
AS AT MARCH 31, 2008**

	Unaudited March 31st 2008	Audited Dec 31st, 2007
	EC\$ 000's	EC\$ 000's
Assets		
Non-Current		
Property, plant and equipment	298,038	302,549
Retirement benefit asset	3,274	3,274
Available-for-sale financial asset	3,452	3,452
Total non-current assets	304,764	309,275
Current		
Inventories	16,884	14,003
Income tax refundable	1,120	0
Trade and other receivables	46,516	46,267
Deferred expenses	748	575
Cash and cash equivalents	11,454	3,149
Total current assets	76,722	63,994
TOTAL ASSETS	\$ 381,486	\$ 373,269
Equity and liabilities		
Shareholders' equity		
Stated capital	80,163	80,163
Retained earnings	65,609	59,678
Total equity attributable to equity holders	145,772	139,841
Retirement benefit reserve	3,274	3,274
Total shareholders' equity	149,046	143,115
Liabilities		
Non-Current		
Borrowings	107,288	107,288
Consumer deposits	11,556	11,311

Deferred tax liabilities	29,232	29,232
Consumer contributions	24,690	24,547
Total non-current liabilities	<u>172,766</u>	<u>172,378</u>
Current		
Borrowings	18,764	22,083
Trade and other payables	31,739	25,277
Income tax payable	0	1,247
Dividends payable	9,171	9,169
Total current liabilities	<u>59,674</u>	<u>57,776</u>
Total liabilities	<u>232,440</u>	<u>230,154</u>
TOTAL EQUITY & LIABILITIES	\$ 381,486	\$ 373,269

ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF INCOME
FOR THE 3 MONTHS ENDED MARCH 31, 2008

	Unaudited March 31 2008 EC\$000's	Unaudited March 31 2007 EC\$000's
Revenue		
Energy Sales	59,539	53,904
Fuel Surcharge Recovered	8,959	(858)
Other Revenue	193	208
	<u>68,691</u>	<u>53,254</u>
Operating Expenses		
Diesel Generation	5,171	7,280
Transmission and Distribution	7,333	7,001
Fuel Surcharge	40,058	25,401
	<u>52,562</u>	<u>39,682</u>
Gross Income	16,129	13,572
Administrative Expenses	5,960	5,803
Operating Profit	10,169	7,768
Other Gains	41	0
Profit Before Finance Costs and Taxation	10,210	7,768
Finance Costs	2,302	1,882
Profit Before Taxation	7,908	5,886
Taxation	1,977	1,436
	<u>\$ 5,931</u>	<u>\$ 4,450</u>
Net Profit for the Period		
	<u>\$ 2.02</u>	<u>\$ 1.52</u>
Earnings Per Share (Annualised)		

ST LUCIA ELECTRICITY SERVICES LIMITED
STATEMENT OF CASH FLOWS
FOR THE 3 MONTHS ENDED MARCH 31, 2008

	Unaudited March 31 2008 EC\$ 000's	Unaudited March 31 2007 EC\$ 000's
Cash flows from Operating Activities		
Net Income Before Tax	7,908	4,450
Adjustments for		
Depreciation	7,411	6,475
Finance Charges	2,276	1,882
Gain on Disposal of Property, Plant and Equipment	(54)	(0)
Amortization of Consumer Contributions	(425)	(370)
Pension Benefits		
Operating Income before Working Capital Changes	<u>17,116</u>	<u>12,437</u>
Increase in Accounts Receivable and Prepayments	(249)	(2,448)
Increase in Deferred Expenses	(173)	0
(Increase)/ Decrease in Inventories	(2,881)	1,382
Increase/(Decrease) in Trade and Other Payables	<u>6,463</u>	<u>(493)</u>
Cash Generated from Operations	20,276	10,877
Interest Received	26	
Interest Paid	(867)	(643)
Income Tax Paid	<u>(4,345)</u>	<u>(2,309)</u>
Net Cash from Operating Activities	<u>15,090</u>	<u>7,925</u>
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(2,900)	(5,552)
Proceeds on Disposal of Property, Plant and Equipment	54	0
Net Cash from Investing Activities	<u>(2,846)</u>	<u>(5,552)</u>
Cash Flows from Financing Activities		
Proceeds from Borrowings	0	18,102
Repayment of Borrowings	(2,373)	(2,332)
Dividends Paid	2	(1,149)
Consumer Contributions Received	568	1,047
Consumer Deposits Received/(paid) net	<u>245</u>	<u>234</u>
Net Cash used in Financing Activities	<u>(1,558)</u>	<u>15,902</u>
Increase in Cash and Cash Equivalents	<u>10,686</u>	<u>18,275</u>
Cash and Cash Equivalents, Beginning of Period	<u>767</u>	<u>2,132</u>
Cash and Cash Equivalents, End of Period	<u>\$11,453</u>	<u>\$20,407</u>