

Schedule 3
FORM ECSRC - Q

(Select One)

Quarterly Report 31st March, 2007
For the period ended _____

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 (including area code): 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

Emma Hippolyte

Signature

Signature

Date

Date

INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

- (a) (Condensed Balance Sheet as at 31st December, 2006 and 31st March, 2007 are attached.
- (b) Condensed Statement of Income for the Three Months Ended 31st March, 2007 and the corresponding period in the previous financial year are attached.
- (c) Condensed Statement of Cash Flows for the Three Months Ended 31st March, 2007 and the corresponding period in the previous financial year.

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

(a) Liquidity

First quarter activities were centered on preparations for the Cricket World Cup 2007 (CWC 2007) which commenced in early March, 2007. St. Lucia was host for one of the group preliminary round of matches comprising four teams. There are indications that there was over optimism with regard to the number of expected visitor arrivals though there was a noticeable increase in activity prior to and during the matches.

The local authorities have indicated that the high level of increases in airfares following the merger of LIAT and Caribbean Star impacted upon visitor arrivals to St. Lucia from the Caribbean, the third largest group for St. Lucia.

The Company continues to be impacted by movements in the price of fuel. For the first quarter there have been price increases but the prices remain below the average price of 2006. The average price for the 1st quarter of 2007 was 5.8% below that of the corresponding period in the previous year.

Under the provisions of the Electricity Supply Amendment Acts No 12 and 13 of 2006, customers have realised a decrease in their tariffs during the quarter as the current fuel prices have remained below the average for 2006.

Energy unit sales registered a 4.6% growth over the same period in 2006. The results for the first quarter were in part attributable to CWC2007 activities. So far all sectors (excluding street lighting) have shown year on year growth, ranging from 2.8% for Hotels to 11.3% for Industrial customers.

(b) Capital Resources

As at the end of the reporting period the Company had drawn down the sum of US\$28.6 million against its loan facility of US\$30 million with the First Citizens Bank of Trinidad & Tobago.

This loan facility is to assist the Company in financing its capital expansion programme including Generation, Transmission & Distribution. This facility is for a period of 15 years and carries an interest rate of 7.15% per annum.

The 10.2 MW generator which will be located at the Cul-de-Sac generation facility has been shipped and is expected to arrive in St. Lucia in April. The service date for the new generator is the end of the third quarter of 2007 and is estimated to cost US\$8 million.

The Company has entered into an agreement for a standby credit facility of EC\$10 million which will be utilised to restore Transmission and Distribution lines and related assets damaged by hurricane and other natural disasters, should it become necessary. This facility is convertible into a 12 year term demand instalment loan subject to the necessary approvals. It is scheduled for review in June, 2007 and carries an interest rate of 7.41% per annum on the credit facility and 6.5% per annum if converted to a demand loan.

The Company is covenanted to its financiers to a 1:1 debt/equity gearing. As at 31st March, 2007 the position compared with March, 2006 as follows:-

	31 st March, 2007 EC\$ 000s	31 st March, 2006 EC\$ 000s
Borrowings		
Current	21,791	10,705
Long Term	100,594	88,895
TOTAL	122,385	99,600
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	58,382	62,991
TOTAL	138,545	143,154

There are no potential violations of those covenants.

(c) **Results of Operations**

Energy sales reflect an increase of 4.6% over the same period last year and are in line with expectations. This improvement is in some measure due to the increased activities leading up to the CWC 2007, in which St. Lucia hosted the preliminary round of matches for one out of the four groups.

The authorities continue to express concern about recent increases in airfares for regional travel and recently indicated that there was a drop in visitor arrivals from the Caribbean, one of the major markets.

Year on year growth in unit sales have been realised in all sectors (excluding street lighting) ranging from 2.8% in the Hotels sector to 11.3% in the Industrial sector.

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 lower than the average for 2006, customers have

benefited by the realisation of a reduction in their base tariffs during the quarter. No fuel surcharges were therefore applied to customers' bills for February and March.

Also in accordance with the amendment Acts above, Hotel and Industrial customers have also been receiving a rebate equivalent to approximately EC 5 cents per unit being a 50% sharing of the Company's returns in excess of the threshold Rate of Return provided for under the Act. The Minister may also designate "customers in need of protection" to receive such rebates consequent upon the issue of an Order, but to date no such Order has been received.

Total revenue of EC\$53.3M, is 3.9% higher than the previous year reflecting the increased unit sales. The comparable period for 2006 reflects the old tariff mechanism which existed prior to the new structure which took effect from April, 2006. In 2006 the tariff structure reflected a low fuel base price resulting in high fuel surcharge adjustments. Under the new structure the fuel base price reflects current fuel prices resulting in minimal or no fuel surcharge adjustments.

Gross income this year was EC\$13.6M compared to EC\$15.4M or 11.7% lower than the previous year. The higher revenues for the year to date were impacted by increased fuel expenditure and Generation overhaul timing (ahead of Cricket World Cup activities).

In addition to the above, the current year was further impacted by increased technical support services and higher interest costs.

As a result, profit before tax was EC\$5.9M as compared to EC\$8.8M in the previous year, a 33% reduction. The achievement is actually a 5.4% improvement over the expected budget performance for the first quarter. The budget for the remainder of the year is projecting continuing improvements over the first results.

Line losses were at 10.36% which is higher than expected. Investigative and remedial activities have commenced to bring this back into line. The target for the year of 10.0% set for the year is being aggressively pursued.

The year to date fuel efficiency is 19.52 kWh per gallon which is ahead of the end of year target of 19.47 kWh per gallon. System reliability has been excellent with the system average interruption duration index recorded as 1.80 hours for the year to date compared to 2.27 hours for the same period last year.

The Government has taken the necessary statutory actions that will enable the Company to eventually purchase a suitable site for the development of a wind farm on the south-eastern coast of the island. Some preliminary technical data has already been collected but additional site data is required to complete the technical evaluation.

Progress with respect to Geothermal energy developments have slowed down somewhat as we finalise discussions with the new Government, before engaging the potential developer in further discussions.

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) The new Government of St. Lucia has disclosed that it is not inclined to sign up with the Government of Venezuela under the “PetroCaribes” initiative. Under this initiative it was proposed that fuel would be sold to the Government of St. Lucia with a provision for, among other things, deferred payment of approximately half of the costs on very generous terms. It is not yet clear the extent to which this will 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 concern about high fuel prices and the related impact on their energy bills.
- c) The continuing escalation in fuel prices is also impacting upon the Company’s ability to increase the levels of customer satisfaction. This has been mitigated to some extent through continuing customer education exercises focussing on conservation as well as updates on the search for alternative forms of energy that can assist in reducing energy costs.
- d) It is the Company’s expectation that some form of deregulation will take place in the sector in the medium term.
- e) The Company recently completed a study on the use of Heavy Fuel Oil as there are indications of cost savings over a relatively short time frame. Further analyses are being carried out.
- f) Natural disasters and specifically hurricanes pose a constant threat to the Company’s infrastructure for the hurricane season which commences in June. The Company has taken out insurance as it considers adequate taking into consideration the limited availability of cover and prohibitive costs. The stand by credit arrangement and the establishment of the offshore income earning account are helping to mitigate these risks.
- g) The Company is also continuing efforts to establish a formal self insurance programme and is discussing this with representatives of the Ministry of Finance, the Attorney General Chambers and our Insurance Advisors to ascertain the most efficient and legislatively and financially sound manner to proceed. The Government has pledged its support in this exercise and the Company has also held extensive discussions with its insurance brokers among others for technical advice.

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

7. **Submission of Matters to a Vote of Security Holders**

If any matter was submitted during the period covered by this report to a vote of security holders, through the solicitation of proxies or otherwise, furnish the following information:

(a) The date of the meeting and whether it was an annual or special meeting.

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.
- (c) A brief description of each other matter voted upon at the meeting and state the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.
- (d) A description of the terms of any settlement between the registrant and any other participant.
- (e) Relevant details of any matter where decision was taken otherwise than at a meeting of such security holders.

NONE

8. **Other Information**

NONE