ST. LUCIA ELECTRICITY SERVICES LIMITED

INTERIM REPORT TO OUR SHAREHOLDERS FOR THE THREE MONTHS ENDED 31st MARCH, 2007

The Directors are pleased to present the un-audited results of the Company for the three months ended 31st March, 2007.

Unit sales for the first quarter at 71M registered an increase of 4.6% over the same period last year. Excluding street lighting, increases were recorded in all sectors ranging from 2.8% for Hotels and 11.3% for Industrials. The improvement over last year is in part attributable to the effects of Cricket World Cup activities during March.

Total revenue of EC$53.3M reflected an increase of 3.6% over last year.

During the first quarter the average cost of fuel while still high, was lower than the average for 2006. As a result under the provisions of the Electricity Supply Amendment Act No. 12 and 13 of 2006, the base tariff was reduced to reflect this and customers were therefore able to obtain tangible benefits from the favourable trends in fuel prices. No fuel surcharges were therefore applied to customers' bills for February and March.

Also during the quarter and in accordance with the Amendments mentioned above, Hotel and Industrial customers received a rebate of EC 5.52 cents per unit, being the distribution of 50% of the Company's earnings above the limit set by the legislation.

Fuel costs, though lower than the previous year still remained relatively high with increases experienced every month of the first quarter. For the quarter the average price of EC$5.8972 was 5.8% lower than the same period last year and 9.8% less than the 2006 average.

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.

The new 10.2MW generator which will be located at Cul-de-Sac generating facility has been shipped and will arrive in St. Lucia in April. The planned in-service date is the third quarter of 2007.

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.

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.

Debt values and quality continue to improve and focus will continue to be kept on this important area.

Work is continuing on exploring various options for alternative energy from Wind and Geothermal sources.

In an effort to reduce generation costs and rates, a study has also been recently completed on the feasibility of using Heavy Fuel Oil as there are indications for significant cost savings in a relatively short period. Further information will be provided as more analysis is carried out.

Cash balances largely reflect loan draw-downs related to the new generation plant. Some supplier payments will take place in the second quarter pursuant to the plant's arrival on island in April.