Annual Report 07

Empowering Communities

St. Lucia Electricity Services Ltd
LUCELEC

Theme

The Success of any business must be measured beyond its bottom line. Its positive impact on the communities it serves – through altruistic efforts – is a significant voltmeter of how well it has met its social mandate.

Communities shape our nation and it is with this consciousness that LUCELEC continues to invest thousands in social enrichment programmes every year.

In 2007 LUCELEC's community investment covered a plethora of causes from Education and Sports to Culture and the Aged. This demonstrates that LUCELEC is a company whose heart beats to the rhythm of the nation.

So beyond the power we bring to homes and businesses everyday, our energies are equally committed to Empowering Communities.

Annual Report 07 Empowering Communities

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Annual Report 07
Empowering Communities

MISSION STATEMENT

We will provide affordable energy and services that are safe, reliable, and environmentally responsible.

We will meet the expectations of our Shareholders and Employees while being a catalyst for social and economic development in Saint Lucia.

VISION
A world-class provider of energy and other services by 2015.

CORPORATE DATA

REGISTERED OFFICE
Head Office
St. Lucia Electricity Services Limited
Sans Soucis
John Compton Highway
Castries
Saint Lucia
Telephone Number: 758-457-4400
Fax Number: 758-457-4409
Email Address: lucelec@candw.lc
Website: www.lucelec.com

ATTORNEYS-AT-LAW
Mc Namara & Company
20 Micoud Street
Castries
Saint Lucia

AUDITORS
KPMG Eastern Caribbean
Chartered Accountants
Morgan Building
L'Anse Road
P.O. Box 1101
Castries
Saint Lucia

2007 PERFORMANCE INDICES & TARGETS

TARIFF CHANGE VS INFLATION
Percentage change in basic price of electricity (excluding the fuel surcharge cost adjustment) as a percentage of the annual inflation rate.

Target: <97%
Performance: 92.55%

SYSTEM AVERAGE INTERRUPTION DURATION INDEX (SAIDI)
SAIDI is the total customer hours of interruption divided by the total number of customers served. It is calculated by summing the products of the duration of each outage in hours, times the number of customers affected and dividing the result by the total customer base.

Target: 10.25 hours
Performance: 9.79 hours

REPORTABLE INJURY ACCIDENTS (RIA)
RIA is the number of reportable injury accidents.
Target: Limit the Reportable Injury Accidents that result in two or more sick days no more than 3
Performance: 2

SYSTEM LOSSES
System losses are calculated by dividing the difference between units generated, and the sum of the units sold and units used by LUCELEC by the units generated and expressing the result as a percentage.

Target: 10.00%
Performance: 10.03%

SPECIFIC FUEL CONSUMPTION
The number of units (kWh) of electricity produced from each gallon of fuel consumed.

Target: 19.47kWh
Performance: 19.50kWh

WORK HOURS LOST
Work hours lost as a percentage of nominal work hours

Target: 2.50
Performance: 12.76

SAFETY AUDIT RATING
A percentage rating assigned during the company's annual safety audit exercise.

Target: 95%
Performance: 97.1%

CUSTOMER SERVICE PERCEPTION VS EXPECTATIONS
Customer perception of service quality expressed as a percentage of customer expectation of service quality.

Target: 80%
Performance: 71%

RETURN ON EQUITY
ROE measures how well the company is using shareholders' invested money. It tells you the number of dollars of profits the company can earn for each dollar of shareholders' equity and is calculated by taking a year's worth of after tax earnings and dividing by the average shareholders' equity for that year.

Target: 17.5%
Performance: 21%

2008 TARGETS

TARIFF CHANGE VS INFLATION:
97%

SAIDI
9.5 hours

RIA
No more than 3

SYSTEM LOSSES
9.97%

SPECIFIC FUEL CONSUMPTION
19.52 kWh

WORK HOURS LOST
2.50

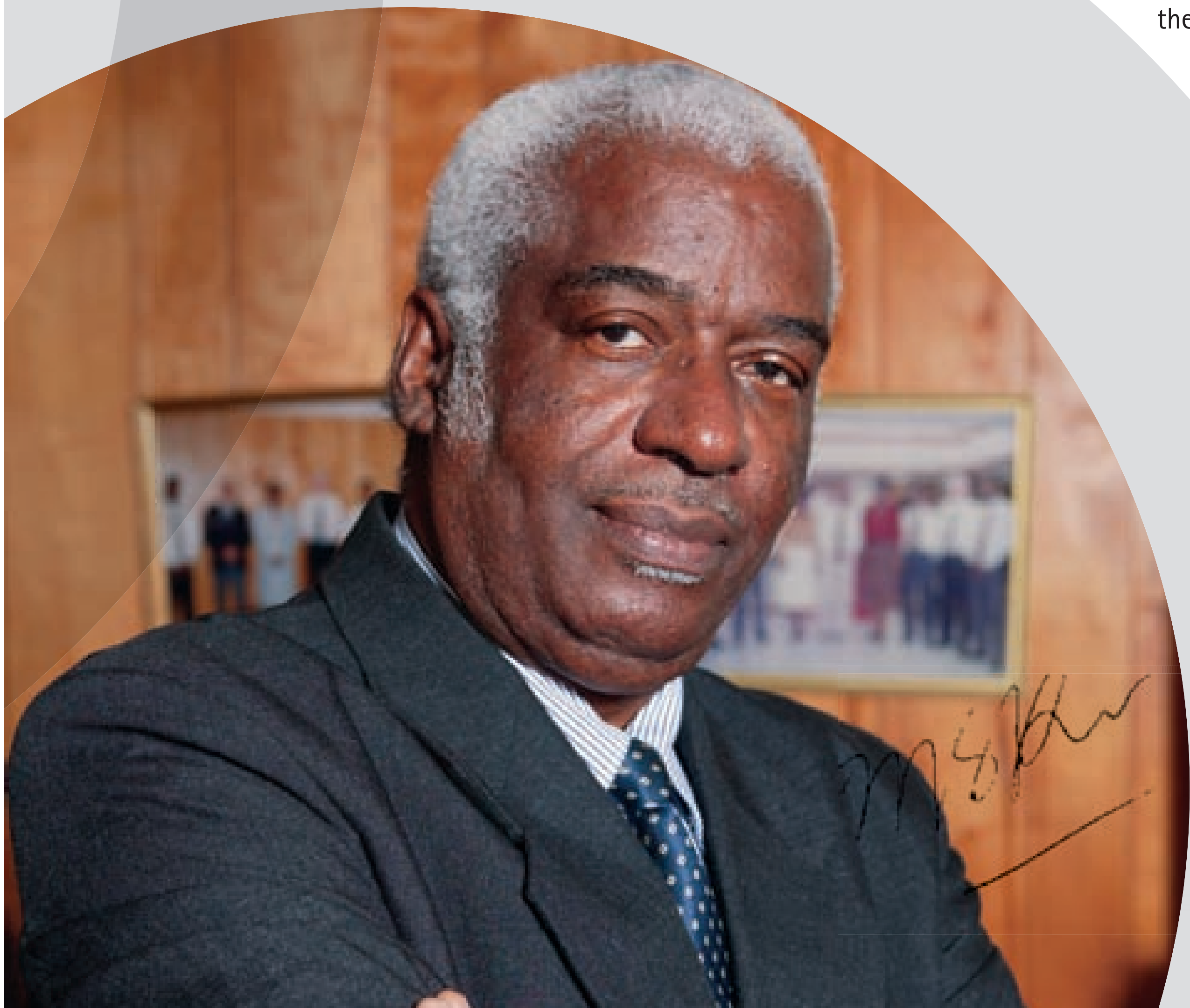
SAFETY AUDIT RATING
97.5%

CUSTOMER SERVICE PERCEPTION VS EXPECTATIONS:
75%

RETURN ON EQUITY
17.5%

Performance

CHAIRMAN'S REPORT 2007



The year was more challenging than usual. The Company's Grade One staff - half the staff complement - went out on industrial action for three weeks which left the running of the system to managerial and supervisory staff. Nonetheless, by implementing its contingency plans the Company was able to provide uninterrupted power, except in the areas where incidents of alleged sabotage took place. Within weeks of the resolution of the industrial dispute the country and the power system were hit by Hurricane Dean, a Category 2 hurricane that downed power lines and necessitated a complete shut down of the system. Again the Company implemented its contingency plans and with the staff working around the clock, assiduously and diligently, power was restored to virtually all consumers within a 48-hour period. The acts of alleged vandalism and sabotage during the strike and the repairs associated with the hurricane, resulted in the Company incurring costs of just under EC$1m to protect and/or repair damaged assets.

The persistent and continuing challenge, however, has been the unprecedented spiraling increases in the cost of fuel, which constitutes about 71% of the Company's total operating costs. During the year the average price paid for fuel increased by 10%, moving from EC$6.5238 per gallon in 2006 to EC$7.1862 in 2007. Moreover these increases were subject to very wide fluctuations with a 63.4% change between the lowest (EC$5.525) and highest (EC$9.0277) prices paid per gallon in 2007. The Company continues to keep this situation under constant review, including giving consideration to fuel price hedging.

Despite these difficulties the Company was able to exceed 6 of the targets set for the 9 performance indices in 2007. It continues to satisfy virtually 100% of Saint Lucia's demands for power at a System Average Interruption Duration Index (SAIDI) reliability factor of 9.39 hours and with no increase in the average price for power except for adjustments in relation to the price of fuel. This it was able to achieve through efficiencies in its operations. But much more would be required in the future.

Small utilities, such as those in the OECS, operating in environments with limited demand for power, are constrained in terms of their generation options. This is due to the fact that they do not have the ability to enjoy the economies of scale that much larger utilities do. Other factors remaining equal, the comparative fuel conversion efficiencies of generating power from a 1 MW, 10MW and 100MW generators are 15.6, 20 and 22.5 kilowatt hours per gallon of fuel respectively. Moreover, limited demand not only restricts the size of plant that the small utility can efficiently use but also the possible generation options for feasibility. The cheapest power that a utility can generate is determined by the level of demand for its power which in turn influences the size of the units that it uses to generate power and the cost of fuel. At LUCELEC's present levels of demand and assuming the price of fuel at $60 per barrel, the configuration of the existing generation system -10MW engines using Light Fuel Oils (LFO) - is optimal. If LUCELEC had used larger or smaller engines and/or such alternative sources of energy as wind or geothermal, singly or in combination, this would have made the unit cost of generated power much higher than it is now.

THE WAY FORWARD

When oil prices are approaching and may exceed US$100 per barrel, and when development plans project significant increases in the demand for power to meet commercial and household needs, then the Company needs to look at the options available to it. This process is currently under way and the possible options to be considered are the use of increasingly larger machines utilizing LFO or cheaper Heavy Fuel Oils (HFO) and other petroleum based fuels, using renewable sources of energy such as geothermal, wind or biomass, or a combination thereof.

The results of the various options are outlined below.

LFO use in progressively larger diesel generating machines is the current option, but its advantages are increasingly being eroded as oil prices increase.

HFO use in progressively larger machines is becoming an increasingly more attractive option because of the lower cost of this fuel and because of the Company's strategic decisions, in the last decade, to procure its current generation machines with the facility to use both light and heavy fuels. However, additional costs would have to be incurred to effect the necessary conversions and also to minimize the potentially damaging effects on the environment.

Volcanic Saint Lucia with its active fumaroles offers a potential source of very suitable geothermal energy to supply the country's base demand. But despite the active exploration of this source for over thirty years, no definitive answers are to be had on what capacity and reserves are available and at what cost the energy can be extracted for commercial use. The Company does not intend to go into this risky explorative undertaking itself, in order to protect consumers from such ventures that may negatively affect its tariff. Nonetheless, it has stated, as a matter of policy, it would be prepared to buy power generated from this source at a medium run cost that is competitive with alternative feasible options that are available to the Company from its own generation and/or from other parties. In other words, the Company will purchase this source of power from any third party at a price that is equal to or lower than the cost at which the Company can generate power.

WIND ENERGY is a potential source of power and an option to consider (and is under consideration) in wind-swept tropical islands like Saint Lucia that are bathed by the Atlantic trade winds. Though its energy is 'free' it is very capital and land intensive in a small island where land is limited and has many competing uses, especially in tourism and residential real estate. The power generated through wind turbines is irregular and unstable and cannot satisfy base load, thus such a facility could only complement adequate alternative investments to satisfy such steady base demand for power. Moreover, in a hurricane prone environment the reliability of wind power is in serious doubt. Thus, wind power, though not using imported and costly fuels, is one of the more expensive sources of power in small islands like Saint Lucia. Again the Company is prepared to purchase wind power from any third party source on the same terms as for geothermal and other sources of power.

NATURAL GAS may become available from Trinidad through a proposed pipeline from Tobago up to some of the islands. This offers another alternative and it is more environmentally friendly than some of the other options, but gas too is subject to significant price fluctuations. If the Trinidadians can get it right it could be a very attractive alternative.

LUCELEC, in conjunction with our strategic partner, Emera Inc., is exploring a new technology, the Circulating Fluidized Bed (CFB), to use cheap petroleum coke, a waste by-product of the petroleum refining process. Its energy cost per unit is one-seventh of that of LFO and the technology is quite adaptable to use such other materials as biomass, used rubber tyres etc. If the plant can be built at a reasonable size, this configuration could supplement and then supplant existing generation capacity and reduce the tariff by about 10% from what it would have been with LFO.

All options are being explored with the most likely configuration being a combination of CFB and/or HFO, if the objective is to reduce the tariff, conserve on land use and help generate power within acceptable international standards for the preservation of the environment. Because of scale considerations the marriage of the two systems, at least initially, will result in Saint Lucia having excess generating capacity. But this excess capacity could provide an opportunity to provide cheap power (at incremental cost plus) to an Energy Park that would seek to attract small energy intensive and sensitive industries.

All these initiatives, including the participation in other related ventures in which the Company can leverage its existing assets, may require a revised corporate structure for the Company. This will allow it to keep its operations transparent, to keep within the statutory requirements enshrined in the Electricity Supply Act, and to optimize the efficiency of the Company's overall operations.

CONCLUSION

It will be more exciting and challenging times ahead as LUCELEC tries to respond to its mandate of continuing to supply a safe, reliable and cost-competitive power supply to all those who need it in Saint Lucia, in the face of the many constraints including the high and rapid increases in the price of conventional fuels.

Let me take this opportunity to thank my Board colleagues for requesting and unanimously electing me for another three year term and for their cooperation and diligence in conducting the Company's affairs. The Management and Staff need special commendation for their sacrifice, commitment and efforts during the year and particularly during the periods of adversity. They, working as a team, have demonstrated that Saint Lucian workers can meet challenges and set performance standards that could be emulated even in developed countries. The government has been very supportive of the utility and for this we are thankful. Finally let me thank the consumers for their support, understanding and forbearance as we work to continue to improve our services to you. To shareholders, I trust that you appreciate our efforts.

Marius St. Rose
CHAIRMAN

Board of Directors

Larry Howai

Michal Andrews

Trevor Louisy
Managing Director

Marius St. Rose
Chairman

Christopher G. Huskilson

Irving John

Board of Directors

Raymond R. Robinson

Issac Anthony

Stephen Mc Namara

Joel Huggins

Matthew Mathurin

MARIUS ST. ROSE, OBE – CHAIRMAN
Mr. St. Rose is an Economic, Management and Financial Consultant. He joined the Board of Directors of the Company in July 1996 and has a M. Sc. (Economics) and a Diploma in Management Studies. He chairs the Human Resource Committee of the Board.

TREVOR M. LOUISY – MANAGING DIRECTOR
Mr. Louisy was appointed to the Board on 1st January 2004. He has a B. Sc. (Electrical Engineering) and is a member of the Human Resource Committee.

ISAAC ANTHONY
Mr. Anthony is the Permanent Secretary Ministry of Finance/Director of Finance, Government of Saint Lucia. The Government of Saint Lucia appointed him to the Board of Directors on 6th November 2002. He holds a B. Sc. in Economics and Accounting and an Executive MBA. Mr. Anthony is also a Certified Government Financial Manager and is the Chairman of the Audit and a member of the Governance Committees.

JOEL HUGGINS
Mr. Huggins was appointed to the Board of Directors in January 2005. He is the Managing Director of Dominica Electricity Services Limited and a member of the Audit Committee. Mr. Huggins holds a B. Sc. in Mechanical Engineering.

STEPHEN MC NAMARA
Mr. Mc Namara is a Senior Partner with the law firm of Mc Namara & Company, the Company's external legal advisors. He was appointed to the Board on 27th October 2005. Mr. Mc Namara became a Barrister at Law after attending Lincoln's Inn – Inn of Court School of Law. He is the Chairman of the Governance Committee.

MATTHEW LINCOLN MATHURIN
Mr. Mathurin is the Director/Chief Executive Officer of the National Insurance Corporation and was appointed to the Board by that organisation on 29th August 2007. He is a Fellow of the Chartered Association of Certified Accountants and holds an MBA from the Edinburgh Business School of Herriott Watt University. Mr. Mathurin is a member of the Audit Committee.

MICHAL ANDREWS
Mrs. Andrews is a self-employed Tax and Value Added Tax (VAT) Consultant. She was appointed to the Board by First Citizens Bank Limited on June 29th 2006. Mrs. Andrews holds a B. Sc. in Accounting, a Diploma from Harvard University – International Taxation, and is a Fellow of the Chartered Association of Certified Accountants. Mrs. Andrews is a member of the Governance Committee.

LARRY HOWAI
Mr. Howai is the Chief Executive Officer of First Citizens Bank Limited. First Citizens Bank Limited appointed him to the Board of Directors on 2nd January 2007. Mr. Howai holds a B. Sc. in Economics and is a Certified Management Accountant. Mr. Howai is a member of the Human Resource Committee.

CHRISTOPHER G. HUSKILSON
Mr. Huskilson is the President and Chief Executive Officer of Emera Inc. He was appointed to the Board of Directors by CBPF St. Lucia Limited on January 24th 2007. Mr. Huskilson holds a B. Sc. (Engineering) and a M. Sc. (Engineering) from the University of New Brunswick. Mr. Huskilson is a member of the Audit and Human Resources Committees.

RAYMOND R. ROBINSON
Mr. Robinson is the Vice President - Integrated Operations, Emera Inc. and President, Emera Utility Services. He was appointed to the Board of Directors by CBPF St. Lucia Limited on 24th January 2007. Mr. Robinson holds a B. Sc. (Electrical Engineering). Mr. Robinson is a member of the Governance Committee.

IRVING JOHN
Mr. John was appointed to the Board of Directors on March 5th 2007. He is the representative for the Castries City Council. Mr. John is the principal partner in the firm of John's Utility Services which provides meter reading services to the Company. Mr. John is a member of the Human Resource Committee.

DIRECTORS' REPORT 2007

The Directors present their report for the year ended 31st December 2007.

PRINCIPAL ACTIVITIES

The Company's principal activities consist of the generation, transmission and distribution of electricity. There were no significant changes to the nature of the Company's activities during the year.

DIRECTORS

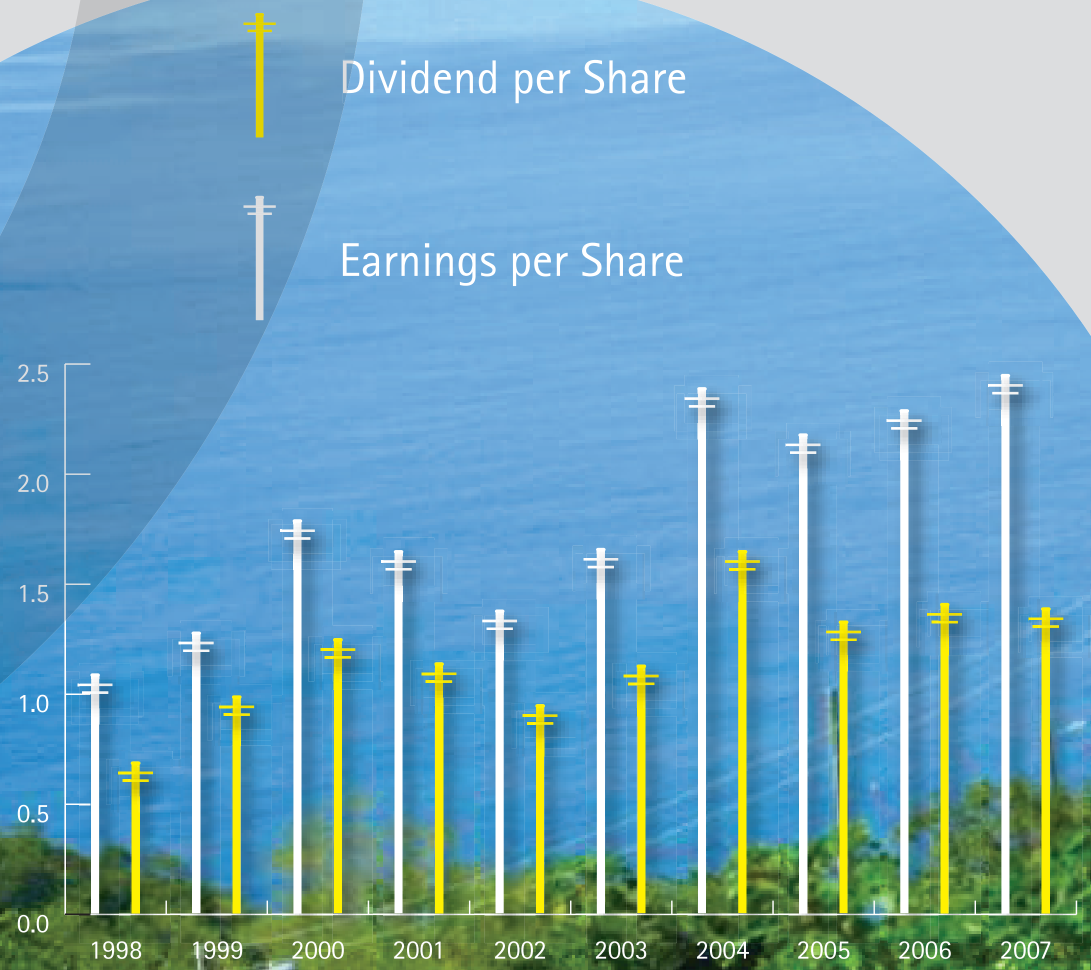
The Directors of the Company since the 42nd Annual Shareholders Meeting were:

Non-Executive Directors:

- Marius St. Rose
- Emma Hippolyte (up to 28th August 2007)
- Matthew Lincoln Mathurin (from 29th August 2007)
- Isaac Anthony
- Irving John
- Joel Huggins
- Stephen McNamara
- Michal Andrews
- Christopher G. Huskilson
- Raymond R. Robinson
- Larry Howai

Executive Director:

- Trevor Louisy



Miss Emma Hippolyte representing National Insurance Corporation resigned from the Board of Directors effective 28th August 2007. Mr. Matthew Lincoln Mathurin was appointed by National Insurance Corporation on 29th August 2007 to replace Miss Hippolyte.

FINANCIAL RESULTS

The Company sold 297.8 million kWh of electricity earning total revenues of EC$242.5M, an increase of 6.5% over the previous year, attributable to the increase of 4.7% in unit sales during the year.

Net profit for the year was EC$28.9M, which was an increase of 6.9% over the previous year.

The Company achieved Earnings per Share of EC$2.46 which was 7.0% higher than in 2006 and the dividend distribution was EC$1.42 the same as the year 2006.

Assets acquired during the year amounted to EC$51.2M, and loan drawdowns were EC$45.2M mainly related to the new generating unit, the transmission upgrades at Vieux Fort and Union, and two additional fuel storage tanks.

DIVIDENDS

The Board of Directors declared a dividend for the financial year ended 31st December 2007 of 70% of the Company's adjusted after tax net profits, having paid an interim dividend in December 2007 of $0.65 per ordinary share.

The total dividend for the 2007 financial year amounted to $1.42 per ordinary share.

STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Company during the financial year.

ACTIVITIES

During the period under review two of the Company's Directors attended training conducted by the Caribbean Association of Audit Committee Members Inc. (CAACM) on the theme Audit Committees: Making Corporate Governance Work in the Caribbean.

One Director also attended training hosted by the Eastern Caribbean Securities Exchange (ECSE) in collaboration with the Institute of Chartered Secretaries and Administrators/Chartered Secretaries Canada (ICSA/CSC) on the Directors' Education and Accreditation Programme (DEAP).

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Apart from this and other matters discussed elsewhere in the Annual Report, the Directors are not aware of any other matters or circumstances which have arisen since 31st December 2007 that have significant effect or may significantly affect the operations of the entity in subsequent financial years, the results of those operations, or the state of affairs of the entity in future years.

By order of the Board of Directors

Gillian S. French
Company Secretary

OPERATIONS REVIEW 2007

GENERAL

2007 turned out to be perhaps the most challenging, if not the most controversial, for LUCELEC in the last ten years or so. Natural disasters in the form of Hurricane Dean (August 16 -17) and the earthquake of November 29 disrupted normal operations, and in the case of Hurricane Dean, required a major restoration effort spanning a number of days to return the situation to normalcy. Industrial action by unionized members of the company earlier in the year also placed tremendous burdens on all aspects of Company operations. But despite these the Company was able to perform reasonably well.

This verdict on the Company's performance is substantiated by the fact that the Company was still able to achieve six of the nine targets set for 2007, with one between target and threshold and the other two below the threshold. The targets achieved include Tariff Change vs. Inflation, System Average Interruption Duration Index (SAIDI), Reportable Injury Accidents (RIA), Specific Fuel Consumption, Safety Audit Rating and Return on Equity. The performance in the area of System Losses was between target and threshold, while that of Work Hours Lost and Customer Service Perception vs. Expectations were both below the threshold.

The target for Tariff Change vs. Inflation was achieved as there was no increase in the base tariff despite inflation occurring. This obviously does not take into consideration fuel costs. There was also an amount of EC$5.2M made available via the tariff mechanism for redistribution to the Hotel and Industrial customers.

The performance in the area of SAIDI continues to be excellent once the outages related to the weather systems in August, and more specifically Hurricane Dean, are not considered. Certainly new techniques and technologies will have to be introduced to ensure that the improvements continue.

For the second time in recent history the target for RIA was achieved suggesting that increasingly members of staff are taking the issue of safety as a personal responsibility. The challenge before the Company is to strive for the achievement of an accident free year.

The target for Fuel Efficiency was achieved and this was due primarily to the effective management of the operating and dispatching regimes for the engines and the earlier than anticipated commissioning of the new engine CDSPS #8. With fuel being the most significant component of the Company's operating costs there must be continued efforts at improving performance in this target area.

The Safety Audit completed in January 2008 continues to emphasize the correlation between the performance in the area of RIA and the Safety Audit rating. This year the performance again exceeded the target. During the debriefing with the Auditor he was even more impressed this year than he was last year. A number of departments received a 100% rating.

The target for Return on Equity was exceeded. This was due to higher revenues and tight control over expenditure resulting in an increase in profit after tax of $2M or 7%.

For a moment, it seemed that for the first time in the Company's history Line Losses would be under 10%. Although that target was not achieved, it is clear that efforts at system improvements and metering are paying off. This year the performance again fell between the target and threshold.

The performance in the area of Work Hours Lost was below the threshold. This was primarily as a result of the industrial action the Company faced in 2007. The intention is to bring this figure back in line with previous performances.

The Company's Customer Satisfaction score appears to be going through a cycle. This year, the performance of 71% fell way short of the threshold. It is imperative that the results are analyzed carefully to ascertain why customers are not pleased with the Company's performance in certain areas. The goal is to get the Customer Satisfaction scores up to a 90% rating. The establishment of a new Corporate Communications Department in December 2007 with a mandate to develop, coordinate and execute the Company's communications plans – both externally and internally – should go some way towards bridging that gap in 2008.

For 2008 the Company will continue to focus on the same Corporate Measures as this will ensure improved efficiencies and the delivery of a safe, reliable and cost effectively priced product. It should be noted that in attempting to improve its performance in each successive year the Company has to contend with existing realities while seeking ways to address all issues in a way that ensures its long term sustainability. Some of these issues include:-

- The need to continuously ensure that the Company's most important asset (its human resource) is nurtured, trained, valued, retained, included, consulted, and rewarded.
- The ability to meet shareholders' expectations of revenue and

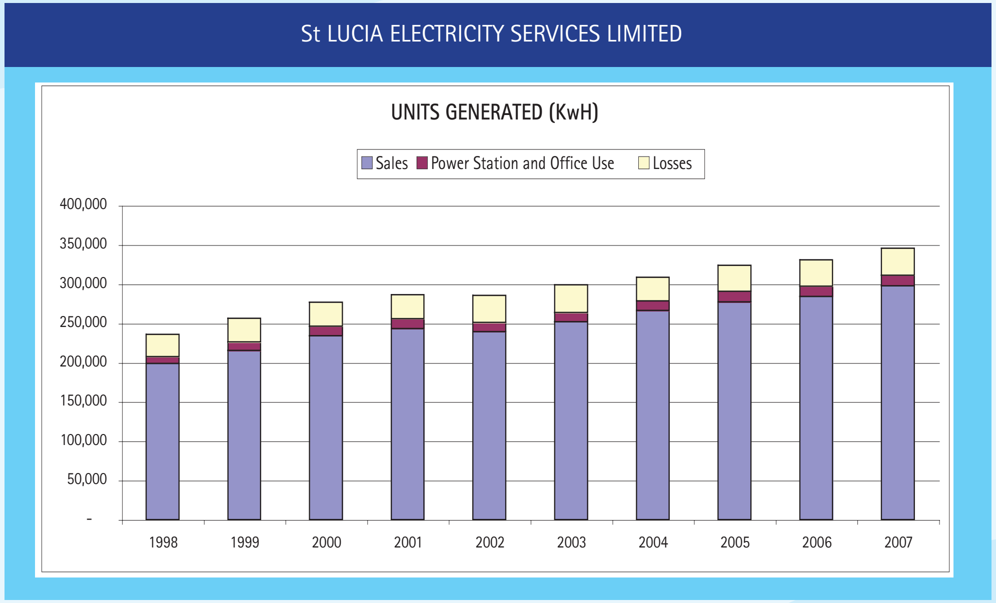
earnings growth, in a market with virtually universal access to electricity.

- Managing the financial and customer service impact of continuous fuel price increases.
- Maintaining and/or improving efficiencies in the Company's operations.
- Making the appropriate structural and organizational changes to enable the Company to meet the changing and more demanding external environment.
- Being at the forefront of the search for alternative, more efficient and cost effective energy sources.
- Improving financial performance and efficiencies by leveraging the Company's purchasing power, credit rating and financial strength, to obtain economies and best value.
- Reviewing the Corporate structure to take advantage of other opportunities without compromising the Company's core business operations.
- Ensuring that the regulatory framework remains conducive and fair in the event of competition.
- Strengthening the generally good relations existing with the government and other stakeholders by the continued delivery of efficient, high quality and economically priced services.

There is no doubt that the Company will rise to the occasion, as it has done so often in the past. The aim is to develop a more cohesive unit which will see the Company through the challenging but exciting times ahead.

GENERATION DEPARTMENT

Overall, in 2007, the Generation Department functioned effectively, achieving most of its performance targets for the year. The challenge to operate in an environment where there is increased demand and the need to increase production saw the department achieve new levels of resource optimisation and productivity. Working in harmony with the System Control and the Transmission and Distribution departments, consumers received a reliable and efficient power supply.



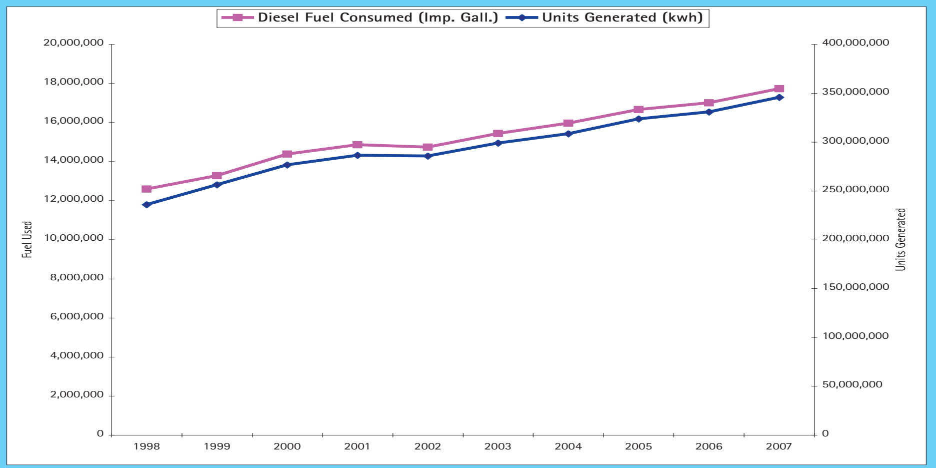
During 2007, LUCELEC generated a total of 345.70 million electricity units as compared to 330.75 million in 2006, an increase of 4.5% over the previous year. The peak system demand was 52.7MW, 5.8% above the 49.8MW peak registered in 2006. Fuel efficiency increased to 39.12% from 39.01% in the previous year.

Cul de Sac Power Station, the sole generating facility, produced all of the power required by the nation. A new 10.2 MW generating unit was commissioned in July bringing the available capacity at Cul de Sac to 76MW. The department completed one 60,000 hour major overhaul on generating unit CDSPS #4 in February ahead of the ICC Cricket World Cup. The 20,000 hour overhaul of CDSPS #9 was undertaken ahead of schedule. All other planned inspections as recommended by the manufacturer were performed on schedule and the plant was kept in excellent operating condition.

The installation of two additional bulk fuel tanks at Cul de Sac Power Station which commenced in the first quarter of 2007 was not completed due to the failure of the contractor to comply with his implementation schedule. The project is 90% complete and should be finished well before the end of the first quarter of 2008.

The Operations Section and the Garage also performed efficiently and ensured that all equipment and the Company's fleet of vehicles were operated and maintained optimally, within manufacturer's specifications and in excellent condition.

St LUCIA ELECTRICITY SERVICES LIMITED



During the year Generation staff received training in the areas of Diesel Mechanics, Alfa Laval Separators, Supervisory Management, CPR and First Aid, Accident Investigation, Mental Health, and Nutrition and Diet.

OUTLOOK

During 2008 the Generation Department will continue its efforts to provide a reliable and efficient supply of power through a structured work programme that balances system demand with the need to ensure that all maintenance is carried out in a timely and efficient manner. Training and development of staff remain a key priority for the Department to ensure that the levels of commitment, productivity and delivery are optimised by providing the necessary motivation for staff.

Apart from the routine inspections of the nine generating units at Cul de Sac Power Station, the Planned Maintenance Programme for this year includes one 60,000 hour major overhaul on generating unit CDSPS #7, a 30,000 hour major overhaul on CDSPS #1 and a 12,000 hour inspection on CDSPS #8. The manufacturer's recommended maintenance intervals form the basis for the maintenance programme which is adopted to reduce forced outages and breakdowns during the year. A number of small projects will also be undertaken in the area of Station Improvement. These will provide additional functionality and upgrade some of the existing systems and infrastructure.

SYSTEM CONTROL

The System Control Department was able to successfully fulfil its mandate of ensuring the safe, reliable and efficient operation of LUCELEC's power grid, in spite of the aforementioned challenges of 2007. Working with the Generation Department, System Control Operators (SCOs) efficiently utilized generation to maximize fuel efficiency throughout the year. System voltages were also maintained within tight tolerances to assist in loss reduction and ensure the security of the network.

The department collaborated with the Transmission and Distribution Department to ensure all maintenance work was conducted in strict adherence to Company safety regulations, contributing in no small measure to the Company's best safety performance rating to date, despite the hundreds of maintenance operations that were performed during the year. The high priority given to prompt restoration of customers who had been affected by faults on the high voltage portions of the network (66 and 11kV) and the Secondary Distribution System (415/240 Volts) helped improve system reliability.

In fact, as a result of the cooperative efforts of the Operations Department, if the effects of the natural disasters experienced in 2007 are ignored, LUCELEC's customers benefited from the Company's best reliability performance to date (SAIDI 9.79 hours).

The Distribution Automation System did not get underway in 2007 as planned. This was due to regulatory delays in acquiring the necessary frequency allocation for control of the automated switches on the (11kV) primary distribution system. However, progress was made in the use of fault finders equipped with cellular phone communicators. These devices showed significant potential for reducing the time required to identify faulted portions of the 11kV network.

OUTLOOK

In 2008, the number of fault finders on the System will be increased to provide coverage on most of the longer 11kV circuits, particularly those traversing rural areas. The implementation of the Distribution Automation System using an alternative medium for control of switches will be pursued, as will the use of pole-mounted auto reclosers (devices installed to allow a portion of a circuit to be interrupted instead of an entire circuit, when a fault occurs). The combined effect of these initiatives is expected to yield significant improvements in overall System reliability.

The Department's human resources will be further strengthened during 2008 through the provision of various training courses. This investment in the Department's personnel is crucial if LUCELEC is to meet the heightened expectations of its customers into the future.

TRANSMISSION & DISTRIBUTION

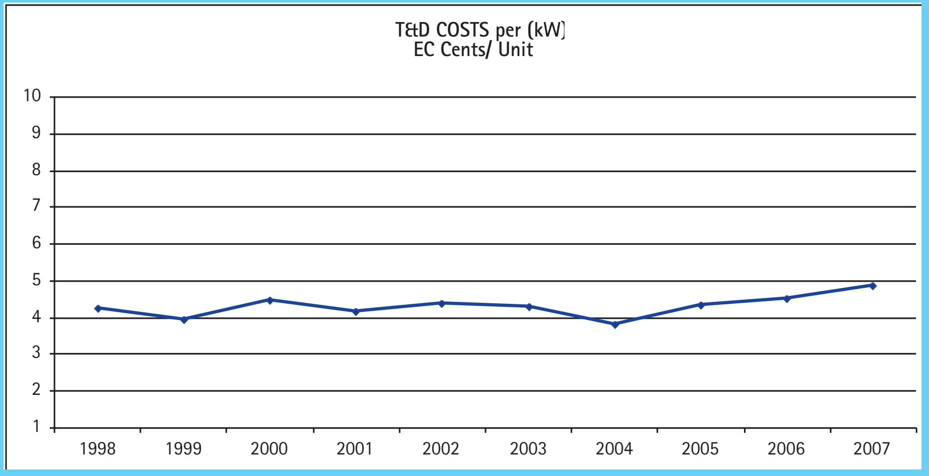
Given the unusual challenges of 2007 the performance of the Transmission & Distribution Department (T&D) was nothing short of outstanding.

Upgrades during the year aimed at enhancing system reliability included improving capacity at the Vieux Fort and Union Substations in collaboration with the Planning Department, improvement of the main protection for the Northern Transmission System which had become unreliable, installation of additional switches and fuses at strategic locations throughout the system, and replacement of all 66kV breakers on the System as they had become obsolete. All the 66kV breakers at the Cul De Sac substation were replaced by the T&D Substation Staff without any external overseas supervision. This was a major accomplishment. As well, the department's growing expertise in the use of overhead 'insulated' cable was utilised in upgrading parts of the distribution network in Soufriere and surrounding areas where vegetation posed a challenge.

Improvements to the distribution system to ensure its continued robustness yielded immediate results evidenced by the minimal damage to the network as a result of Hurricane Dean.

The fusing of connections to offer a better level of protection for faults on service lines, meters and within private installations was commenced with approximately 1000 units installed in the Gros Islet area.

St LUCIA ELECTRICITY SERVICES LIMITED



Improvements in safety performance, a reduction in the length of time for line extensions involving up to three poles, the discovery and successful prosecution of many cases of meter tampering and theft through an aggressive meter inspection programme, and the installation of more than 550 street lamps at various points throughout the island rounded off a good year for the Transmission & Distribution Department.

The Trouble Call field operations were outsourced during the year as part of a restructuring process to better position the department to meet the growing needs of LUCELEC's customers.

The planned enhancement of the VHF radio system was not completed due to regulatory issues. Meter replacements were not undertaken to the extent planned due to reliability issues with one of the meters that had been identified for use with automatic meter reading (AMR) technology.

OUTLOOK

In 2008 the department will be commencing an automatic meter reading programme which will help improve efficiency and customer service. This will be rolled out to approximately 20% of LUCELEC's customer base in the first instance.

Other activities planned for the year geared towards improving system reliability and safety performance include:

- Enhancing inspections, data and cost management systems and work procedures;
- Placing greater emphasis on feeder load balancing and further improving system power factor;
- Greater use of fusing and fault indicators to help in fault isolation and locating;
- Implementation of an enhanced VHF radio system to cover the entire island;
- Improvements in the quality of connections and the standard of meter installations to ensure reduced power quality issues;
- Apportioning a greater allocation of the overall street lighting budget to community lighting; and
- Undertaking work on the transmission system to enhance system flexibility, such as at the Praslin Substation, and to enhance the various protection systems; and
- More aggressive work on identifying and prosecuting electricity theft.

A concerted effort will be made to enhance the competency of staff at all levels, including contractors, through more training and attachments.

PLANNING

The sales forecasted for 2007 was in line with actual trends. Demand forecasts and generation planning carried out by the department has projected that new generation will be needed by 2011 to ensure that the gap between peak demand and generating capacity is maintained within the statutory requirement.

The upgrade of the Interbus transformers at the Union and Vieux Fort Substations were completed as scheduled and within budget. The Distribution Planning Section worked very closely with DIWI Construction Company on the relocation of overhead lines on the Castries/Gros Islet Highway Improvement Project. The section also worked closely with the consultants from HALCROW in the relocation of poles along the Castries/Vieux-Fort Highway. In both instances, the work was completed efficiently and with minimal disruption in service.

As part of the development of a Geographic Information System for the Company the department completed data collection, network connectivity and pole labelling from the Mongiraud/Monchy area to Dennery during 2007. End users from the operating department have received some training in the use of ArcReader to view and run limited queries on the distribution network.

The physical extension of the Chemical Shed in the early part of the year yielded improvements in its functioning. Further improvements in shed layout and operations are expected once the shelving and classification of chemicals are completed.

By year end, the department was close to completing arrangements for the purchase of 40,000 square feet of land at Bocage to facilitate the construction of a 66kV Substation.

OUTLOOK

In 2008 the Department intends to continue producing sound techno-economic proposals for the development of the generation, transmission and distribution systems. These will include preparatory work associated with the upgrading of substations at Praslin and Soufriere, as well as developing project proposals and plans for new substations at Bocage and South Castries; the upgrading or rebuilding of trunk lines in several areas in the north of the island - Bonne Terre, Cas En Bas, Vide Boutielle - as well as in Anse la Raye, Canaries and Vieux Fort; and the completion of the data capture, network connectivity and pole labelling exercise for the Geographic Information System for the entire island. This will provide the foundation for a comprehensive external Asset Management exercise and application that will improve on customer service and Transmission and Distribution management.

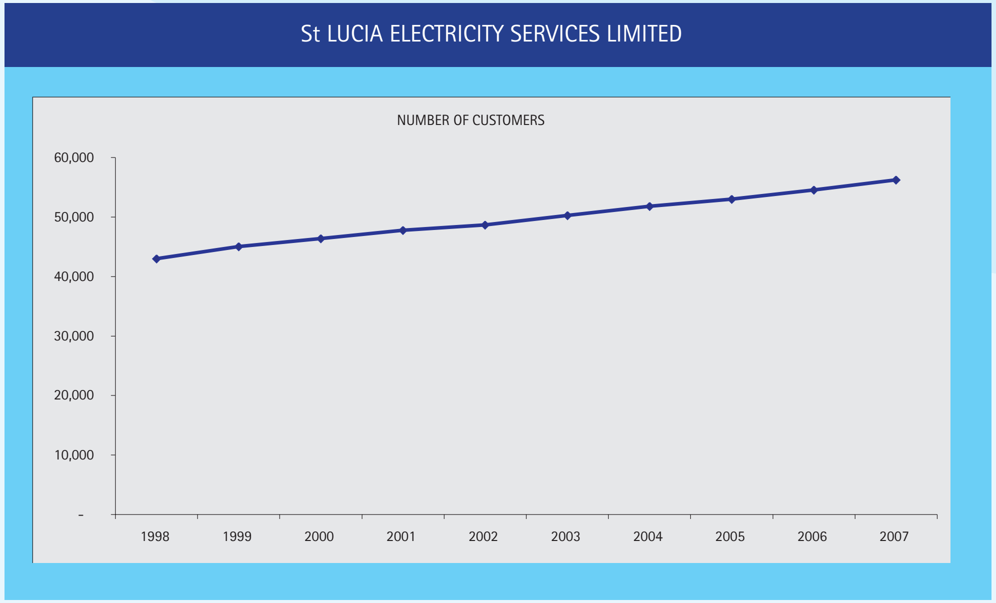
Training in ArcReader will continue in 2008 as the intention is to extend the entire network to end users through the ArcReader Application.

CUSTOMER SERVICE

Service disruptions as a result of the industrial action staged by junior employees in April and July and Hurricane Dean in August, coupled with increasing cost of electricity to customers due to escalating oil prices on the world market, severely tested the resilience and efficiency of the Customer Service Department in achieving its mandate to deliver a high standard of service to customers in 2007.

These challenges notwithstanding, the department was very successful in the execution of its debt reduction strategies this year realising an over 60% reduction in costs associated with customer debt whilst preserving the Company's image as a caring organisation. The placement of courtesy reminder calls to customers in arrears paid dividends, as customers responded by making prompt payment, thereby avoiding a disruption in their services.

The bill delivery pilot project initiated in the third quarter of the year ensured the more efficient delivery of electricity bills to customers in community post offices island wide. This venture coupled with another pilot project to outsource



bill preparation and packaging to a local company (though in its early stages) are destined to contribute very significantly to the Company's efficiency drive and cost reduction efforts. Another positive spin-off from these initiatives is the opportunity to redeploy staff previously engaged in these activities to other frontline operations, thereby enhancing the quality of service delivery.

The most pressing concern of customers continued to be the rising cost of electricity and the uncertainty about future prices given projections for further increases in oil prices. The department successfully managed to continue providing useful information to customers on the importance of energy conservation and efficiency as a cost control measure. This was achieved through direct consultations as well as through messages issued through the print and electronic media. In association with the Company's local public relations partner, the department executed major components of the public relations plan with a view to reassuring customers and the general public of LUCELEC's commitment to providing a service that is safe, reliable and environmentally responsible. Despite this, the Company's performance of 71% on the Customer Satisfaction Survey was below expectation and an in-depth analysis will be undertaken so as to identify remedial actions to improve the scores.

Business activity continued to increase at our satellite offices – Rodney Bay, Soufriere and Vieux Fort - and the staff at these locations prepared for the emerging challenges. Renovation and expansion of the satellite office at Vieux Fort to relieve congestion got underway towards the end of the year. By year end, too, the final stages of dialogue were underway with another local bank for the provision of on-line electricity bill payment services and this will be completed by the end of January 2008.

OUTLOOK

The Customer Service Department will continue to remain focused on enhancing customer service delivery despite the challenges posed by high electricity costs and changing customer expectations.

The completion of the renovation and expansion of the Vieux Fort satellite office early in 2008 will see customers and staff interact in a more spacious and comfortable environment, resulting in an enhanced customer experience.

Every effort will be made to get the Customer Satisfaction score closer to a 90% rating within the shortest possible time. It will require new, more creative, and more convincing ways of connecting with customers and delivering on their expectations.

BUILDING SERVICES

During the year the Building Services Section completed renovation work on the canteen at Cul de Sac. Other capital works undertaken included the establishment of a new training room at the Transmission and Distribution depot in Vieux Fort, the renovation of the administrative building in Vieux Fort and the refurbishment of the road at the Reduit Substation.

OUTLOOK

Together with its routine maintenance programme, in 2008, the section's capital works programme will focus on the Cul De Sac facility with the rehabilitation of the roads, the installation of a security surveillance system and the renovation of the T&D wing to include a new training room.

INFORMATION SYSTEMS DEPARTMENT

The Information Systems Department's emphasis for 2007 was on the improvement of existing systems. This included, primarily, the optimization of the JD Edwards (JDE) Enterprise Resource Planning Software in its first full year of operation. The department also developed and implemented smoother and faster data and system recovery procedures which have reduced the recovery time of select systems after worst case scenarios to less than two hours. Systems reliability was also improved through event monitoring via remote alerting and adjustments to deal with sources of network traffic congestion.

Additional systems such as mail archiving were developed to provide better mail storage, indexing and searching to assist in the management of email which has become a fundamental aspect of normal operation. These measures, combined with improvements in file archiving, are the first steps in dealing with increasing storage demands.

OUTLOOK

For 2008 the most significant undertaking for the IS department will be planning for the implementation of a new Customer Information System (CIS). As the company has evolved, information and reporting have become essential components of the management and decision making process. The proposed new CIS system is expected to provide an additional management element to the company's revenue stream, assisting in improved analysis of sales figures, customer knowledge and customer service functionality. The system will also introduce additional controls such as user audit logs to ensure the integrity of transactions performed on the system.

Other components of the 2008 work programme include increasing storage and archive capabilities through the installation of a storage network, and the acquisition and deployment of additional software licences and hardware for improved communications between sites. These will all assist in improving the overall capacity of the present system to deal with growth in network traffic and usage.

HUMAN RESOURCES

For the first part of 2007, the Department's activities were focused on preparatory work and support related to lengthy union negotiations which had began in July 2006 and which culminated in a three-week strike and resulting tribunal in July 2007. The return to work of over 75% of the Company's junior staff marked the beginning of a process of healing and rebuilding relationships. Hurricane Dean and its resulting impact, in its own unique way, assisted in this process as all of the Company's staff rallied around the electricity restoration effort providing full support in whatever way possible.

The latter part of the year was geared towards completing the Department's work programme. A new Health, Safety, Environment & Security Officer was appointed during the third quarter to replace the incumbent who had resigned early in the year. Although there were two reportable accidents, the safety audit rating improved to 97.1%. The twelfth annual Health and Safety Month was successfully held during the month of March and diabetes & hypertension testing continued for all staff. Security issues received increasing attention as additional systems were commissioned for the protection of staff and the Company.

The Department facilitated various high-impact and strategic training programmes for a cross-section of staff. These included Human Relations and Project Management training for management staff, who were also involved in the selection of an appropriate provider for a future Leadership programme. Other staff attended training courses in Customer Services and Retirement Planning, conferences on Safety, Engineering and Human Resources, and exchange visits with other electricity companies in the region which augured well for various technical projects underway in other departments. Finalization of overseas study leave arrangements for two employees to pursue programmes in Mechanical Engineering and Electrical Power Systems and the preparation of Career Charts for each department to serve as guides for employees to plan and chart their future opportunities in the Company completed off a busy training schedule for the Department.

Several other significant initiatives were successfully undertaken by the Department during the year. These included the implementation of recommendations from the Compensation and Benefits Survey conducted earlier for the senior staff and the commencement of a similar exercise for the junior staff, updating of job descriptions, an Employee Morale Survey, the opening of a refurbished Employee Canteen at the Cul de Sac facility, and finalization of arrangements for an Employee Assistance Programme. Actuarial Valuations for the Grades One and Two Pension Schemes were also completed during the year. Improvements were sought in the existing medical scheme and alternative providers were being reviewed at year end to ensure an improved level of service to staff. During the year, the second annual Scholarship Social was held, and the existing Reward and Recognition system was reviewed further, leading to the introduction of the Employee of the Quarter and other awards.

Based upon some restructuring in the Finance and Accounts Department and the Information Services Department, new appointments were made to the senior positions of Management Accountant and Computer Operations Specialist respectively. The position of Corporate Communications Manager was created and filled with effect from December 03, 2007.

OUTLOOK

The Department will be undertaking some key projects in 2008. Union negotiations on a new Collective Agreement are expected to begin early in the year. A Job Evaluation Exercise and a Performance Management Review will receive priority. The Department also plans to upgrade its existing Human Resource Information System and offer an Employee Self Service Facility to staff to allow electronic access to their respective personal data. As well, the Department will continue to improve structures to support the needs of staff across the Company.

FINANCIAL OPERATIONS

SALES & REVENUES

Unit sales for the year were 297.8 million kWh representing an increase of 4.7% over the previous year. This was an improvement over the growth rate achieved in 2006. The smallest growth rate was 3.1% in the Domestic sector, while the Industrial sector registered the highest growth of 21.6%.

The sales growth was driven by the increased domestic capacity created during the period leading up to the ICC Cricket World Cup 2007, additional hotel capacity from new and refurbished properties, and increased activity in the industrial sector, generated principally through the development of the various water delivery systems.

Total revenues increased from EC$227.6M to EC$242.5M, an increase of 6.5%. Revenues in 2007 reflected a full year of the new tariff regime, compared to 9 months in the previous year. Under the new tariff regime the average fuel price for the preceding 12 months is reflected in the base tariff. This practice ensures that the base tariff is more current thus reflecting current trends in world prices and results in a significant reduction in the monthly Fuel Surcharge Cost Adjustment Factor.

Gross income increased from EC$62.7M to EC$68.4M reflecting the sales volume increases and reductions in the base tariff for 3 months of the year in accordance with the new tariff mechanism.

OPERATING COSTS

Rapid escalation in fuel prices up to the end of the year remained a significant challenge for the Company and the country generally. The average fuel price for 2007 was EC$7.1862 per gallon an increase of 10.2% over the 2006 average of EC$6.5238 per gallon. Fuel prices remain the major component (approximately 71%) of operating costs. Through prudent management the Company managed to maintain the non fuel element of the tariff constant and therefore tariff changes are reflective of fuel price movements.

Generation costs increased over the previous year and reflect the level of planned inspections for the year and cost management. Transmission and Distribution costs increased by EC$2.9M or 10.4% mainly due to required maintenance associated with improving network quality, reducing line losses, and generally ensuring that the Company met its service commitment to its customers.

Depreciation costs increased as a result of the commissioning of the new generating unit (CDSPS #8), the transmission upgrade and other capital expenditures during the year.

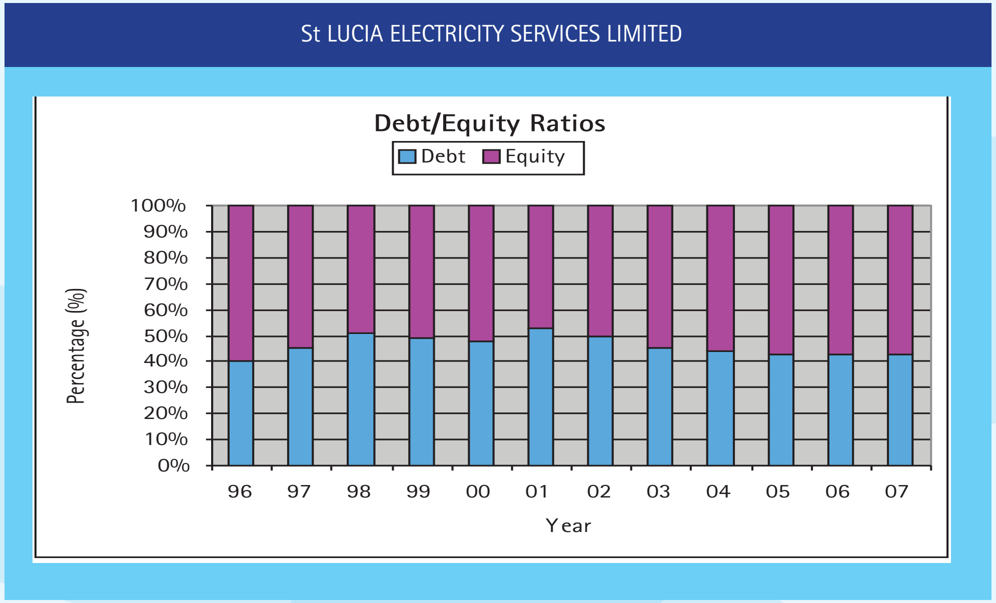
Administrative costs were 14.1% higher than the previous year. The main increase was related to the amount of EC$2.0M for the Company's Self Insurance Fund and EC$1.0M in respect of network sabotage and Hurricane Dean damage. There was also increased depreciation costs in line with an increased asset base.

PROFIT

Profit before tax was EC$37.9M, an improvement of 6.7% over last year's achievement of EC$35.6M. This reflected a return of 15.6% on sales, the same as in 2006. Profit after tax at EC$28.9M was 7.0% higher than the EC$27.0M for 2006. The effective tax rate was 23.9% compared to 24.1% in 2006 due to effective tax management and the impact of deferred taxes.

Earnings per share for the year at EC$2.46 was an improvement of 7.0% over the previous year. Dividends were EC$1.42 per share, the same as last year, while return on average equity improved to 21.0% (20.7% in 2006). In accordance with the provisions of the amendments to the Electricity Supply Act, an amount of EC$5.2M (EC$3.9M in 2006) has been set aside out of net profit for distribution to Hotel and Industrial consumers during 2008.

CAPITAL EXPENDITURE



Expenditure for the year amounted to EC$51.2M. This included the remainder of expenditures on the new generating unit (CDSPS #8), upgrades of the substations at Union and Vieux Fort, acquisition of additional bulk fuel storage capacity, installation of new accounting software and general system improvements.

WORKING CAPITAL MANAGEMENT

Improved management and overview of debts, stock and cash management continued during the year. A Debt Control Supervisor was appointed in the second half of the year whose responsibility is the management and reduction of debt levels, and supervision of the Company's larger accounts.

ASSET APPRAISAL STUDY

An asset appraisal study is presently being undertaken to determine the true economic value of the Company's assets. This will be used to assist in determining the appropriate value of insurance coverage that will be required on the Company's assets, especially the very important Transmission & Distribution assets.

SELF INSURANCE

During the year an additional amount of $2M was set aside to formally commence the operational aspect of the fund. This amount will substitute for commercial insurance cover on the Transmission and Distribution assets in the first instance and other assets in future years. The standby facility from First Caribbean International Bank (FCIB) will also be drawn down in 2008. The fund will be governed by independent Trustees and will be accessible to the Company only in the event of natural disasters.

CREDIT RATING

Following a surveillance visit during the year by the CariCRIS credit rating agency, the Company maintained it's CariBBB (Adequate) rating for local and foreign currency credit rating in the CariCRIS regional rating scale. The rating indicates the credit worthiness of LUCELEC'S obligations in relation to other institutions in the Caribbean. In this context the Caribbean includes various countries from the Bahamas in the north to Costa Rica in the south.

The rating was carried out on a notional USD15M debt issue.

OUTLOOK

The projection is for fuel prices to remain high in 2008. This will negatively affect all the economies of the Caribbean as well as North America and pose challenges to economic activity, especially the critical tourism sector. Fuel hedging, therefore, is still a major consideration.

The growth rate that was accomplished in 2007 is not expected to be maintained in 2008, especially taking into consideration the one-off impacts in 2007 such as CWC2007.

During the year efforts will be continued to drive efficiencies, cost management and forward planning activities that will support management's decision making processes.

Management Team

Management Team

MANAGEMENT TEAM

TREVOR LOUISY
B.Sc. (Electrical Engineering)
Managing Director

EARL ESTRADO
CGA
Financial Controller

VICTOR EMMANUEL
B.Eng. (Electrical Engineering), M.Sc. (Information Systems Engineering)
Chief Engineer

WYNN ALEXANDER
B.Sc. (Computer Science), M. Eng., Diploma Financial Management
Information Systems Manager

GOODWIN D'AUVERGNE
B.Sc. (Electrical Engineering)
System Control Engineer

FRANCIS DANIEL
B.Sc. (Electrical Engineering), MPM (Project Management)
Planning Manager

NICOLE DUBOULAY
B.A. (Psychology), MBA (Human Resource Management), M.Sc. (Training and Resource Management)
Human Resource Manager

JENNIFA FLOOD-GEORGE
B.Sc. (Management Studies/Psychology)
Customer Service Manager

JEVON NATHANIEL
B.Sc. Electrical Engineer, M. Sc. Computer Science
Generation Engineer

GILROY PULTIE
B.Sc. (Electrical Engineering)
Transmission & Distribution Engineer

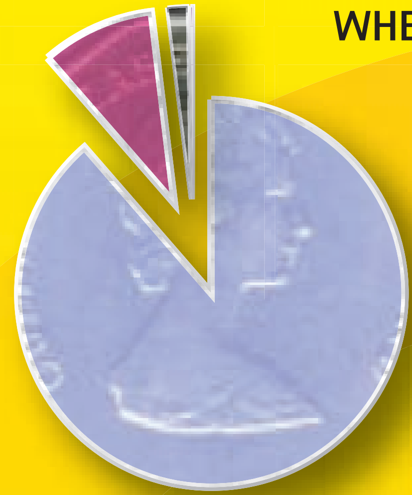
ROGER JOSEPH
MA (International Communication & Development),
Diploma Mass Communication
Corporate Communications Manager

GILLIAN FRENCH
LLB (Hons) L.E.C. MRP (Telecommunications)
General Counsel/Company Secretary

FINANCIAL REPORT 2007

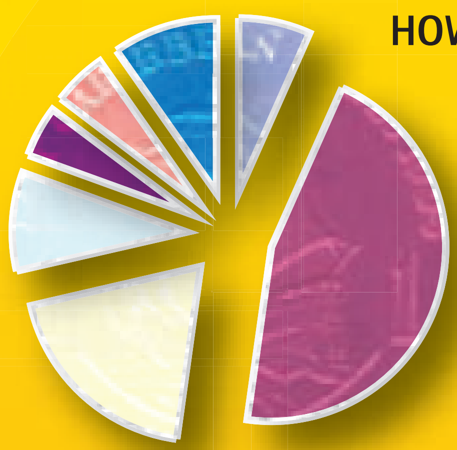
	2007 EC$000	2006 EC$000
FINANCIAL STATISTICS		
Capital Investment	51,219	26,108
Operating Revenue	242,512	227,635
Fuel Surcharge Costs	10,846	34,712
Interest Expense	7,201	7,131
Net Profit after Taxation	28,858	26,997
Ordinary Dividend Declared	16,642	16,642
Return on Rate Base	21.98%	18.91%
Earnings per Share	2.46	2.30
Dividend per Share	1.42	1.42
Dividends as % of Net Profit	58%	62%
Debt/ Equity Ratio	43/57	43/57
OPERATING STATISTICS		
Sales (MWh)	297,841	284,398
Customers	56,209	54,509
Peak Demand (MW)	52.7	49.8
Available Capacity (MW)	76.0	65.8

WHERE THE LUCELEC $ CAME FROM



- Sale of Electricity
- Proceeds from disposal of assets
- Sundry sales
- Long term loans
- Consumer contributions and deposits

HOW THE LUCELEC $ WAS SPENT



- Payroll costs
- Debt servicing
- Operations
- Fuel and lubricants
- Dividends
- Purchase of fixed assets
- Payments to Government

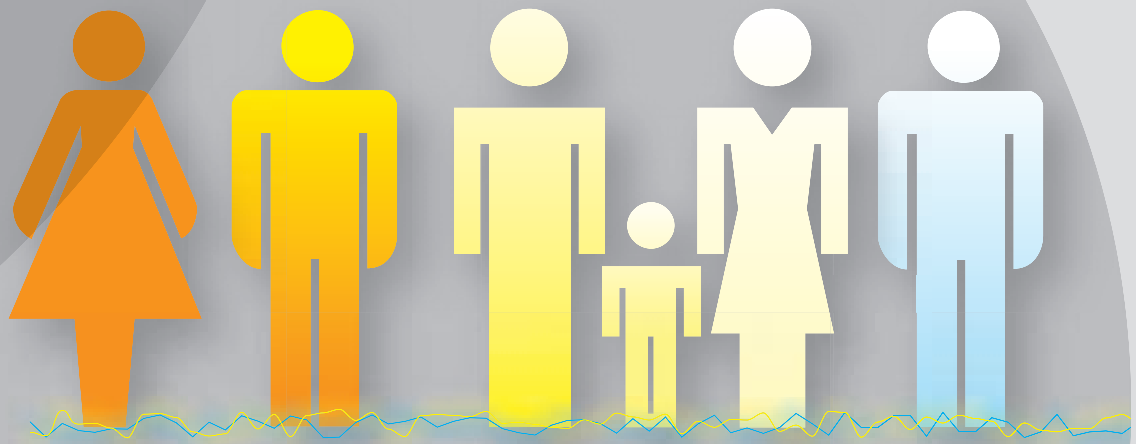
EMPOWERING COMMUNITIES

Children of the Camille Henry Memorial School help beautify an office building with one of Saint Lucia's national flowers - La Marguerite (or the Bachelor's Button); children of the Holy Family Children's Home at Ciceron open birthday and Christmas presents with the excitement and anticipation that only those who have no parents – orphans - can express; the sweet sounds of St. Lucian musical talent find expression at Kalalu and Jazz (on the square, on the pier, and on the island – Pigeon Island, that is); the entire electrical wiring system of the St. Mary's College is redone to improve safety at the school. They all have one thing in common – LUCELEC.

LUCELEC has always been about more than just a provider of electricity. The Company sees its responsibility as providing the opportunity for advancement and development. That is why, through the LUCELEC Trust Company Inc. set up in 2004, LUCELEC has provided hundreds of thousands of dollars in development assistance and donations to schools, day care centres, old folks homes, orphanages, sporting clubs, charities, national associations, national organisations, and major national events (such as Cricket World Cup).

That is why too, LUCELEC's rural electrification programme brings light to large, medium, small, and isolated communities.

In all areas of social and economic development – sports, culture, the environment, education, charity, rural electrification – LUCELEC has been empowering people, organisations and communities, and we remain committed to being the power behind our people.



A POWERFUL PARTNER IN EDUCATION

Over the years LUCELEC has been a powerful partner in education. More than meeting the energy needs for all schools, no matter how remote the location, we have put our power behind renovations, donations of computers and books, and support of sports and cultural activities at various schools at all levels – from pre-school to tertiary. We also operate two scholarship programmes, one for the children of staff attending secondary school and the Bernard Theobalds Scholarship for the public in support of a first degree in the field of engineering.

In 2007, among the several requests for help we received and responded positively to, LUCELEC, spent more than $80,000 to replace the entire electrical wiring and associated fixtures in the main block of St. Mary's College to ensure the safety of the school and its students.

We see education as the cornerstone of our development and remain committed to lighting the way to our future.

LUCELEC ADDS TO THE POWER OF GREEN

At LUCELEC, being environmentally friendly is our way of doing business. This includes compliance with national and international standards on emissions and waste management, minimizing the Company's impact on and reducing risks to the environment, and playing a leading role in the preservation and management of the environment within LUCELEC's sphere of influence.

We are pleased, therefore, to support environmental projects in a range of areas. We actively encourage young people's participation in environmentally friendly initiatives – like the students of the Camille Henry Memorial School planting flowers around our Administrative Building in Sans Souci or the training of students of the Ciceron Secondary School in water quality and coastal reef management.

In the water or on land, we are adding to the power of green by promoting and working towards a sustainable environment for all.

PLAYED OUR PART IN CRICKET WORLD CUP 2007 IN ST LUCIA

In 2007 St. Lucians were called upon to play our part in hosting matches in the Cricket World Cup. Long before that, the infrastructure to facilitate these matches were being put in place. A critical component of that infrastructure was the upgrading of the electrical network for the Beausejour Cricket Grounds. LUCELEC played its part in ensuring that all the required upgrades, not just for the cricket ground, but for the entire north-western corridor were done well within the required time.

It was not by chance that the matches hosted in St. Lucia came off without any interruptions in power. LUCELEC also helped to ensure that St. Lucia scored a historical first by hosting the first day/night international matches in the Caribbean.

PART OF THE KALALU MIX...

Culture has always been an integral part of the development process and there too, LUCELEC has been part of the mix. We have supported at the national level through financial assistance to the umbrella cultural body - the Cultural Development Foundation - and to specific activities or events put on by other organisations that promote the promulgation of our culture or the creative expressions of our people.

We recognise that the creative industries afford our people economic opportunities hitherto unavailable to St. Lucia. That is why we were pleased to support the development of another music festival here - Kalalu - by providing a mix of cash and electrical infrastructure to help get it off on a sound note.

SOUND SUPPORTER OF ST LUCIA JAZZ FESTIVAL

From its inception 16 years ago, LUCELEC has been a strong supporter of the St. Lucia Jazz festival. Our primary role has been ensuring that the electricity infrastructure required to power the festival at main stage (Pigeon Island) and all the fringe locations across the island is always on hand to ensure that St. Lucia's premiere international event never has a single interruption because of electricity outages.

In addition, more recently we have supported the festival through direct financial contributions especially for the growth of the event outside the main stage. We see this partnership as a special one and a fulfilment of the expanded and integral role we play in national development and remain committed to ensuring that the scintillating notes of St. Lucia Jazz continue to sound throughout the island for as long as our support is needed.

A HEART FOR THE LESS PRIVILEGED

LUCELEC recognises that we all enjoy different circumstances. We could not fulfil our strategic objectives for corporate citizenship without doing something about it. That is why we set up the LUCELEC Trust Company Inc. But money alone can do little without the power of caring. This is the added dimension that makes the difference in the donations we make – a heart for the less privileged.

That is why we do not just provide money, but we encourage our staff to volunteer their time and efforts in bringing joy to the less fortunate. That is why, for example, we continue to provide birthday and Christmas presents to the orphaned children at the Holy Family Children's Home in Ciceron. In this way we are not only powering our communities but we are lighting up faces with smiles of pleasure as even the simplest needs are met.

FINANCIAL STATEMENTS

ST. LUCIA ELECTRICITY SERVICES LIMITED

DECEMBER 31, 2007

KPMG

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St. Lucia

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INDEPENDENT AUDITORS' REPORT

To the Members of St. Lucia Electricity Services Limited

Report on the Financial Statements

We have audited the accompanying financial statements of St. Lucia Electricity Services Limited (the Company), which comprise the balance sheet as at December 31, 2007, and the statements of changes in equity, income, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the

To the Members of St. Lucia Electricity Services Limited

Report on the Financial Statements, cont'd

financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements, which have been prepared in accordance with International Financial Reporting Standards, present fairly, in all material respects, the financial position of the Company as at December 31, 2007, and the Company's financial performance, changes in equity and cash flows for the year then ended.

KPMG

Chartered Accountants
Castries, St. Lucia
March 7, 2008

	Notes	2007	2006
Assets			
Non-Current			
Property, plant and equipment	6	$ **302,549,156**	278,501,545
Retirement benefit asset	7	**3,274,000**	2,850,000
Available-for-sale financial asset	8	**3,452,103**	2,687,429
Total non-current assets		**309,275,259**	284,038,974
Current			
Inventories	9	**14,003,002**	15,280,865
Income tax refundable		-	2,729,295
Trade and other receivables	10	**46,266,628**	34,317,383
Deferred expenses		**575,133**	-
Cash and cash equivalents	11	**3,148,936**	2,132,324
Total current assets		**63,993,699**	54,459,867
TOTAL ASSETS		$ **373,268,958**	338,498,841
Equity and liabilities			
Shareholders' equity			
Stated capital	12	$ **80,162,792**	80,162,792
Retained earnings		**59,678,304**	53,932,292
Total equity attributable to shareholders		**139,841,096**	134,095,084
Retirement benefit reserve	7	**3,274,000**	2,850,000
Total shareholders' equity		**143,115,096**	136,945,084
Liabilities			
Non-Current			
Borrowings	13	**107,287,841**	81,359,956
Consumer deposits	14	**11,310,789**	10,307,503
Deferred tax liabilities	15	**29,231,818**	29,864,038
Consumer contributions	16	**24,546,839**	22,477,526
Total non-current liabilities		**172,377,287**	144,009,023
Current			
Borrowings	13	**22,083,887**	24,452,922
Trade and other payables	17	**25,276,702**	21,185,050
Income tax payable		**1,247,351**	-
Dividends payable		**9,168,635**	10,906,762
Total current liabilities		**57,776,575**	57,544,734
Total liabilities		**230,153,862**	201,553,757
TOTAL EQUITY AND LIABILITIES		$ **373,268,958**	338,498,841

Approved by

__________ Director __________ Director

ST. LUCIA ELECTRICITY SERVICES LIMITED

Balance Sheet

December 31, 2007

with comparative figures for 2006

ST. LUCIA ELECTRICITY SERVICES LIMITED

Statement of Changes in Equity
For the year ended December 31, 2007
with comparative figures for 2006

	Notes	Stated Capital	Retained Earnings	Retirement Benefit Reserve	Tariff Reduction Reserve	Total
Balance at December 31, 2005		$ 80,162,792	46,028,877	2,637,000	4,556,783	133,385,452
Profit for the year		-	26,996,759	-	-	26,996,759
Transfer to retirement benefit reserve		-	(213,000)	213,000	-	-
Transfer of tariff reduction rebate		-	(3,087,353)	-	-	(3,087,353)
Transfer to tariff reduction reserve		-	457,125	-	(4,556,783)	(4,099,658)
Overprovision of 2005 dividends		-	392,284	-	-	392,284
Ordinary dividends		-	(16,642,400)	-	-	(16,642,400)
Balance at December 31, 2006		80,162,792	53,932,292	2,850,000	-	136,945,084
Profit for the year		-	28,858,183	-	-	28,858,183
Transfer to retirement benefit reserve		-	(424,000)	424,000	-	-
Transfer of tariff reduction rebate		-	(805,958)	-	-	(805,958)
Transfer from tariff reduction reserve		-	(5,239,813)	-	-	(5,239,813)
Ordinary dividends	19	-	(16,642,400)	-	-	(16,642,400)
Balance at December 31, 2007		$ 80,162,792	59,678,304	3,274,000	-	143,115,096

ST. LUCIA ELECTRICITY SERVICES LIMITED

Statement of Income
For the year ended December 31, 2007
with comparative figures for 2006

	Notes	2007	2006
Revenue			
Energy sales		$ **231,676,426**	191,729,844
Fuel surcharge recovered		**10,178,415**	34,962,415
Other revenue		**657,327**	943,057
		242,512,168	227,635,316
Operating expenses			
Diesel generation		**132,861,048**	102,386,164
Transmission and distribution		**30,400,927**	27,800,390
Fuel surcharge		**10,845,671**	34,712,358
		174,107,646	164,898,912
Gross income		**68,404,522**	62,736,404
Administrative expenses		**(23,436,812)**	(20,526,088)
Operating profit		**44,967,710**	42,210,316
Other gains, net	20	**150,812**	503,355
Profit before finance costs and taxation		**45,118,522**	42,713,671
Finance costs		**(7,201,036)**	(7,131,109)
Profit before taxation		**37,917,486**	35,582,562
Taxation	21	**(9,059,303)**	(8,585,803)
Net profit for the year		$ **28,858,183**	26,996,759
Earnings per share	22	$ **2.46**	2.30

ST. LUCIA ELECTRICITY SERVICES LIMITED

Statement of Cash Flows

For the year ended December 31, 2007

with comparative figures for 2006

	Notes		2007	2006
Cash flows from operating activities				
Profit before taxation		$	37,917,486	35,582,562
Adjustments for:				
Depreciation	6		27,170,990	24,763,021
Finance costs			7,201,036	7,131,109
Gain on disposal of property, plant and equipment			(39,205)	(513,813)
Amortisation of consumer contributions			(1,527,675)	(1,657,575)
Pension benefits			(424,000)	(213,000)
Operating profit before working capital changes			70,298,632	65,092,304
Change in trade and other receivables			(11,949,245)	14,015,485
Change in deferred expenses			(575,133)	-
Change in inventories			1,277,863	(3,637,435)
Change in trade and other payables			4,091,652	(6,918,366)
Cash generated from operations			63,143,769	68,551,988
Interest received			306,221	117,927
Finance costs paid			(7,506,045)	(7,249,038)
Income tax paid			(5,714,877)	(14,736,020)
Net cash from operating activities			50,229,068	46,684,857
Cash flows from investing activities				
Acquisition of available for sale financial asset			(764,674)	(726,846)
Acquisition of property, plant and equipment	6		(51,218,656)	(26,108,070)
Proceeds on disposal of property, plant and equipment			39,260	526,800
Net cash used in investing activities			(51,944,070)	(26,308,116)
Cash flows from financing activities				
Proceeds from borrowings			45,163,434	19,871,034
Repayment of borrowings			(22,605,796)	(13,631,353)
Dividends paid			(18,380,527)	(20,089,391)
Decrease in tariff reduction reserve			-	(4,099,658)
Transfer of tariff reduction rebate			(6,045,771)	(3,087,353)
Consumer contributions received			3,596,988	2,439,656
Consumer deposits received net			1,003,286	328,671
Net cash from/(used in) financing activities			2,731,614	(18,268,394)
Net increase in cash and cash equivalents			1,016,612	2,108,347
Cash and cash equivalents at beginning of year			2,132,324	23,977
Cash and cash equivalents at end of year		$	3,148,936	2,132,324

1. Reporting Entity

St. Lucia Electricity Services Limited (the Company) was incorporated under the laws of St. Lucia on November 9, 1964 and re-registered as a public company on August 11, 1994. The Company was also re-registered under the Companies Act of St. Lucia on October 22,1997. The Company operates under the Electricity Supply Act, 1994 (as amended), and has an exclusive licence for the exercise and performance of functions relating to the supply of electricity in St. Lucia. The Company is listed on the Eastern Caribbean Securities Exchange. The Company's registered office is situated at Sans Soucis, John Compton Highway, Castries, St. Lucia.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs)

The financial statements were approved for issue by the board of directors on **March 7, 2008.**

(b) Basis of measurement

The financial statements have been prepared using the historical cost basis except for available-for-sale financial assets that are measured at fair value.

The methods used to measure fair value are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in Eastern Caribbean dollars, which is the Company's functional currency. All financial information presented in Eastern Caribbean dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following note:

- Note 3 (f): Measurement of defined obligations.
- Note 3 (g): Estimation of unbilled sales and fuel surcharge.
- Note 4: Determining fair values.
- Note 26: Valuation of financial instruments

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the company.

(a) Foreign currency

(i) Foreign Currency Transactions

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign exchange currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges which are recognized directly in equity (see (iii) below).

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivation financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3 (h).

3. Significant Accounting Policies (Cont'd)

Trade Receivables

Trade receivables are carried initially at fair value and subsequently measured at amortised cost less a provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of income.

Trade receivables, being short term, are not discounted.

Trade and Other Payables

Liabilities for trade and other payables which are normally settled on 30 – 90 day terms and conditions are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Company.

Borrowings

Borrowings are recognized initially as the proceeds are received and are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Consumer Deposits

Given the long-term nature of the customer relationship, customer deposits are shown in the balance sheet as non-current liabilities (i.e. not likely to be repaid within twelve months of the balance sheet date).

Consumer Contributions

In certain specified circumstances, consumers requiring line extensions are required to contribute the estimated capital cost of the extensions. These contributions are amortised over the estimated useful lives of the relevant capital cost at an annual rate of 5%. The annual amortisation of consumer contributions is deducted from the depreciation charge provided in respect of the capital cost of these line extensions. Contributions in excess of the applicable capital cost of line extensions are recorded as other revenue in the period in which they are completed. The capital costs of consumer line extensions are included in property, plant and equipment.

3. Significant Accounting Policies (Cont'd)

(b) Financial instruments (Cont'd)

(i) Non-derivative financial instruments (Cont'd)

Available-for-sale financial assets

The Company's investment in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(e)), and foreign exchange gains and losses on available-for-sale monetary items (see note 3(a)), are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(c) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as apart of that equipment.

When parts of an item of property, plant and equipment have different useful live, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income" in profit or loss.

(ii) Subsequent Expenditure

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

3. Significant Accounting Policies (Cont'd)

(c) Property, Plant and Equipment (Cont'd)

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land and rights are not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and available for use.

The annual rates of depreciation for the current and comparative periods are as follows:

• Building	2½	- 12½%	per annum
• Plant and machinery	5	- 14%	per annum
• Motor vehicles	20	- 33⅓%	per annum
• Furniture and fittings	10	- 25%	per annum
• Computer software and hardware	12½	- 25%	per annum

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(d) Inventories

Inventories are measured at the lower of cost and replacement value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Allowance is made for slow-moving and damaged goods.

Goods in transit are stated in invoice cost.

(e) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

3. Significant Accounting Policies (Cont'd)

(e) Impairment (Cont'd)

(i) Financial assets (Cont'd)

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant Accounting Policies (Cont'd)

(f) Employee benefits

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government securities that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Company recognises all actuarial gains and losses arising from defined benefit plans directly in equity immediately.

(ii) Pension benefits assumptions

The present value of the pension obligations depends on a number of factors that are determined by independent qualified actuaries using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the expected long-term rate of return on the relevant plans assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumption is determined on a uniform basis. Taking into consideration long-term historical returns, asset allocation and future estimates of long-term obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of the estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of the Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 7.

3. Significant Accounting Policies (Cont'd)

(f) Employee benefits (Cont'd)

(ii) Pension benefits assumptions (Cont'd)

Where the actual expected return on plan assets to differ by 10% from management's estimates, the carrying amount of pension obligations would be an estimated $123,800 higher or $123,800 lower.

(iii) Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(g) Revenue Recognition

Sale of energy

Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. A provision of 57% of the current month's billings, excluding the fuel surcharge, is made to record unbilled energy sales at the end of each month. This estimate is reviewed periodically to assess reasonableness and adjusted where required. The provision for unbilled sales is included in accrued income.

In addition to the normal tariff rates charged for energy sales, a fuel surcharge is calculated which is based on the difference between the cost of fuel used to generate energy sales in the current month and the average fuel price for the 12 months preceding January of the current year. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month. The provision for unbilled fuel surcharge is included in accrued income.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(h) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3. Significant Accounting Policies (Cont'd)

(i) *Income tax*

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) *Earnings per share*

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3. Significant Accounting Policies (Cont'd)

(k) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements:

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Company's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company's Financial Controller in order to assess each segment's performance and to allocate resources to them. Currently the Company has no reportable segments.

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company's 2009 financial statements. In accordance with the transitional provisions the Company will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Company's 2008 financial statements, with retrospective application required. It is not expected to have any impact on the financial statements.

- IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Company's 2008 financial statements, is not expected to have any effect on the financial statements.

- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Company's 2009 financial statements, is not expected to have any impact on the financial statements.

3. Significant Accounting Policies (Cont'd)

(k) New standards and interpretations not yet adopted (Cont'd)

- IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Company's 2008 financial statements, with retrospective application required. The Company has not yet determined the potential effect of the interpretation.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

(ii) Trade and other receivables

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

5. Financial risk management (Cont'd)
Overview (Cont'd)

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee assesses financial and control risks to the Company. The committee reports regularly to the Board of Directors on their activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with its risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Geographically there is no concentration of credit risk.

The Board of Director's has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and service terms and conditions are offered. These payment terms are stipulated under the provisions of the Electricity Supply Act of 1994 (as amended) and include providing discretion to the Company to require a deposit from any consumer as security for sums due from time to time. Such deposit shall not exceed an estimated two month's supply of electricity. Customers that fail to meet the Company's benchmark creditworthiness may have their electricity supply withdrawn or terminated in accordance with the provisions of the Act.

More than 85 percent of the Company's customers have been transacting with the Company for over four years, and losses have occurred infrequently.

5. Financial risk management (Cont'd)

Trade and other receivables (Cont'd)
The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments
The Company limits its exposure to credit risk by only investing in liquid securities. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains the following lines of credit:

- Two overdraft facilities of EC$5 million and EC$3 million which are secured. Interest is payable at the rate of 9% and 8% respectively.
- A standby credit facility in the amount 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 instalment loan subject to the necessary approvals. The interest rate is 7.41% on the credit facility and 6.5% if converted into a demand loan.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

5. Financial risk management (Cont'd)

Currency risk
The Company is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the functional currency. The currency in which these transactions primarily are denominated is United States Dollars.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Company.

The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar has been formally pegged at EC$2.70 = US$1.00 since 1974.

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after tax divided by average shareholders' equity, excluding non-redeemable preference shares and minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Under the terms of the mortgage debenture agreement, the Company's total debt shall not exceed its tangible net worth shall not exceed its tangible net worth which currently comprises its share capital and retained earnings.

There were no changes in the Company's approach to capital management during the year.

6. Property, Plant and Equipment

Property, plant and equipment comprises:

		Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Work in Progress	Total
Cost							
Balance at January 1, 2006	$	83,139,469	405,853,300	3,405,337	9,376,126	9,296,710	512,070,942
Additions		231,477	15,390,019	274,350	419,205	9,793,019	26,108,070
Transfers		17,846	8,685,708	-	(669,495)	(8,034,059)	-
Disposals		(63,790)	-	(149,887)	-	-	(213,677)
Balance at December 31, 2006		84,325,002	429,929,027	3,529,800	9,125,836	11,055,670	537,965,335
Additions		38,610	754,159	242,180	220,682	49,963,025	51,218,656
Transfers		562,607	49,622,929	-	4,380,773	(54,566,309)	-
Disposals		-	(710)	(147,000)	(95,502)	-	(243,212)
Balance at December 31, 2007		84,926,219	480,305,405	3,624,980	13,631,789	6,452,386	588,940,779
Accumulated Depreciation							
Balance at January 1, 2006		20,980,878	204,446,711	2,839,991	6,633,879	-	234,901,459
Charge for the year		2,000,677	21,765,481	276,682	720,181	-	24,763,021
Eliminated on disposals		(50,803)	-	(149,887)	-	-	(200,690)
Balance at December 31, 2006		22,930,752	226,212,192	2,966,786	7,354,060	-	259,463,790
Charge for the year		2,006,298	23,725,591	253,638	1,185,463	-	27,170,990
Eliminated on disposals		-	(710)	(147,000)	(95,447)	-	(243,157)
Balance at December 31, 2007		24,937,050	249,937,073	3,073,424	8,444,076	-	286,391,623
Net Book Value							
December 31, 2007	$	59,989,169	230,368,332	551,556	5,187,713	6,452,386	302,549,156
December 31, 2006	$	61,394,250	203,716,835	563,014	1,771,776	11,055,670	278,501,545
December 31, 2005	$	63,158,591	201,406,589	565,346	2,742,247	9,276,710	277,169,483

6. Property, Plant and Equipment (Cont'd)

The Company carries insurance coverage on its main assets on a group basis with electricity utility companies in two neighbouring islands. Liability on the external transmission and distribution system, which is included in property, plant and equipment at an historical cost of $254,066,350 at December 31, 2007 (2006 - $249,591,222), is limited to an annual aggregate of $100,000,000 for the three utilities.

Transmission and distribution insurance cover is shared with the electricity utility company in one of the neighbouring islands. Combined liability is limited to $100,000,000 for all property excluding transmission and distribution for each and every event and in aggregate for the two utilities.

Borrowing costs amounting to $1,484,503 (2006 - $228,218) were capitalized during the year.

7. Retirement Benefit Asset

Grade I Employees
The Company contributes to a defined benefit pension scheme with Sagicor Life Inc. for Grade I employees.

Grade II Employees
The Company contributes to a defined benefit pension scheme with Colonial Life Insurance Company for Grade II employees.

The most recent actuarial valuation of the above two schemes is dated December 31, 2006. The plans were valued using the "Projected Unit Credit" method of valuation.
The principal actuarial assumptions used for both schemes were as follows:

	2007	2006
	%	%
Discount rate	**7.0**	7.0
Expected return on plan assets	**7.5**	7.5
Future salary increases	**5.5**	5.5
NIC ceiling increases	**2.0**	2.0
Future pension increases	**0.0**	0.0

7. Retirement Benefit Asset

The amounts recognised in the balance sheet at December 31, 2007 are determined as follows:

	Grade II		Grade I		Total	
	2007	2006	2007	2006	2007	2006
Present value of funded obligations	$ **(8,982,000)**	(8,772,000)	**(9,283,000)**	(8,409,000)	**(18,265,000)**	(17,181,000)
Fair value of plan assets	**12,005,000**	10,979,000	**11,287,000**	10,469,000	**23,292,000**	21,448,000
Unrecognised actuarial loss/(gain)	**(1,918,000)**	(1,314,000)	**165,000**	(103,000)	**(1,753,000)**	(1,417,000)
Defined benefit asset	$ **1,105,000**	893,000	**2,169,000**	1,957,000	**3,274,000**	2,850,000

The amount of $3,274,000 (2006 - $2,850,000) is recognised as a defined benefit asset as it will be available to the Company to fund a contribution reduction in the future. The Trustees of the Grade I and Grade II pension schemes are precluded from paying out the $3,274,000 (2006 - $2,850,000) to the Company.

7. Retirement Benefit Asset (cont'd)

The movements in the defined benefit obligation for the year ended December 31, 2007 were as follows:

	Grade II		Grade I		Total	
	2007	2006	2007	2006	2007	2006
Defined benefit obligation as at January 1, 2007	$ **8,772,000**	8,377,000	**8,409,000**	7,741,000	**17,181,000**	16,118,000
Services and interests costs	**1,030,000**	975,000	**813,000**	779,000	**1,843,000**	1,754,000
Members' contributions	**170,000**	167,000	**192,000**	181,000	**362,000**	348,000
Benefits paid	**(422,000)**	(365,000)	**(258,000)**	(135,000)	**(680,000)**	(500,000)
Expense allowance	**(34,000)**	(33,000)	**(42,000)**	(42,000)	**(76,000)**	(75,000)
Actuarial gain	**(534,000)**	(349,000)	**169,000**	(115,000)	**(365,000)**	(464,000)
Defined obligation benefit as at December 31, 2007	$ **8,982,000**	8,772,000	**9,283,000**	8,409,000	**18,265,000**	17,181,000

7. Retirement Benefit Asset (cont'd)

The movements in the plans' assets for the year ended December 31, 2007 were as follows:

		Grade II		Grade I		Total	
		2007	2006	**2007**	**2006**	**2007**	**2006**
Fair value of plan assets at January 1, 2007	$	**10,979,000**	10,249,000	**10,469,000**	9,549,000	**21,448,000**	19,798,000
Contributions paid - company		**409,000**	259,000	**235,000**	222,000	**644,000**	481,000
Contributions paid - members		**170,000**	167,000	**192,000**	181,000	**362,000**	348,000
Expected return on plan assets		**819,000**	761,000	**790,000**	725,000	**1,609,000**	1,486,000
Benefits paid		**(422,000)**	(365,000)	**(258,000)**	(135,000)	**(680,000)**	(500,000)
Expense allowance		**(34,000)**	(33,000)	**(42,000)**	(42,000)	**(76,000)**	(75,000)
Actuarial loss		**84,000**	(59,000)	**(99,000)**	(31,000)	**(15,000)**	(90,000)
Fair value of plan assets at December 31, 2007	$	**12,005,000**	10,979,000	**11,287,000**	10,469,000	**23,292,000**	21,448,000

7. Retirement Benefit Asset (Cont'd)

Plan assets consist of the following:

	Grade II		Grade I		Total	
	2007	2006	2007	2006	2007	2006
Equity securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Property	-	-	-	-	-	-
Deposit administration account	100%	100%	100%	100%	100%	100%
Total	100%	100%	100%	100%	100%	100%

The actual return on plan assets for the year ended December 31, 2007 was as follows:

	Grade II		Grade I		Total	
	2007	2006	2007	2006	2007	2006
Return on plan assets	$ 903,000	702,000	691,000	694,000	1,594,000	1,396,000

The amounts recognized in the statement of income for the year ended December 31, 2007 was as follows:

	Grade II		Grade I		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Current service cost	$ **428,000**	399,000	**210,000**	220,000	**638,000**	619,000
Interest on defined benefit obligations	**602,000**	576,000	**603,000**	559,000	**1,205,000**	1,135,000
Expected return on plan assets	**(819,000)**	(761,000)	**(790,000)**	(725,000)	**(1,609,000)**	(1,486,000)
Amortised net gain	**(14,000)**	-	**-**	-	**(14,000)**	-
Past service costs	**-**	-	**-**	-	**-**	-
Net pension costs	$ **197,000**	214,000	**23,000**	54,000	**220,000**	268,000

The credit is recognized in the following line items in the statement of income:

	2007	**2006**
Administrative expenses	$ **23,436,812**	20,526,088

7. Retirement Benefit Asset (Cont'd)

Movement in asset recognised in the balance sheet was as follows:

		2007	2006
At beginning of year	$	2,850,000	2,637,000
Total expenses as shown above		(220,000)	(268,000)
Contributions paid		644,000	481,000
At end of year	$	3,274,000	2,850,000

Actuarial gains and losses recognized directly in equity were as follows:

		Grade II		Grade I		Total	
		2007	2006	2007	2006	2007	2006
Cumulative amount as at January 1, 2007	$	**(1,314,000)**	(1,024,000)	**(103,000)**	(19,000)	**(1,417,000)**	(1,043,000)
Recognised during the period		**(604,000)**	(290,000)	**268,000**	(84,000)	**(336,000)**	(374,000)
Cumulative amount as at December 31, 2007	$	**(1,918,000)**	(1,314,000)	**165,000**	(103,000)	**(1,753,000)**	1,417,000

Historical information for Grade I and Grade II

		Grade II		Grade I		Total	
		2007	**2006**	**2007**	**2006**	**2007**	**2006**
Present value of defined benefit obligation	$	**8,982,000**	8,772,000	**9,283,000**	8,409,000	**18,265,000**	17,181,000
Fair value of plan assets		**(12,005,000)**	(10,979,000)	**(11,287,000)**	(10,469,000)	**(23,292,000)**	(21,448,000)
Surplus	$	**(3,023,000)**	(2,207,000)	**(2,004,000)**	(2,060,000)	**(5,027,000)**	(4,267,000)
Experience adjustment on plan liabilities	$	**(534,000)**	(349,000)	**169,000**	(115,000)	**(365,000)**	(464,000)
Experience adjustment on plan assets	$	**84,000**	(59,000)	**(99,000)**	(31,000)	**(15,000)**	(90,000)

7. Retirement Benefit Asset (Cont'd)

Grade III Employees

For its senior employees, the Company contributes to the regional CDC Caribbean Pension Scheme administered by Sagicor Life Inc. The total membership of the scheme at the date of the last actuary valuation, on January 1, 2004 was as follows:

	Number
Active members	46
Deferred pensioners	20
Pensions in payment	5
	71

Morgan Grenfell Asset Management invests the assets supporting the plan.

The most recent actuarial valuation of the plan dated January 1, 2004 showed for all members, assets valued at $18,598,799 and pension benefit liabilities valued at $17,087,460. The report was prepared based on draft financial statements for the pension scheme for 1999 and 2000 as adjusted by information obtained by the actuary from the administrator.

The plan was valued using the "Projected Unit Credit" method of valuation. The financial assumptions made included a rate of return on assets of 7%, a rate of salary increases of 6% and a rate of pension increases during retirement of 3%.

8. Available-for-sale Financial Asset

		2007	**2006**
Securities: available-for sale			
At beginning of year	$	**2,687,429**	1,960,583
Additions for year		**764,674**	726,846
At end of year	$	**3,452,103**	2,687,429

There were no disposals or impairment provisions with respect to the available-for-sale financial asset in 2007.

Available-for-sale financial assets as at 31 December 2007 have stated interest rate of 5.05%.

The company's exposure to credit, currency and interest rate risks related to available-for-sale financial asset is disclosed in note 26

The Company has established a "Self Insurance Fund" to assist in financing risk exposures on certain assets that are under-insured due to the non-availability of the relevant cover or prohibitive pricing. The Company will be setting aside funds on an annual basis and has, at December 31, 2007, subscribed for US$1.275m, 63,732.08 units (2006 – US$0.992m, 49,581.52 units) in a "US Dollar Money Market Fund" established by the Unit Trust Corporation of Trinidad & Tobago. The effective interest rate at December 31, 2007 was 5.05% (2006 – 5%).

9. Inventories

		2007	2006
Fuel inventories	$	1,792,459	1,700,632
Generation spare parts		7,521,508	7,655,933
Transmission, distribution and other spares		6,403,821	7,615,711
Gross inventories		15,717,788	16,972,276
Less: provision for impairment of inventories		(1,714,786)	(1,691,411)
	$	14,003,002	15,280,865

10. Trade and Other Receivables

		2007	2006
Trade receivables due from related parties	$	3,113,154	4,060,259
Other trade receivables		29,573,561	21,673,909
Less: provision for impairment of trade receivables		(4,735,190)	(4,392,850)
Trade receivables, net		27,951,525	21,341,318
Other receivables		3,072,904	2,233,862
Less: provision for impairment of other receivables		(442,987)	(343,498)
Other receivables, net		2,629,917	1,890,364
Accrued income		14,609,832	10,444,601
Prepayments		1,075,354	641,100
		15,685,186	11,085,701
	$	46,266,628	34,317,383

The company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 26.

11. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

		2007	2006
Cash at bank and in hand	$	3,148,936	2,132,324

12. Share Capital

	2007	2006
Authorised:		
Voting ordinary shares	**15,000,000**	15,000,000
Non-voting ordinary shares	**800,000**	800,000

	2007	2006
Issued and fully paid		
11,200,000 (2006 – 11,200,000) voting ordinary shares	$ **77,562,792**	77,562,792
520,000 (2006 – 520,000) non-voting ordinary shares	**2,600,000**	2,600,000
	$ **80,162,792**	80,162,792

13. Borrowings

This comprises:

	Notes	2007	2006
Current			
Bank overdraft		$ **2,381,447**	5,530,572
Bank borrowings		**11,658,777**	11,942,337
Related parties	23	**8,043,663**	7,980,013
		22,083,887	25,452,922
Non-current			
Bank borrowings		**34,900,678**	23,455,593
Related parties	23	**72,387,163**	57,904,363
		107,287,841	81,359,956
Total borrowings		$ **129,371,728**	106,812,878

Borrowings include liabilities amounting to $120,258,718 (2006 - $97,595,057) and the bank overdraft that are secured by hypothecary obligations and mortgage debentures creating fixed charges over all immovable property and floating charges over all other assets, all ranking pari passu pursuant to a security sharing agreement, and assignment of insurance policies. Also included in borrowings are loans guaranteed by the Government of St. Lucia amounting to $9,113,010 (2006 - $11,217,821).

13. Borrowings (Cont'd)

The weighted average effective rates at the balance sheet date were as follows:

	2007	2006
	%	%
Current		
Bank overdraft	9.00	9.00
Bank borrowings	6.07	6.07
Related parties	7.37	7.37

Maturity of non-current borrowings:

	2007	2006
Between 1 and 2 years	$ 28,893,471	18,649,829
Between 2 and 5 years	31,213,149	35,792,647
Over 5 years	47,181,221	26,917,480
	$ 107,287,841	81,359,956

The company's exposure to interest rate, foreign currency, and liquidity risks related to borrowings is disclosed in note 26.

14. Consumer Deposits

Consumers requesting energy connections are required to pay a deposit that is refundable when service is no longer required. Interest accrues on these deposits at a rate of 3% per annum at December 31, 2007 (2006 – 3% per annum). Accrued interest of $3,158,560 (2006 - $2,985,334) is included in consumer deposits.

15. Deferred Tax Liabilities

Deferred tax liability is calculated in full on temporary differences under the balance sheet liability method using a principal tax rate of 30% (2006 – 30%). The movement on the deferred tax liability account is as follows:

	2007	2006
At beginning of year	$ 29,864,038	29,724,018
(Reversed)/expensed during the year	(632,220)	140,020
At end of year	$ 29,231,818	29,864,038

15. Deferred Tax Liabilities (Cont'd)

Deferred tax liabilities are attributed to the following items:

	2007	2006
Property, plant and equipment	$ **28,249,618**	29,009,038
Pensions and retirement benefit asset	**982,200**	855,000
	$ **29,231,818**	29,864,038

16. Consumer Contributions

	2007	2006
At beginning of year	$ **22,477,526**	21,695,445
Contributions received	**3,596,988**	2,439,656
Amortisation for the year	**(1,527,675)**	(1,657,575)
At end of year	$ **24,546,839**	22,477,526

17. Trade and Other Payables

	2007	2006
Trade payables	$ **9,120,049**	4,311,617
Accrued expenses	**7,149,942**	11,244,365
Other payables	**8,922,475**	5,537,946
Related parties - shareholders	**84,236**	91,122
	$ **25,276,702**	21,185,050

The company's exposure to foreign currency and liquidity risks related to trade and other payables is disclosed in note 26.

18. Tariff Reduction Reserve

Under the provisions of the Electricity Supply Amendment Act Nos. 12 of 2006 and 13 of 2006, a new mechanism is in effect for the computation of the Allowable Rate of Return and is based on a predetermined range of Return on Average Contributed Capital.

18. Tariff Reduction Reserve (Cont'd)

The range is limited to between 2% and 7% above the cost of the most recent long-term bonds issued by the Government of St. Lucia on the Regional Government Securities Market, with a minimum return of 10% and no cap. In the event that the Allowable Rate of Return is higher than the permitted maximum, 50% of the excess is distributable to hotel and industrial customers. The Act provides for the Minister, by Order to include "customers in need of special protection". The distribution is computed as an adjustment to the base tariff based upon consumption in the previous financial year. In the event that the Rate of Return falls below the minimum of 10% provision is also made in for the upward adjustment of the base tariff.

Under the provisions of these amendments, an amount of $5,239,813 (2006 - $3,087,353) is due to qualifying customers, and for this reporting period, has been included in trade and other payables.

19. Dividends

				2007	2006
Interim -	$0.65	(2006 - $0.60) per share	$	**7,618,000**	7,032,000
Final -	$0.77	(2006 - $0.82) per share		**9,024,400**	9,610,400
			$	**16,642,400**	16,642,400

20. Other Gains, Net

		2007	2006
Gain on disposal of property, plant and equipment	$	**39,205**	513,813
Foreign exchange losses, net		**111,607**	(10,458)
	$	**150,812**	503,355

21. Taxation

		2007	2006
Current tax	$	**9,691,523**	8,445,783
Net change in deferred tax liabilities (Note 15)		**(632,220)**	140,020
	$	**9,059,303**	8,585,803

21. Taxation (Cont'd)

Tax on the Company's profit before taxation differs from the expected amount that would arise using the statutory tax rate of 30% (2006 – 30%) as follows:

	2007	2006
Profit before taxation	$ 37,917,486	35,582,562
Tax calculated at the statutory rate of 30% (2006 – 30%)	11,375,246	10,674,769
Tax effect of income not subject to tax	(2,716,797	(435,417)
Tax effect of expenses not deductible for tax	-	1,208,007
Tax effect of prior year adjustment and change in tax rates	400,854	(2,861,556)
Actual tax charge	$ 9,059,303	8,585,803

22. Earnings Per Share

Earnings per share have been calculated by dividing the profit for the year of $28,858,183 (2006 - $26,996,759) by the weighted average number of issued ordinary shares of 11,720,000 (2006 - 11,720,000).

23. Related Parties

(a) Identification of related party
A party is related to the Company if:

(i) Directly or indirectly the party:

- Controls, is controlled by, or is under common control with the Company.
- Has an interest in the Company that gives it significant influence over the Company or
- Has joint control over the Company.

(ii) The party is a member of the key management personnel of the Company

(iii) The party is a close member of the family of any individual referred to in (i) or (ii)

(iv) The party is a post-employment benefit plan for the benefit of employees of the Company or any company that is a related party of the Company,

(b) Related party transactions and balances
A number of transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, or commercial terms and conditions.

23. Related Parties (Cont'd)

(c) Transactions with key management personnel

In addition to their salaries, the Company also provides non-cash benefits to executive officers and contributions to a post-employment defined benefit plan on their behalf. The key management personnel compensations are as follows:

- Short-term employee benefits
- Part-employment benefits
- Termination benefits

The Company is controlled by the following entities:

	2007 %	2006 %
Emera St. Lucia Ltd.	20.00	20.00
First Citizens Bank Limited	20.00	20.00
National Insurance Corporation	16.79	16.79
Castries City Council	16.33	16.33
Government of St. Lucia	12.44	12.44
	85.56	85.56

The remaining 14.44% (2006 – 14.44%) of the shares is widely held.

Transactions with shareholders during the year were as follows:

		2007	2006
Revenue			
National Insurance Corporation	$	**2,986,406**	2,504,570
Castries City Council		**1,452,878**	1,235,317
Government of St. Lucia and its corporations		**21,767,289**	16,468,682
	$	**26,206,573**	20,208,569
Finance Costs			
National Insurance Corporation	$	**473,758**	546,209
First Citizens Bank Ltd.		**4,807,969**	3,627,842
	$	**5,281,727**	4,174,051

23. Related Parties (Cont'd)

Lease Charges

Government of Saint Lucia	$ 100,000	100,000

The Government of St. Lucia receives a 10% discount on tariff sales for all accounts other than street lighting.

Loans from shareholders at the year ended were as follows:

	2007	2006
National Insurance Corporation		
At beginning of year	$ **6,382,507**	7,294,294
Repayments during year	**(948,707)**	(954,860)
	5,433,800	6,339,434
Accrued interest	**36,920**	43,073
At end of year	$ **5,470,720**	6,382,507

	2007	2006
First Citizens Bank Limited		
At beginning of year	$ **59,501,867**	43,094,885
Draw-downs during year	**22,163,434**	16,338,158
Repayments during year	**(7,031,304)**	(187,482)
	74,633,997	59,245,561
Accrued interest	**326,109**	256,306
At end of year	$ **74,960,106**	59,501,867

The above loans are fully secured (Note 13).

Balances arising from supply of services at year end (Note 10) were as follows:

	2007	2006
National Insurance Corporation	$ **243,733**	191,709
Castries City Council	**3,945**	80,391
Government of St. Lucia	**2,865,476**	3,788,159
	$ **3,113,154**	4,060,259

24. Expenses by Nature

	2007	2006
Fuel cost over base	$ **10,845,671**	34,712,358
Fuel at base price	**113,028,726**	84,646,771
Depreciation on property, plant and equipment	**27,170,992**	24,763,021
Repairs and maintenance	**12,592,281**	13,808,192
Employee benefit expense	**16,130,910**	16,296,202
Other operating expenses	**19,303,553**	13,069,031
Amortisation of consumer contributions	**(1,527,675**	(1,657,575)
	$ **197,544,458**	185,638,000

25. Employee Benefit Expense

	2007	2006
Wages and salaries	$ **15,235,092**	15,346,770
Pension costs – defined benefit plans	**220,000**	268,000
Grade III employees – defined benefit plan	**675,818**	681,432
	$ **16,130,910**	16,296,202

The number of permanent employees at December 31, 2007 was 228 (2006 – 225).

26. Financial Instruments

Credit risk
Exposure to credit risk

The carrying amount of financial assets represent the maximum exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	Carrying Amounts 2007	2006
Available for sale financial assets	8	$ 3,452,103	2,687,429
Trade and other receivables	10	46,266,628	34,317,383
Cash and cash equivalents	11	3,148,936	2,132,324
		$ 52,867,667	39,137,136

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying Amount 2007	Carrying Amount 2006
Business	$ 15,514,903	11,888,687
Residential	12,436,622	9,452,631
	$ 27,951,525	21,341,318

Impairment losses:

The aging of trade receivables at the reporting date was:

	Gross 2007	Impairment 2007	Gross 2006	Impairment 2006
Not past due	17,515,416	-	14,899,339	-
Past due 0-30 days	6,308,578	30,811	4,593,015	-
Past due 31- 90 days	1,818,962	41,055	958,028	-
Over 90 days	7,043,759	4,663,324	5,283,786	4,392,850
	$ 32,686,715	4,735,190	25,734,168	4,392,850

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Carrying Amount 2007	Carrying Amount 2006
Balance at January 1, 2007	$ 4,392,850	4,867,482
Impairment loss recognised	342,340	(474,632)
Balance at December 31, 2007	$ 4,735,190	4,392,850

The allowance accounts in respect of trade and other receivables are used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable is written off against the financial asset directly.

26. Financial Instruments (Cont'd)
Liquidity risk

The following are the contractual maturities of financial liabilities including estimated interest payments:

December 31, 2007

	Carrying amount	Contractual cash flows	Under 1 year	1-2years	2-5 Years	More than 5 years
Non-derivative financial liabilities						
Secured bank loans	(126,990,281)	(170,784,212)	(27,724,950)	(23,423,365)	(50,802,438)	(68,833,459)
Bank overdraft	(2,381,447)	(2,381,447)	(2,381,447)	-	-	-
Trade and other payables	(25,276,702)	(25,276,702)	(25,276,702)	-	-	-
Dividend payable	(8,934,235)	(8,934,235)	8,934,235)	-	-	-
	(163,582,665)	(207,376,596)	(64,317,334)	(23,423,365)	(50,802,438)	(68,833,459)

December 31, 2006

	Carrying amount	Contractual cash flows	Under 1 year	1-2years	2-5 Years	More than 5 years
Non-derivative financial liabilities						
Secured bank loans	(101,282,306)	(116,302,727)	(25,537,966)	(14,277,312)	(45,287,160)	(31,200,289)
Bank overdraft	(5,530,572)	(5,530,572)	(5,530,572)	-	-	-
Trade and other payables	(21,185,050)	(21,185,050)	(21,185,050)	-	-	-
Dividend payable	(10,906,762)	(10,906,762)	(10,906,762)	-	-	-
	(138,904,690)	(153,925,111)	(63,160,350)	(14,277,312)	(45,287,160)	(31,200,289

26. Financial Instruments (Cont'd)

Currency Risk
Exposure to currency risk
The company's exposure to foreign currency risk was as follows based on notional amounts.

	XCD	Euro	USD	GBP	XCD	Euro	USD	GBP
	31 December 2007				31 December 2006			
Trade and other receivables	46,266,628	-	-	-	34,317,383	-	-	-
Secured bank loans	(30,821,185)	-	(35,472,927)	-	(15,676,966)	-	(31,588,687)	-
Trade payables	(21,458,323)	(10,498)	(857,261)	(286,881)	(17,977,576)	-	(694,619)	(263,704)
Balance sheet exposure	(6,012,880)	(10,498)	(36,330,118)	(286,881)	662,841	-	(32,283,306)	(263,704)

The following significant exchange rates applied during the year:

	Average rate		Reporting date Spot rate	
XCD	2007	2006	2007	2006
USD 1	2.717	2.717	2.717	2.717
Euro 1	3.627	3.333	3.900	3.497
GBP 1	5.303	4.881	5.291	5.181

26. Financial Instruments (Cont'd)

Interest rate risk
Profile

At the reporting date the interest rate profile of the company's interest-bearing financial instruments was:

		Carrying Amount 2007		Carrying Amount 2006	
Fixed rate instruments:					
Financial assets	$	6,583,901	4.08%	4,810,433	4.13%
Financial liabilities		(129,371,728)	6.07%	(106,812,878)	6.07%
	$	(122,787,827)		(102,002,445)	

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

26. Financial Instruments (Cont'd)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

		Carrying amount as at December 31, 2007	Fair value as at December 31, 2007	Carrying amount as at December 31, 2006	Fair value as at December 31, 2006
Available for sale financial assets	$	3,452,103	3,452,103	2,687,429	2,687,429
Trade and other receivables		46,266,628	46,266,628	34,317,383	34,317,383
Cash and cash equivalents		3,148,936	3,148,936	2,132,324	2,132,324
Secured borrowings		(126,990,281)	(124,923,378)	(101,282,306)	(90,354,505)
Bank overdraft		(2,381,447)	(2,381,447)	(5,530,572)	(5,530,572)
Trade and other payables		(25,276,702)	(25,276,702)	(21,185,050)	(21,185,050)
Dividend payable		(8,934,235)	(8,934,235)	(10,906,762)	(10,906,762)
	$	(110,714,998)	(108,698,095)	(99,767,554)	(88,839,753)

The basis of determining fair values is disclosed in note 4.

Interest rates used for determining fair values

The interest rates used to discount estimated cash flow are based on the interest rates of government securities at the reporting date.

27. Commitments

Capital commitments
Company had capital commitments at December 31, 2007 of $410,000 (2006 - $29,683,466) in respect of work contracted.

Operating lease commitment
The future aggregate minimum lease payments on the operating lease is as follows:

		2007	2006
Not later than 1 year	$	100,000	100,000
Later than 1 year and not later than 5 years		-	-
	$	100,000	100,000

The above operating lease is for a term of twenty years. A yearly rent of $100,000 is payable on the 1st day of May in each year of the first 5 years and thereafter at an annual rental to be negotiated between the parties by reference to the cost of living index as published in the Official Gazette of St. Lucia and by reference being paid for similar premises at Union at the time of such negotiations.

28. Contingent Liability

Over the period 2002 to 2005, the company had differences with the Inland Revenue department over the application of withholding tax to certain insurance premium payments to non-resident insurance companies. During 2007, the company arrived at a solution with the Department which is now of the opinion that the applicable penalties and interest, totaling some EC$9.5 millions, is also not allowable. The tax impact of this, if upheld, is approximately $2.85 millions.

The matter is currently being negotiated with the Inland Revenue department and as the final outcome of this matter cannot be determined at the reporting date, no provision has been made in the financial statements.

29. Self Insurance Fund

In prior years, the Company experienced difficulty in obtaining adequate and reasonably priced commercial insurance coverage primarily on the Transmission and Distribution assets. The Board of Directors had therefore given approval for the establishment of a Self Insurance Fund to provide coverage for its assets in the event of natural disasters or similar catastrophic events. The relevant enabling legislative process was completed during 2007. Consequently, effective January 2008, the Company will cease commercial insurance cover of it's Transmission and Distribution assets and on an annual basis, will place amounts into the Fund which will be independently managed under the terms of a registered Trust Deed.

During 2008, the amount of EC$5.5M will be paid into the Fund comprising $2M provided for during the year and the $3.5M invested in the Unit Trust Corporation of Trinidad and Tobago stated as "Available-for-Sale Financial Asset" on the Company's balance sheet (See Note 8). This will be supported by a line of credit of EC$10M made available to the Company by a local commercial bank (See Note 5).

OPERATING STATISTICS 1998 - 2007

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Generating Plant (kW)										
Available Capacity	76,000	65,800	65,800	56,800	56,800	66,400	66,400	66,400	59,900	59,900
Firm Capacity	55,600	46,300	46,300	37,000	37,000	47,800	47,800	47,800	46,700	46,700
Peak Demand	52,700	49,800	49,200	46,600	44,900	43,400	43,300	43,300	41,000	37,200
Percentage growth in peak demand	5.8%	1.2%	5.6%	3.8%	3.5%	0.2%	0.0%	5.6%	10.2%	7.4%
Sales (kWh x 1000)										
Domestic	104,784	101,635	98,914	96,062	92,848	89,084	88,443	85,075	79,491	75,639
Commercial (including Hotels)	168,151	160,895	158,483	151,451	141,374	133,996	137,017	131,863	120,628	108,618
Industrial	15,789	12,982	12,522	12,345	13,185	12,673	12,954	13,250	12,271	11,640
Street Lighting	9,117	8,886	7,481	6,544	4,713	3,634	5,002	3,893	3,271	2,931
Total Sales	297,841	284,398	277,399	266,402	252,120	239,387	243,416	234,081	215,661	198,828
Power Station and Office Use (kWh x 1000)	13,185	13,071	13,172	12,076	11,793	11,970	12,522	12,069	10,800	8,817
Losses (kWh x 1000)	34,672	33,291	33,043	30,062	35,070	34,356	30,601	30,595	29,734	28,236
Units Generated (kWh x 1000)	345,698	330,760	323,614	308,540	298,983	285,714	286,539	276,745	256,195	235,881
Percentage growth in units generated	4.5%	2.2%	4.9%	3.2%	4.6%	-0.3%	3.5%	8.0%	8.6%	10.7%
Percentage growth in sales	4.7%	2.5%	4.1%	5.7%	5.3%	-1.7%	4.0%	8.5%	8.5%	10.0%
Percentage Losses (excl. prior year sales adjs.)	10.0%	10.1%	10.2%	10.2%	11.7%	12.0%	10.7%	11.1%	11.6%	12.0%
Number of Consumers at Year End										
Domestic	50,163	48,697	47,417	46,347	44,980	43,460	42,548	41,097	39,825	37,956
Commercial (Including Hotels)	5,938	5,714	5,474	5,307	5157	5,050	5,082	5,102	5,049	4,896
Industrial	101	95	95	96	102	106	112	116	115	119
Street Lighting (accounts)	7	3*	16	16	14	17	18	17	17	17
	56,209	54,509	53,002	51,766	50,253	48,633	47,760	46,332	45,006	42,988
Percentage growth	3.1%	2.8%	2.4%	3.0%	3.3%	1.8%	3.1%	2.9%	4.7%	4.7%

*** At their request the accounts of the Government of St. Lucia was rationalised from 15 to 2 and this total includes one other entity**

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Average Annual Consumption Per Customer (kWh)										
Domestic	2,089	2,087	2,086	2,073	2,064	2,050	2,079	2,070	1,996	1,993
Commercial (including Hotels)	28,318	28,158	28,952	28,538	27,414	26,534	26,961	25,845	23,892	22,185
Industrial	156,327	136,653	131,811	128,594	129,265	119,559	115,661	114,224	106,709	97,815
Diesel fuel consumed (Imp. Gall.)	17,729,217	17,009,188	16,666,145	15,961,905	15,436,122	14,736,896	14,860,580	14,388,680	13,276,298	12,599,190

FINANCIAL STATISTICS 1998 - 2007

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Units Sold (kWh x 1000)	297,841	284,398	277,399	266,402	252,120	239,387	243,417	234,080	215,661	198,828
Tariff Sales (Cents per kWh)	77.80	67.4	40.8	41.7	41.0	41.0	41.3	41.2	40.8	39.8
Fuel Charge (Cents per kWh)	3.4	12.3	32.1	22.6	18.3	14.9	16.6	18.7	11.5	11.5
Operating Cost (Cents per kWh)	7.0	6.9	8.4	6.9	7.7	8.5	7.5	7.0	6.5	6.2

Summarised Balance Sheet (EC$000's)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Fixed Assets (Net)	296,097	267,447	267,872	223,932	236,991	250,360	243,001	248,243	234,159	240,642
Retirement Benefit Asset	3,274	2,850	2,637	2,395	1,983	1,520	1,083	843	-	-
Available for Sale Investment	3,452	2,687	1,961	1,266	610	-	-	-	-	-
Capital Work in Progress	6,452	11,055	9,297	49,930	15,896	5,654	19,957	13,485	3,869	507
Current Assets	63,994	54,460	60,000	54,878	43,519	44,873	47,879	45,196	51,731	39,325
Current Liabilities	(57,777)	(57,545)	(66,625)	(48,165)	(35,743)	(38,144)	(46,451)	(41,751)	(45,315)	(37,496)
Total	315,492	280,954	275,142	284,236	263,256	264,263	265,469	266,016	244,443	242,978
Share Capital	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163	80,163
Retained Earnings	59,678	53,932	46,028	49,081	40,831	35,038	30,279	24,529	18,187	11,405
Other Reserves & Consumer Contributions	27,821	25,328	24,332	24,515	25,250	24,628	23,708	23,761	22,340	21,448
Long Term Debt	107,288	81,360	84,916	88,848	75,927	83,988	91,983	99,216	88,047	95,117
Other Long Term Liabilities	40,542	40,171	39,703	41,629	41,085	40,446	39,336	38,347	35,706	34,845
Total	315,492	280,954	275,142	284,236	263,256	264,263	265,469	266,016	244,443	242,978

FINANCIAL STATISTICS 1998 - 2007

Summarised Income Statement (EC$000's)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Operating Revenues										
Electricity	231,676	191,730	113,334	111,171	103,455	98,213	100,450	96,501	87,923	79,203
Fuel Surcharge	10,178	34,962	88,961	60,147	46,110	35,495	40,492	43,773	24,878	22,859
Other	657	943	848	545	749	481	842	837	715	701
Total	242,511	227,635	203,143	171,863	150,314	134,189	141,784	141,111	113,516	102,763
Operating Costs										
Fuel (Cost over Base)	10,846	34,712	89,170	60,114	45,670	35,673	40,367	43,289	24,678	22,695
Generation O & M	121,317	91,504	13,682	15,202	14,084	13,208	14,498	12,459	12,564	16,690
Transmission & Distribution	16,810	14,888	14,080	11,802	12,806	12,519	11,925	12,373	10,130	10,072
Administrative & Selling	20,897	19,558	23,352	18,387	19,482	20,344	18,305	16,356	14,054	12,393
Depreciation	27,171	24,763	23,885	21,905	20,493	19,608	18,893	17,639	16,974	13,857
Total	197,041	185,425	164,169	127,410	112,534	101,352	103,988	102,116	78,400	75,707
Operating Income	45,470	42,210	38,974	44,453	37,779	32,837	37,796	38,995	35,116	27,056
Interest Expense	7,201	7,131	6,074	5,686	7,344	8,805	9,360	7,574	8,259	7,055
Foreign Exchange (Gain) Loss/ Other	352	(503)	116	16	288	(37)	-	-	(5)	-
Net Income before Tax	37,917	35,582	32,784	38,752	30,147	24,069	28,436	31,421	26,862	20,001
Taxation	9,059	8,585	7,083	10,628	10,530	7,768	8,968	10,294	8,261	6,926
Net Income after Tax	28,858	26,997	25,701	28,124	19,616	16,301	19,468	21,127	18,601	13,075
Dividend Declared	16,642	16,642	15,715	19,462	13,361	11,105	13,478	14,711	11,819	8,341
Retained Earnings for Year	12,216	10,355	9,986	8,662	6,256	5,196	5,990	6,416	6,782	4,734
Retained Earnings beginning of Year	53,932	46,028	49,081	40,831	35,038	30,279	24,529	18,187	11,405	6,671
Transfer to Retirement Benefit & Reserves	(424)	636	(242)	(412)	(463)	(437)	(240)	(74)	-	
Tariff Reduction Reserve	(6,046)	(3,087)	(4,557)	-	-	-	-	-	-	-
Prior Year Adjustment	-	0	(8,240)	-	-	-	-	-	-	-
Retained Earnings end of Year	59,678	53,932	46,028	49,081	40,831	35,038	30,279	24,529	18,187	11,405
Return on Rate Base		18.91%	19.67%	12.91%	10.52%	9.70%	11.08%	10.68%	10.47%	8.15%
Earnings per share (EC$)	$2.46	$2.30	$2.19	$2.40	$1.67	$1.39	$1.66	$1.80	$1.58	$1.10
Dividend per share (EC$)	$1.40	$1.42	$1.34	$1.66	$1.14	$0.95	$1.15	$1.26	$1.00	$0.70
Debt/Equity Ratio	43/57	43/57	43/57	$0.79	$0.82	$1.00	$1.13	48/52	49/51	51/49

The return on rate base calculations changed with effect from 2005 in accordance with Amendment Act No 12 of 2006 and 13 of 2006.

Annual Report 07
Empowering Communities

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Stephen Paul, Isabelle Sankar, Digicel and Roger Joseph

On cover:
Ronald Boo Hinkson - Local musical icon
Darren Sammy - St. Lucia's first International Cricketer
Blossom Paul is one of three top performers of the LUCELEC Scholarship Programme for the children of Staff.

The other two top performers from the LUCELEC Scholarship Programme for the children of Staff are Samantha Mathurin and Kelda Felix who appeared on the Table of Contents