

## **SECURITIES ACT 2001**

### **SECURITIES (ACCOUNTING AND FINANCIAL REPORTS) RULES NO. 1 OF 2002**

IN EXERCISE of the powers conferred on it by sections 98, 161 (a) and 162 of the Securities Act 2001, the Commission makes the following procedural rules and specifies the form of annual reports and periodic reports to be filed by reporting issuers.

#### **CITATION AND COMMENCEMENT**

1. These Rules may be cited as the Securities (Accounting and Financial Reports) Rules No.1 of 2002 and shall come into force on the date issued by the Commission.

#### **ANNUAL REPORTS**

2. **Quarterly Reports to be submitted to the Commission**
  - (1) The Commission may require a reporting issuer to submit a quarterly financial report within thirty days of the end of each of the first three quarters of the financial year. Included in this report shall be the financial statement schedules, exhibits and all other papers and documents.
  - (2) At the request of the reporting issuer the Commission may extend, from time to time, the period within which such reporting issuer is, in accordance with the provisions of the Securities Act 2001, obliged to furnish any document or information.
  - (3) This report shall be in form ECSRC – Q as specified in Schedule 3. It must contain the information specified in paragraphs 1-8 of Schedule 3.

**Schedule 3  
FORM ECSRC - Q**

**(Select One)**

Quarterly Report      30<sup>th</sup> September, 2007  
For the period ended \_\_\_\_\_

or

TRANSITION REPORT   N/A    
**(Applicable where there is a change in reporting issuer's financial year)**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Issuer Registration Number: LUCELEC09091964SL

St. Lucia Electricity Services Limited

\_\_\_\_\_  
(Exact name of reporting issuer as specified in its charter)

Saint Lucia

\_\_\_\_\_  
(Territory or jurisdiction of incorporation)

John Compton Highway, Sans Soucis, Castries, Saint Lucia

\_\_\_\_\_  
(Address of principal executive Offices)

**(Reporting issuer's:**

Telephone number 1-758-457 4400

Fax number: 1-758-457-4409

Email address: lucelec@candw.lc

N/A

\_\_\_\_\_  
(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report. 11,720,000

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

**SIGNATURES**

Name of Chief Executive Officer:

Trevor Louisy

*Trevor Louisy*

Signature

*30/10/07*

Date

Name of Director:

**ISAAC ANTHONY**

*[Handwritten Signature]*

Signature

*29-10-07*

Date

## **INFORMATION TO BE INCLUDED IN THE REPORT**

### **1. Financial Statements**

- (a) (Condensed Balance Sheet as at 31<sup>st</sup> December, 2006 and 30<sup>th</sup> September, 2007 are attached.
- (b) Condensed Statement of Income for the Nine Months Ended 30<sup>th</sup> September, 2007 and the corresponding period in the previous financial year are attached.
- (c) Condensed Statement of Cash Flows for the Nine Months Ended 30<sup>th</sup> September, 2007 and the corresponding period in the previous financial year.

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

#### **(a) Liquidity**

The consistent increases in fuel prices in the second and third quarters continued to be a major concern for the Company and its Customers. The average price rose by 37.5% compared to the beginning of the year and all indications point to a continuing escalation in the immediate future.

Unit sales for the third quarter were traditionally flat, but for the period under review sales were at 222.6M units, 5% higher than the previous year and in line with expectations. Growth was achieved across all sectors due to increases in the hotel and industrial sectors.

Data available up to July, 2007 indicated that stay over visitor arrivals were 7.0% lower than the comparable period in 2006. Declines were recorded for all major destinations with the exception of the UK which increased by 6.5%. USA arrivals fell by 7.3% and the Caribbean by 24.9%.

Cruise visitors registered an increase of 55.3% boosted by the campaigns put on by the operators and reduced prices.

#### **(b) Capital Resources**

The Company obtained additional financing up to a maximum of EC\$23M for part of its 2007 capital expenditure programme.

Commissioning of the new 10.2 MW generator was completed ahead of schedule and handed over to the Company in July, 2007. With this additional capacity it is expected that generation needs will be satisfied until 2011.

The Company has maintained its standby credit facility of EC\$10 million which will be utilised to restore Transmission and Distribution lines and related assets damaged by hurricane and other

natural disasters, should it become necessary. This facility is convertible into a 12 year term demand instalment loan subject to the necessary approvals. It carries an interest rate of 7.41% per annum on the credit facility and 6.5% per annum if converted to a demand loan.

The Company is covenanted to its financiers to a 1:1 debt/equity gearing. As at 30<sup>th</sup> September, 2007 the position compared with September, 2006 is as follows:-

	30 <sup>th</sup> September, 2007 EC\$ 000s	30 <sup>th</sup> September, 2006 EC\$ 000s
<b>Borrowings</b>		
Current	7,795	5,623
Long Term	120,523	96,681
<b>TOTAL</b>	<b>128,318</b>	<b>102,304</b>
<b>Shareholders' Equity</b>		
Share Capital	80,163	80,163
Retained Earnings	75,847	73,904
<b>TOTAL</b>	<b>156,010</b>	<b>154,067</b>

There are no potential violations of those covenants.

(c) **Results of Operations**

Unit sales for the third quarter were traditionally flat, but for the period under review sales were at 222.6M units, 5% higher than the previous year and in line with expectations. Growth has been achieved across all sectors due to increases in the Hotel and Industrial sector.

Total revenue to date of EC\$175.7M reflected an increase of 1.6% over the same period last year. Although there were increases in unit sales, lower than expected fuel prices in the first quarter resulted in the reduction of the base tariff and thus revenues.

Gross income was EC\$52.2M, reflecting a 13.7% increase over last year. This is a result of increased revenue, lower overall fuel costs to date and strict management of operating costs.

The results for the current period were adversely affected by restoration costs associated with incidents of sabotage during the strike action by Grade 1 staff and Hurricane Dean. The total costs amounted to EC\$0.9M

Profit before tax improved by 20% to EC\$30.3M over the same period last year. It is anticipated that the end of year budget position will be exceeded, however by a lower margin than experienced up to the end of the third quarter.

System reliability was adversely impacted by various incidents associated with Hurricane Dean. With these incidents excluded, system reliability was generally acceptable. The efforts of staff at all levels and external Contractors ensured that the restoration of service after the hurricane was quick and efficient. Although expected they deserve the highest of accolades.

With regard to line losses and fuel efficiency; it appears that both of these targets will be achieved this year.

The Company has continued its efforts to explore alternative and cheaper energy sources by working with the Government and other entities.

Debt management and, by extension, improvement in cash management has continued and at the end of September levels declined due to a significant settlement.

**3. Disclosure of Risk Factors.**

- a) Customers continued to express concern about high fuel prices and the related impact on their energy bills. Recent trends indicate further increases are very likely and this will impact on the Company's ability to increase the level of customer satisfaction. A survey was conducted during September and results are expected at the end of October.
- b) Natural disasters and specifically hurricanes pose a constant threat to the Company's infrastructure for the hurricane season which commences in June. The Company has taken out insurance as it considers adequate taking into consideration the limited availability of cover and prohibitive costs. The stand by credit arrangement and the establishment of the offshore income earning account will help to mitigate the cost associated with these risks.
- c) The Company has continued its efforts to establish a formal self insurance programme and is discussing this with representatives of the Ministry of Finance, the Attorney General Chambers and our Insurance Advisors to ascertain the most efficient and legislatively and financially sound manner to proceed. The Government has pledged its support in this exercise and the Company has also held extensive discussions with its insurance brokers among others for technical advice.

**4. Legal Proceedings**

There are currently no legal proceedings that would have a material effect on the Company's financial position.

**5. Changes in Securities and Use of Proceeds**

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

NOT APPLICABLE

- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:
  - Offer opening date (provide explanation if different from date disclosed in the registration statement)
  - Offer closing date (provide explanation if different from date disclosed in the registration statement)

- Name and address of underwriter(s)
- Amount of expenses incurred in connection with the offer
- Net proceeds of the issue and a schedule of its use
- Payments to associated persons and the purpose for such payments

NOT APPLICABLE

- (c) Report any working capital restrictions and other limitations upon the payment of dividends.

NOT APPLICABLE

**6. Defaults Upon Senior Securities**

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 percent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

NONE

- (b) If any material arrears in the payment of dividends has occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

NONE

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

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

- (a) The date of the meeting and whether it was an annual or special meeting.
- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.
- (c) A brief description of each other matter voted upon at the meeting and state the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

- (d) A description of the terms of any settlement between the registrant and any other participant.
- (e) Relevant details of any matter where decision was taken otherwise than at a meeting of such security holders.

NONE

**8. Other Information**

NONE

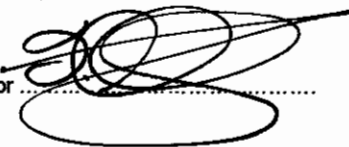


**ST. LUCIA ELECTRICITY SERVICES LTD**  
**UNAUDITED BALANCE SHEET**  
**As at September 30, 2007**  
**(Expressed in Eastern Caribbean Dollars)**

	Unaudited September 30 2007 \$000s	Audited December 31 2006 \$000s
<b>Assets</b>		
<b>Current</b>		
Cash & Cash Equivalents	9,317	2,132
Trade and Other Receivables	42,165	34,317
Income Tax receivable		2,729
Inventories	16,440	15,281
	<u>67,922</u>	<u>54,459</u>
<b>Non-Current</b>		
Available for Sale Financial Asset	3,331	2,687
Retirement Benefit Asset	2,850	2,850
Property, Plant and Equipment	291,646	278,502
	<u>365,749</u>	<u>338,498</u>
<b>Liabilities</b>		
<b>Current</b>		
Borrowings	7,795	19,922
Bank overdraft	18	5,531
Trade and Other Payables	14,878	21,185
Dividends Payable	153	10,907
	<u>22,844</u>	<u>57,545</u>
<b>Non-Current</b>		
Borrowings	120,523	81,360
Consumer Deposits	11,002	10,307
Deferred Tax Liabilities	28,998	29,864
Consumer Contributions	23,521	22,477
	<u>206,889</u>	<u>201,553</u>
<b>Shareholders' Equity</b>		
Share Capital	80,163	80,163
Retained Earnings	75,847	53,932
	<u>156,010</u>	<u>134,095</u>
Retirement Benefit Reserve	2,850	2,850
<b>Total Shareholders' Equity</b>	<u>158,860</u>	<u>136,945</u>
<b>Total Equity and Liabilities</b>	<u>365,749</u>	<u>338,498</u>

Approved by :

Director .....



Director .....



**St. Lucia Electricity Services Limited**  
**Statement of Cash Flows**  
**For the Nine months ended September 30, 2007**  
**With comparative figures for 2006**  
**(Expressed in Eastern Caribbean Dollars)**

	Unaudited Sept 30 2007	Unaudited Sept 30 2006
	\$000s	\$000s
<b>Cash flows from Operating Activities</b>		
Profit Before Tax	30,311	24,981
<b>Adjustments for:</b>		
Depreciation	19,754	18,528
(Gain)/Loss on Foreign Exchange	(9)	0
Finance Charges	4,564	5,629
(Gain) on Disposal of Property, Plant and Equipment	(2)	(514)
Amortization of Consumer Contributions	(1,134)	(1,236)
Operating Income before Working Capital Changes	<u>53,484</u>	<u>47,389</u>
Decrease/(Increase) in Accounts Receivable and Prepayments	(7,848)	5,353
(Increase)in Inventories	(1,160)	(2,905)
(Decrease)/Increase in Trade and Other Payables	<u>(6,305)</u>	<u>(4,485)</u>
Cash Generated from Operations	38,172	45,352
Interest Paid	(4,555)	(4,472)
Income Tax Paid	<u>(5,715)</u>	<u>(14,736)</u>
Net Cash Inflow from Operating Activities	<u>27,902</u>	<u>26,144</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of Available for Sale Financial Asset	(643)	(634)
Purchase of Property, Plant and Equipment	(32,898)	(14,478)
Proceeds on Disposal of Property, Plant and Equipment	2	527
Net Cash used in Investing Activities	<u>(33,539)</u>	<u>(14,585)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Borrowings	39,181	14,879
Repayment of Borrowings	(17,658)	(9,210)
Decrease in Tariff Reduction Reserve	(818)	(4,100)
Dividends Paid	(10,754)	(14,212)
Consumer Contributions Received	2,177	2,043
Consumer Deposits Received	694	87
Net Cash used in Financing Activities	<u>12,823</u>	<u>(10,514)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<u>7,185</u>	<u>1,045</u>
<b>Cash and Cash Equivalents at beginning of Period</b>	<u>2,132</u>	<u>24</u>
<b>Cash and Cash Equivalents at end of Period</b>	<u>9,318</u>	<u>1,069</u>

**St. Lucia Electricity Services Limited**  
**Statement of Cash Flows**  
For the Nine months ended September 30, 2007  
With comparative figures for 2006  
(Expressed in Eastern Caribbean Dollars)

	Unaudited Sept 30 2007 \$000s	Unaudited Sept 30 2006 \$000s
<b>Cash flows from Operating Activities</b>		
Profit Before Tax	30,311	24,981
<b>Adjustments for:</b>		
Depreciation	19,754	18,528
(Gain)/Loss on Foreign Exchange	(9)	0
Finance Charges	4,564	5,629
(Gain) on Disposal of Property, Plant and Equipment	(2)	(514)
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Purchase of Available for Sale Financial Asset	(643)	(634)
Purchase of Property, Plant and Equipment	(32,898)	(14,478)
Proceeds on Disposal of Property, Plant and Equipment	<u>2</u>	<u>527</u>
Net Cash used in Investing Activities	<u>(33,539)</u>	<u>(14,585)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Borrowings	39,181	14,879
Repayment of Borrowings	(17,658)	(9,210)
Decrease in Tariff Reduction Reserve	(818)	(4,100)
Dividends Paid	(10,754)	(14,212)
Consumer Contributions Received	2,177	2,043
Consumer Deposits Received	<u>694</u>	<u>87</u>
Net Cash used in Financing Activities	<u>12,823</u>	<u>(10,514)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<u>7,186</u>	<u>1,045</u>
<b>Cash and Cash Equivalents at beginning of Period</b>	<u>2,132</u>	<u>24</u>
<b>Cash and Cash Equivalents at end of Period</b>	<u>9,318</u>	<u>1,069</u>

**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**For the Nine Months ended September 30, 2007**  
**(Expressed in Eastern Caribbean Dollars)**

**2006**

	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s
	Stated Capital	Retirement Benefit Reserve	Tariff Reduction Reserve	Retained Earnings	Total
Balance at December 31, 2005	80,163	2,637	4,557	55,567	142,924
Profit for the period	-	-	-	17,487	17,487
Transfer to current liabilities			(4,100)		(4,100)
Transfer of excess Tariff Reduction Reserve			(457)	457	0
Over provision of Dividends			-	393	393
<b>Balance at September 30, 2006</b>	<b>80,163</b>	<b>2,637</b>	<b>0</b>	<b>73,904</b>	<b>156,704</b>

**2007**

Balance at December 31, 2006	80,163	2,850	-	53,932	136,945
Profit for the period				22,733	22,733
Transfer of Tariff Reduction Reserve				(808)	(808)
<b>Balance at September 30, 2007</b>	<b>80,163</b>	<b>2,850</b>	<b>0</b>	<b>75,847</b>	<b>158,860</b>

**ST. LUCIA ELECTRICITY SERVICES LTD**  
**UNAUDITED STATEMENT OF INCOME**  
For the Nine Months ended September 30, 2007  
(Expressed in Eastern Caribbean Dollars)

	Unaudited September 30 2007 \$000s	Unaudited September 30 2006 \$000s
<b>Revenue</b>		
Energy Sales	172,592	138,754
Fuel Surcharge Recovered	2,467	33,323
Other Revenue	688	789
	<u>175,745</u>	<u>172,866</u>
<b>Operating Expenses</b>		
Diesel Generation	13,504	15,130
Transmission and Distribution	21,833	21,594
Fuel Costs	88,207	90,268
	<u>123,544</u>	<u>126,990</u>
<b>Gross Income</b>	52,201	45,876
<b>Administrative Expenses</b>	<u>(17,338)</u>	<u>(15,779)</u>
<b>Operating Profit</b>	34,864	30,097
Other Gains	12	514
	<u>34,875</u>	<u>30,611</u>
<b>Profit Before Finance Costs and Taxation</b>	34,875	30,611
Finance Costs	<u>(4,564)</u>	<u>(5,628)</u>
<b>Profit Before Taxation</b>	30,311	24,982
Taxation	<u>(7,578)</u>	<u>(7,494)</u>
<b>Net Profit for the Period</b>	<u>22,733</u>	<u>17,487</u>
	\$	\$
<b>Earnings Per Share</b>	<u>1.94</u>	<u>1.49</u>

**UNAUDITED STATEMENT OF RETAINED EARNINGS**  
For the Nine Months ended September 30, 2007  
(Expressed in Eastern Caribbean Dollars)

	Unaudited September 30 2007 \$000s	Unaudited September 30 2006 \$000s
<b>Balance at Beginning of Period</b>	53,932	55,567
Transfer from Tariff Reduction Reserve	(818)	457
Over provision of Dividends	-	393
Net Income for the Period	22,733	17,487
<b>Balance at End of Period</b>	<u>75,847</u>	<u>73,904</u>