

**DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE PERIOD ENDED**  
**31<sup>ST</sup> MARCH 2010**

The Directors are pleased to report on the unaudited results for the Company for the quarter ended March 31<sup>st</sup>, 2010.

The operating environment continued to present challenges although there were some indications of economic recovery in some of the more developed countries.

Electricity customers benefited from a reduction in the base tariffs of EC 23.1 cents per kWh from February 2010, compared to an increase of EC 16.1 cents in the same period in 2009. This was as a result of the continued reduction of fuel prices during 2009 from the record high prices in 2008. The current trend however indicates gradual increases, resulting in the application of the monthly Fuel Surcharge Cost Adjustment Factor (FSCAF) for the first time since January, 2009.

**Results of Operations**

Total revenues were EC\$65.8M, an increase of 27.1% when compared to EC\$51.8M for the same period last year. There were increased sales in all major sectors attributable to the high ambient temperatures, customer base increases, improved tourism sector performance and lower tariffs.

Total sales growth was 7.7% over the same period last year. Increases of 8.8% were registered in the Commercial sector, 8.3% in the Hotel sector, 8.2% in the Domestic sector and 2.3% in Streetlights. The Industrial sector recorded a decline of 1.9%. Growth trends are likely to continue, though at relatively lower levels, as the island prepares for the ICC World 20/20 Cricket competition and the annual Jazz Festival.

Gross profit of EC\$18.7M, recorded an increase of 6.2% over last year's position of EC\$17.6M.

Profit before tax was EC\$10.0M, an increase of 7.6% over the corresponding period last year (\$9.4M).

Profit after tax was EC\$7.1M, an improvement of 10.9% over the previous year's achievement of EC\$6.4M

Earnings per share for the quarter as a result were EC\$0.60 per share an improvement of 11.1% over the previous year's achievement of EC\$0.54 per share.

Overall results are ahead of expectations and the Company continued to be vigilant despite some positive signs of economic stabilisation.

### **Technical Operations**

System reliability performance of 1.18 hours compared extremely favorably to the same period in 2009 (1.59 hours) and the target of 1.47 hours for the quarter.

A new peak demand of 57.1 MW was recorded on March 16th, 2010 at 1401 hours.

Year to date fuel efficiency was 4.30 kWh per litre, down from 4.40 kWh per litre over the same period last year. This was experienced because of unplanned generator outages in January and a planned overhaul on the newest, most efficient generating unit, resulting in the use of the lesser efficient units during the period under review.

System losses were recorded at 9.58% at the end of the period a remarkable achievement compared to the 9.79% recorded in the same period last year, but lower than the 2009 year end figure of 9.27%.

### **Generation Expansion and Alternative Energy**

Plans continue to be evaluated by the Board for the provision of new generating capacity which, according to latest demand forecasts will be required in 2013. Multiple factors including fuel source and site location are under active consideration.

A significant part of the evaluation continues to be the inclusion of one or more renewable sources in the Company's generation mix to ensure fuel diversity, safeguard against the fuel price volatilities and generally improve the country's foreign exchange position.

Progress on site access for a potential wind farm has proven to be very difficult and as such other site options are under review.

The Photovoltaic (PV) pilot project is proceeding with the installation of three units and a fourth one very soon.

There appears to be renewed activity in relation to the geothermal resource in the south-west of the island, as the developers of this resource plan to execute a new Memorandum of Understanding with the Government that will enable LUCELEC to re-engage them formally.

### **Strategic Initiatives**

Fuel price hedging activities continued during the quarter. In keeping with the Board's mandate this initiative is focussed entirely on reducing the impact of fuel price volatility as this product is purchased at market prices. This will provide a level of tariff stability that will assist all customers to manage their affairs more effectively and efficiently. Results to date indicate that this has been accomplished to a large measure and it is planned to continue the programme into 2011.

Installation of the Automated Metering Infrastructure (AMI), Distribution Automation (DA) will continue so as to generate technical efficiencies and improvements that will redound to the customers' benefit.

Work on the new Customer Information System (CIS) that will replace the legacy system has continued and will provide a foundation for providing a superior level of customer care due to the enhanced capabilities of the system including its ability to interface with the AMI and the Geographical Information System (GIS).

The Company actively participated in the process towards the completion of the white paper on the National Energy Policy for St. Lucia which has been submitted to the Cabinet of Ministers.

The Company, in collaboration with CARILEC, contributed to a position paper on regulatory reform in the electricity sector. This issue is expected to become more prominent in the coming months as the World Bank is providing technical assistance to some of the governments of the OECS in this matter.

### **Outlook**

The Board continues to monitor industry, financial, economic and other activities that will impact on its current and future operations. Strategic initiatives and plans will be tailored accordingly so as to ensure that the Company continues to deliver on its mandate and its Corporate mission.

Based on available information the Company expects that it will meet its major objectives set for the year.

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Chairman

**ST LUCIA ELECTRICITY SERVICES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2010**

	Unaudited March 31, 2010 EC\$ 000s	Unaudited March 31, 2009 EC\$ 000s	Audited Dec 31, 2009 EC\$ 000s
<b>Assets</b>			
<b>Non-Current</b>	317,554	314,838	319,271
<b>Current</b>	90,195	71,103	88,078
<b>TOTAL ASSETS</b>	<b>407,749</b>	<b>385,941</b>	<b>407,349</b>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Stated capital	80,163	80,163	80,163
Retained earnings	77,921	70,841	70,668
Hedging Reserve	1,757	0	1,429
<b>Total equity attributable to equity holders</b>	<b>159,841</b>	<b>151,004</b>	<b>152,260</b>
Retirement benefit reserve	8,828	8,847	8,828
<b>Total shareholders' equity</b>	<b>168,669</b>	<b>159,851</b>	<b>161,088</b>
<b>Liabilities</b>			
<b>Non-Current</b>	178,782	178,253	178,385
<b>Current</b>	60,298	47,837	67,876
<b>Total liabilities</b>	<b>239,080</b>	<b>226,090</b>	<b>246,261</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>407,749</b>	<b>385,941</b>	<b>407,349</b>

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Director

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Director

**ST LUCIA ELECTRICITY SERVICES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2010**

	Unaudited March 31, 2010 EC\$ 000s	Unaudited March 31, 2009 EC\$ 000s	Audited Dec 31, 2009 EC\$ 000s
Net Cash from Operating Activities	7,604	13,910	59,256
Net Cash used in Investing Activities	(6,618)	(5,618)	(33,167)
Net Cash used in Financing Activities	(27)	(3,294)	(23,489)
<b>Decrease in Cash and Cash Equivalents</b>	<b>959</b>	<b>4,998</b>	<b>2,600</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>13,444</b>	<b>10,843</b>	<b>10,844</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>14,403</b>	<b>15,841</b>	<b>13,444</b>

**ST LUCIA ELECTRICITY SERVICES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2010**

	Unaudited March 31, 2010 EC\$000s	Unaudited March 31, 2009 EC\$000s	Audited Dec 31 2009 EC\$000s
Revenue	65,826	51,788	239,805
Operating Expenses	47,079	34,422	169,896
Gross Income	18,747	17,366	69,908
Administrative Expenses	6,598	5,752	24,915
Operating Profit	12,149	11,614	44,993
Finance Costs	2,242	2,348	6,915
Other (Losses)/Gains	181	114	636
Profit Before Taxation	10,088	9,380	38,714
Taxation	3,027	3,002	11,075
Net Profit for the Period from continuing operations	7,061	6,378	27,639
Other comprehensive income:			
Cash Flow Hedge	519	0	1,429
Actuarial (losses)/gains on defined benefit plans	0	0	(239)
Other comprehensive income for the year	519	0	1,190
Total comprehensive income for the year	7,580	6,378	28,829
Earnings Per Share	\$ 0.60	\$ 0.54	\$ 2.35