

ST. LUCIA ELECTRICITY SERVICES LIMITED
UNAUDITED BALANCE SHEET
As at September 30, 2004
(Expressed in Eastern Caribbean Dollars)

	Unaudited September 30 2004 \$000's	Audited December 31 2003 \$000's
Assets		
Current Assets		
Cash & Equivalents	3,877	6
Accounts Receivable and Prepayments	41,087	33,390
Inventories	11,041	10,123
	<u>56,005</u>	<u>43,519</u>
Unit Trust Investment	1,239	610
Retirement Benefit Asset	1,983	1,983
Property, Plant and Equipment (Net)	260,877	252,887
	<u>320,104</u>	<u>298,998</u>
Liabilities		
Current Liabilities		
Borrowings	4,380	14,469
Accounts Payable and Accrued Expenses	11,417	9,921
Income Tax Payable	4,427	2,860
Dividends Payable	2,218	8,493
	<u>22,442</u>	<u>35,743</u>
Borrowings	90,822	75,927
Consumer Deposits	6,392	9,001
Deferred Tax Liability	33,977	32,083
Consumer Contributions	22,360	23,267
	<u>175,993</u>	<u>176,021</u>
Shareholders' Equity		
Share Capital	80,163	80,163
Retained Earnings	61,965	40,831
Retirement Benefit Reserve	1,983	1,983
	<u>144,111</u>	<u>122,977</u>
	<u>320,104</u>	<u>298,998</u>

Approved by :

Chairman

Director

(Expressed in Eastern Caribbean Dollars)

	Unaudited September 30 2004 \$000's	Unaudited September 30 2003 \$000's
Revenue		
Energy Sales	82,892	77,569
Fuel Surcharge Recovered	41,661	34,827
Other Revenue	399	436
	124,951	112,832
Operating Expenses		
Diesel Generation	17,287	14,718
Transmission and Distribution	17,581	17,905
Fuel Surcharge	41,242	34,285
	76,110	66,908
Gross Income	48,841	45,924
Administrative Expenses	12,837	14,942
Net Operating Income	36,005	30,982
Other Income	(5)	(56)
Net Income Before Finance Charges and Tax	36,000	30,926
Finance Charges	4,440	5,640
Net Income Before Tax	31,561	25,287
Income Tax	10,426	8,488
Net Income for the Period	21,134	16,799
Earnings Per Share	2.13	1.43

St. Lucia Electricity Services Limited
Statement of Cash Flows
For the nine-months ended September 30, 2004
(Expressed in Eastern Caribbean Dollars)

	Unaudited 30th September 2004 \$000's	Audited For the year ended Dec 31, 2003 \$000's
Cash flows from Operating Activities		
Net Income Before Tax	31,560	30,147
Adjustments for		
Depreciation	16,080	20,493
Finance Charges	4,440	7,344
Loss/(Gain) on Disposal of Property, Plant and Equipment	0	(18)
Amortization of Consumer Contributions	(1,513)	(1,777)
Pension benefits	0	(463)
Operating Income before Working Capital Changes	<u>50,567</u>	<u>55,726</u>
Decrease/(Increase) in Accounts Receivable and Prepayments	(7,699)	53
Decrease/(Increase) in Inventories	(919)	687
(Decrease)/Increase in Trade and Other Payables	<u>1,032</u>	<u>(518)</u>
Cash Generated from Operations	42,981	55,948
Interest Paid	(3,974)	(7,436)
Income Tax Paid	<u>(6,965)</u>	<u>(6,355)</u>
Net Cash from Operating Activities	<u>32,042</u>	<u>42,157</u>
Cash Flows from Investing Activities		
Purchase of available -for-sale investment	(629)	(610)
Purchase of Property, Plant and Equipment	(24,070)	(17,404)
Proceeds on Disposal of Property, Plant and Equipment	0	56
Net Cash from Investing Activities	<u>(24,699)</u>	<u>(17,958)</u>
Cash Flows from Financing Activities		
Proceeds from Borrowings	14,895	6,234
Repayment of Borrowings	(9,184)	(14,114)
Dividends Paid	(6,275)	(11,622)
Consumer Contributions Received	606	1,935
Consumer Deposits Received	<u>(2,609)</u>	<u>(61)</u>
Net Cash used in Financing Activities	<u>(2,567)</u>	<u>(17,628)</u>
(Decrease)/Increase in Cash and Cash Equivalents	<u>4,776</u>	<u>6,571</u>
Cash and Cash Equivalents, Beginning of Period	<u>(899)</u>	<u>(7,471)</u>
Cash and Cash Equivalents, End of Period	<u>3,877</u>	<u>(899)</u>

UNAUDITED STATEMENT OF RETAINED EARNINGS
For the Nine Months ended September 30, 2004
(Expressed in Eastern Caribbean Dollars)

	Unaudited September 30 2004 \$000's	Unaudited September 30 2003 \$000's
Balance at the beginning of Period	40,831	35,037
Net Income for the Period	21,134	16,799
Balance at the End of the Period	<u>61,965</u>	<u>51,836</u>

REVIEW OF OPERATIONS

The Directors are pleased to present the un-audited results of the Company for the nine months ended 30th September, 2004.

Overall performance for the nine months was excellent and well above budget. Careful attention was paid to management of costs and the results to date have exceeded expectations. On present achievements and current indications, there is every confidence that corporate targets for the year will be achieved.

Net Income for the year to date was EC\$21.1m, compared with EC\$16.8m in the corresponding period in 2003 and sales for the year to date, excluding adjusted units, grew by 5.0%. With the exception of the industrial sector, which registered a decline of 7%, all other sectors showed growth with the hotel sector making the most significant contribution at 12.3%. Stay-over arrivals, the mainstay of the local tourism industry, continued to trend upward, the latest statistic showing a 3.1% rise January – June 2004 over the corresponding period in 2003. Increased airlift and the continued strength of the Euro and the Pound Sterling against the US Dollar have contributed to this positive performance. Sales units exceeded 22m kWh in each of the last six months of this year, a continuing record trend.

Fuel prices continued to freefall and reached record international levels, an average of EC\$4.6230 per imperial gallon, 53% higher than the EC\$3.0234 paid in September last year. A Fuel Surcharge Cost Adjustment Factor of EC24.9 cents per unit was applied in September, 2004, compared to EC18.1 cents at the same time last year. The Company continues its efforts to sensitise the public on the advantages of utilising electricity more efficiently, through publicity brochures and energy tips on bills. A new all-time system peak demand of 45.6 MW was recorded at 1350 hours on July 27, 2004. This is the first time in the Company's history where the peak demand has occurred during the day and not on evenings, and is largely a result of the use of air conditioners during high ambient temperatures. However, on the brighter side, this augurs well for better plant utilisation between 0800 and 2200 hours.

Operations suffered a setback during the quarter when CDSPS No. 4 had to be removed from service in late August, following the identification of a failed bolt anchoring the turbocharger to the engine block. Although there were no incidents of load shedding leading to the loss of supply to customers, there was need to call on the larger hotels to operate their stand-by units during peak load conditions until the set was returned to service in September. Fuel efficiency unfortunately dropped to a low of 19.26 kWhs per imperial gallon and this was mainly due to the utilisation of less efficient plant while repair work was undertaken on CDSPS No. 4. However, despite the drop, indications are that the Company should achieve its targets for the year, which are within the manufacturers' recommendations.

The T&D system did not fare too well this quarter as there were a number of outages as a result of varying weather systems which included heavy rains, strong winds and lightning strikes. Routine pole, line and equipment maintenance continued, as well as capital works relating to system improvements, rural electrification, new connections, consumer-financed extensions and street lighting. The System received a four-hour battering on the day Hurricane Ivan skirted the island but staff and contractors worked virtually non-stop, once the all clear was given, to restore supplies. All of the extended outages were confined to individual customers and a couple of area faults. The Supervisory Control and Data Acquisition (SCADA) system continued to perform satisfactorily and the upgrading of the SCADA and Workstation Operating Systems and associated training were both completed by the end of the quarter.

There was no progress on the acquisition of suitable land for the "Wind Power Pilot Project" and the position remains the same as reported in the Second Quarter that the Company has solicited the assistance of Government to resolve this matter, but now there are even stronger doubts about the Company being able to achieve its goal of a 10% renewable energy mix by 2007.

Work on CDSPS Phase C Expansion Project proceeded at a very hectic pace. The substation and switch room are nearing completion and the civil work on the power house is beginning to take shape. The foundation for Unit No. 9 was poured in September. The latest programme from the Contractor indicates a "Take-Over Date" of 14th February, 2005. It is the opinion of the Company's Consultants, PB Power, that the Contractor has no valid or defensible grounds in relation to any possible claims for an extension of time or additional costs. Loan Funds of US\$11,272,790 have been drawn down to date with an outstanding commitment of US\$4,668,704 remaining on the project.

Debt Management continues to receive very close attention and manageable debt (i.e. total debt less public and related sector) represents just about 1.7 weeks, which is acceptable. There was some success during the quarter in offsetting amounts due by the Company to Government for 2004 Corporate Taxes and 2003 Final Dividend, and discussions are continuing for further offsets.

It should be noted that on Sunday 3rd October, 2004, there was a temporary island-wide black-out and subsequently a scheduled load shedding programme which lasted for about a week. This occurred when the single Inter Bus Transformer in service at the time connecting Station B to the grid became overloaded and tripped, resulting in Station B becoming disconnected from the grid. In the process, two of the generating units in Station B sustained damage to the couplings linking the engine to the alternator. Repairs are now completed and both units are back in service. The Company has engaged the services of PB Power to determine the cause of the coupling failures and to work with the engine manufacturers in developing a protection mechanism to prevent such failures. SCADA monitoring of the Inter Bus Transformers' loads has been enhanced to provide earlier warning to Operators thus allowing corrective action to be taken. Results for the year could be affected by the costs of the break-down, however these are not yet quantified.