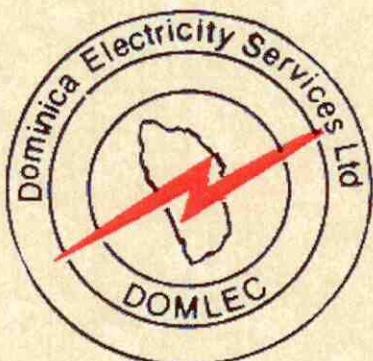


DOMINICA ELECTRICITY SERVICES LIMITED



FORM ECSRC - Q

Quarterly Report
For the period ended March 31st, 2010

FORM ECSRC - Q

QUARTERLY REPORT

For the period ended March 31st 2010

Issuer Registration Number: DOMLEC30041975DM

DOMINICA ELECTRICITY SERVICES LIMITED

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

DOMINICA

(Territory or jurisdiction of incorporation)

P.O. BOX 1593, 18 CASTLE STREET, ROSEAU, DOMINICA

(Address of principal executive Offices)

(Reporting issuer's:

Telephone number (including area code): (767) 255 6000

Fax number: (767) 448 5397

Email address: domlec@domleconline.com

1. Financial Statements

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED BALANCE SHEET
AS AT MARCH 31, 2010
(expressed in Eastern Caribbean Dollars)

	March 2010 \$	March 2009 \$	December 2009 \$
Assets			
Current assets			
Cash and cash equivalents	420 530	2 151 871	563 162
Receivables and prepayments	13 392 261	13 862 752	13 644 139
Inventories	10 349 177	10 622 367	10 774 818
	<u>24 161 968</u>	<u>26 636 989</u>	<u>24 982 119</u>
Capital work in progress	9 768 747	24 449 282	7 158 514
Property, plant and equipment	108 830 771	88 137 773	111 746 800
	<u>142 761 486</u>	<u>139 224 044</u>	<u>143 887 433</u>
Liabilities			
Current liabilities			
Borrowings	7 888 689	8 209 491	8 378 121
Accounts payable and accruals	9 621 965	8 659 305	10 176 984
Due to related party	0	0	132 698
Income tax Payable	236 509	469 470	1 896 225
	17 747 163	17 338 266	20 584 028
Borrowings	40 296 635	43 322 807	40 296 635
Deferred tax liability	15 483 627	14 800 540	15 293 718
Other liabilities	8 867 387	7 476 788	8 464 819
Capital grants	1 125 542	1 412 413	1 197 260
	<u>83 520 353</u>	<u>84 350 815</u>	<u>85 836 458</u>
Shareholders' Equity			
Share capital	10 417 328	10 417 328	10 417 328
Retained earnings	48 823 806	44 455 901	47 633 646
	<u>59 241 134</u>	<u>54 873 229</u>	<u>58 050 974</u>
	<u>142 761 486</u>	<u>139 224 044</u>	<u>143 887 433</u>

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED MARCH 31, 2010
(expressed in Eastern Caribbean Dollars)

	March 2010 \$	March 2009 \$	December 2009 \$
Revenue			
Energy sales	13 973 177	12 310 509	54 911 299
Fuel surcharge	6 998 164	3 925 189	20 393 259
Other revenue	142 705	870 506	1 505 300
	<u>21 114 046</u>	<u>17 106 204</u>	<u>76 809 858</u>
Direct expenses			
Operating	4 046 338	3 508 384	13 111 330
Maintenance	1 046 692	1 217 918	5 595 818
Depreciation	2 613 283	1 878 536	8 813 250
Fuel	9 150 731	5 320 034	27 697 284
	<u>16 857 044</u>	<u>11 924 872</u>	<u>55 217 682</u>
Gross profit	4 257 002	5 181 332	21 592 176
Administrative expenses	<u>2 090 476</u>	<u>2 322 983</u>	<u>10 122 184</u>
Net operating income	<u>2 166 527</u>	<u>2 858 349</u>	<u>11 469 992</u>
Other expenses/(income)			
Amortization of capital grants	(129 603)	(115 128)	(475 622)
Foreign exchange losses/(gains)	2 642	(35 047)	17 670
Loss/(Gain) on disposal of plant and equipment	(29 999)	(38 458)	(2 578)
	<u>(156 960)</u>	<u>(188 632)</u>	<u>(460 530)</u>
Net income before finance	2 323 487	3 046 982	11 930 521
Finance charges	(707 090)	(732 697)	(2 955 959)
Net income before tax	1 616 397	2 314 285	8 974 562
Income tax	<u>(426 240)</u>	<u>(903 189)</u>	<u>(2 823 122)</u>
Net income/(loss) for the period	<u>1 190 157</u>	<u>1 411 096</u>	<u>6 151 440</u>
Earnings/(loss) per share	<u>0.11</u>	<u>0.14</u>	<u>0.59</u>

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE QUARTER ENDED MARCH 31, 2010
(expressed in Eastern Caribbean Dollars)

	March 2010 \$	March 2009 \$	December 2009 \$
Share capital			
Ordinary shares, beginning and end of period	<u>10 417 328</u>	<u>10 417 328</u>	<u>10 417 328</u>
Retained earnings			
At beginning of period	47 633 649	43 044 808	43 044 808
Net income/(loss) for the period	1 190 157	1 411 096	6 151 440
Ordinary dividends (declared)			<u>(1 562 599)</u>
At end of period	<u>48 823 806</u>	<u>44 455 904</u>	<u>47 633 649</u>
Shareholders' equity, end of period	<u>59 241 134</u>	<u>54 873 232</u>	<u>58 050 977</u>

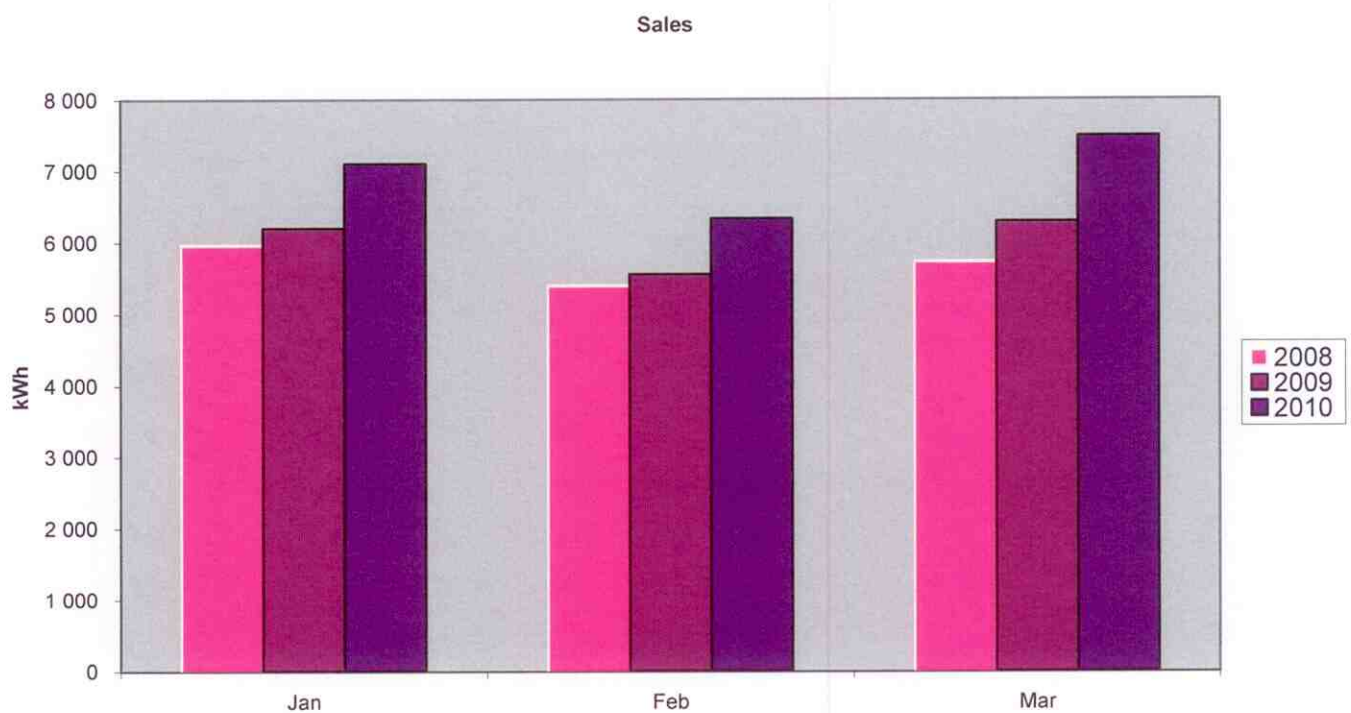
DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED MARCH 31, 2010
(expressed in Eastern Caribbean Dollars)

	March 2010 \$	March 2009 \$	December 2009 \$
Cash flows from operating activities			
Net income/(loss) before tax	1 616 397	2 314 285	8 974 562
Adjustments for:			
Depreciation	2 613 283	1 878 536	8 813 250
Loss/(Gain) on disposal of property, plant and equipment	(29 999)	(38 458)	(2 578)
Exchange (gains)/Loss	0	(31 048)	5 386
Amortization of capital grants	(129 603)	(115 128)	(286 871)
Interest expense	707 090	732 697	2 955 959
Operating profit before working capital changes	4 777 168	4 740 884	20 459 708
Decrease (Increase) in receivables and prepayments	251 878	3 829 050	4 047 663
Decrease/(increase) in inventories	425 642	1 467 511	1 315 058
Increase/(decrease) in accounts payable and accruals	(555 019)	(5 446 958)	(3 929 279)
Increase/(decrease) in due to related party	(132 698)	(295 279)	(162 581)
Cash generated from operations	4 766 970	4 295 207	21 730 569
Interest paid	(683 636)	(684 528)	(2 925 047)
Income tax paid	(1 896 047)	(1 643 782)	(1 643 782)
Net cash from operating activities	2 187 287	1 966 897	17 161 740
Cash flows from investing activities			
Purchase of property, plant and equipment	(2 259 916)	(2 716 267)	(16 033 552)
Proceeds on disposal of property, plant and equipment	30 000	45 750	56 850
Net cash used in investing activities	(2 229 916)	(2 670 517)	(15 976 702)
Cash flows from financing activities			
Proceeds from borrowings	0	0	4 500 000
Repayment of borrowings	(1 787 530)	(1 569 719)	(6 888 066)
Dividends paid	0	0	(1 562 599)
Increase in other liabilities	402 568	206 335	1 194 365
Increase in Capital grants	0	0	0
Net cash generated from/(used in) financing activities	(1 384 962)	(1 363 384)	(2 756 300)
Net increase/(decrease) in cash and cash equivalents	(1 427 591)	(2 067 004)	(1 571 265)
Cash and cash equivalents, beginning of period	(395 945)	1 175 321	1 175 320
Cash and cash equivalents, end of period	(1 823 536)	(891 682)	(395 945)

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net profit for the first quarter ended March 31st 2010 was EC\$1.190 million, compared to EC\$1.411 million for the comparable period of 2009, a decrease of 16% or EC\$0.221 million.

Total revenue for the quarter has increased by EC\$4.008 million from the same period in 2009. Contributing to this rise was an increase in fuel surcharge revenue of EC\$3.073 million, and an increase revenue from electricity sales of EC\$1.663 million. The increase in the cost of fuel led to the increase in fuel surcharge revenue. Sales growth for the first quarter was 15.9% year on year, and was driven by increased energy demand across all sectors. The sales growth was dominated by a 14.2% growth in Domestic sales and a 15.6% growth in Commercial sales. The Hotel sector and Industrial sectors had growth rates of 51.2% and 16.9% respectively. But because they are small sectors their contribution to the overall growth was dwarfed by the growth in the Domestic and Commercial sectors. The extraordinary hot weather during the early part of this year also contributed to the overall sales increase.

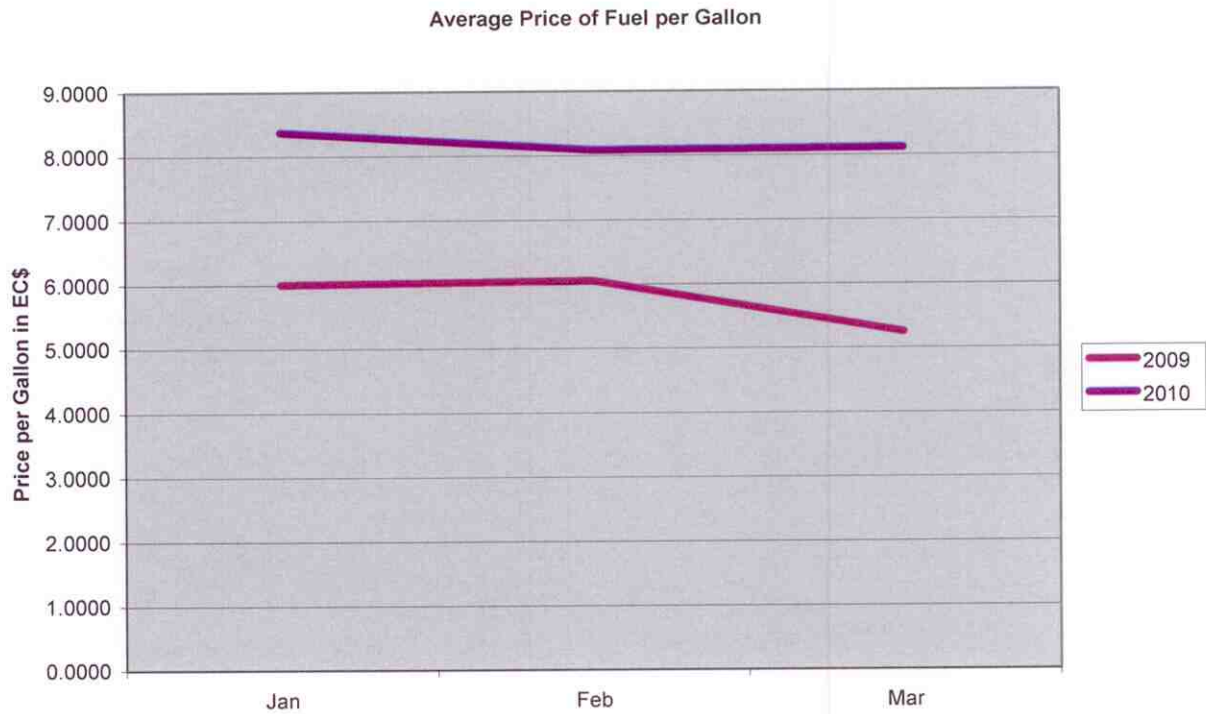


During the first quarter of 2010, 1,138,676 imperial gallons of diesel was used in the generation of electricity, a 30% increase from 2009.

Energy production was primarily by diesel generation in the first quarter, with 86% of all energy generated coming from this means. This however represents an increase from 2009, when 72% of total energy generated was through diesel generation.

The increase in diesel generation this quarter, was firstly due to low energy production from the hydro generators due to the extremely low rainfall in the quarter compared to the rainfall of the same period in 2009. There was a decrease of 44% to 3,277,285 kWh in hydro generation as a result.

System losses have continued to improve in this quarter and currently stand at 9.5% compared to 12.0% a year ago. The company remains committed to the reduction of system losses.



Direct Expenses increased EC\$4.932 million or 41.3% mainly as a result of the rise in the cost of fuel. Direct expenses net of fuel costs increased by \$1.103 million or 17% in this first quarter.

DOMLEC IN THE FIRST QUARTER OF 2010

Operating Highlights	2010	2009
Hydro generation (1,000 kWh)	3,277	5,863
Diesel generation (1,000 kWh)	20,436	15,187
Units sold (1,000 kWh)	20,930	18,052
Fuel efficiency(kWh per IG)	17.9	17.31
System losses	9.5%	12.0%

(a) **Liquidity**

The company has improved in the collection of receivables in the first quarter of 2010 compared to the same period of 2009. Trade receivables (excluding unbilled sales) stood at EC\$7.872 million at the end of this quarter compared to EC\$9.792 a year ago.

For the quarter just ended, debt within the Commercial sector represented the major portion of collectibles, amounting to 44% of gross receivables, while Domestic debts accounts for 29% of all debt receivable. There was been a considerable improvement in Government debt accounting for only 12% of receivable at the end of the first quarter compared to 27% in 2009.

The company remains in a stable liquid position at the end of the first quarter of the year.

(b) **Capital Resources**

The company has committed \$2.5 million during the period to acquire fixed assets and has spent EC\$2.2 million to date. This capital commitment was funded from internal funds. However, the company has access to funding from a previously negotiated facility from a local financial institution to fund its continuing capital programme throughout 2010

3. DISCLOSURE OF RISK FACTORS.

Financial assets, which potentially subject the Company to concentrations of credit risk, consist principally of bank deposits, available-for-sale financial assets and trade receivables. The Company's bank deposits are placed with high credit quality financial institutions. Trade receivables are presented net of the provision for impairment of receivables. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Company's customer base and their dispersion across different economic sectors. Management performs periodic credit evaluations of its customers' financial condition and does not believe that significant credit risk exists at March 31st 2010.

The most significant risk to which the company is exposed is the continuing uncertainty in the Company's regulatory environment. Thus, for more than a year the company has been working in good faith with the Independent Regulatory Commission (IRC) on several fronts. All of these fronts individually and cumulatively have the potential to impact the fiscal well being of the company.

Tariff Mechanism

The IRC and the company have agreed in principle on the method of how to calculate the new tariff to be implemented at the next rate hearing.

The financial viability of the company hinges on two foundational blocks. These blocks are (1) the rate of return on its investment that the company is allowed to achieve and (2) the expenses that the IRC will allow in the rate base calculation. The IRC wants to remove the guaranteed rate of return. There is uncertainty as to what mechanism or rationale the IRC will use to determine the allowable rate of return. There is also uncertainty that IRC will allow certain items like charitable donations and public relations costs that are presently part of the current rate base calculation. There is an unspoken but real pressure on the IRC to be perceived as an agency that is driving down the cost of electricity in Dominica.

Service Quality Standards

The IRC has imposed service quality standards where the company has to pay the customer a fee if the standards are not met. Based on the company's internal analysis there is no significant fiscal risk here. However mechanisms are now being put into place to see how we are performing against other standards. There is a risk that this analysis could show that the company needs to increase staff or purchase equipment to meet the new standards.

Interconnection Policy

With the 2006 Electricity Supply Act, the supply of electricity was deregulated in Dominica. Other generating entities, large or small, can now be connected to the company's distribution network. With this in mind an interconnection policy was developed with a view to eliminating the technical risks of ad hoc connections to the distribution system. The interconnection of renewable energy systems to the system is addressed in the policy. The owners of renewable energy systems often want to be paid for any excess energy they may produce at the same rate at which they purchase energy from the company. The company is strongly opposed to this idea because the cost of the energy it sells has two components (1) the cost of its generation and (2) the cost of its distribution to the customer. If electricity is purchased from a customer at the same price as the customer pays to the company then the customer will be being paid for distribution of the energy also, and this is clearly something that he did not contribute to. To avoid net metering and the problems associated with it, a grid service charge is being advocated for customers with renewable energy systems that are connected with the company's distribution system.

License Fees

There is also a potential that the IRC may impose license fees on the company. There is the potential that this fee may be separated into a generation fee, and a transmission/distribution fee.

Secondly, the company continues to explore options for self insurance of its T & D assets against hurricane and other damages caused by natural disasters. The risk of a storm and the wind related damage to T & D assets is relatively high in this region. Currently, the insurance premium is approximately twenty percent of the value of the assets. The

company has proposed a self insurance scheme to the government. While details of the self insurance scheme are being finalised, Domlec has made arrangements with a local commercial bank for an emergency facility if it is ever needed. However, the company has not transferred the risk of loss on T & D assets and appropriate insurance coverage will be a priority for this fiscal year. The company through the Caribbean Association of Electrical Utilities (CARILEC) is exploring joint insurance with twelve other utilities companies.

Finally, the potential of the geothermal resources of Dominica becomes more of a reality each day. Electricité de France (EDF) and the Regional Councils of Martinique and Guadeloupe in conjunction with several international agencies are making efforts to have geothermal production of electricity available in Dominica by as early as 2013. The risk to DOMLEC is how its stranded assets will be treated if all or most of its generation functions are replaced by power purchase agreements.

4. LEGAL PROCEEDINGS.

On December 22nd 2009, the Dominica Electricity Services Limited (“Domlec”) served a demand for arbitration against the Commonwealth of Dominica, seeking relief against the Commonwealth of Dominica for violating Domlec’s rights as expressed in the Electricity Supply Act 1996 (the “1996 Act”), which granted Domlec an exclusive licence to provide electricity services to Dominica through the end of 2025.

In 2006, the Commonwealth of Dominica enacted a new Electricity Supply Act that purported to both repeal the 1996 Act and revoke Domlec’s exclusive licence, granting Domlec a non-exclusive licence which would expire at the end of 2015. The demand for Arbitration claims that the purported revocation of Domlec’s exclusive licence to provide electricity services was in violation of Domlec’s rights, and amounts to expropriation of Domlec’s assets and investment.

On January 8th 2010 the Government served the company with an application filed in the High Court (DOMHCV0009/2010) for a declaration by way of administrative order that the arbitration proceedings were unlawfully filed and further requested the court to issue an injunction to restrain the company from proceeding with the arbitration until the hearing of the application in the High Court.

Affidavits in the matter of the application for injunction have been filed and exchanged by both parties. Currently, both sides are working out a schedule for the trial of the matter to include provision for disclosure of relevant documents and the exchange of witness statements. The trial of the matter is expected to be set for later this year.

5. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None

6. DEFAULTS UPON SENIOR SECURITIES.

There have been no defaults on the payment of securities during the period under review.

7. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

CLASS	NUMBER
Common	10,417,328

SIGNATURES

Name of Chief Executive Officer:

Name of Director:

Collin Cover

Grayson Stedman

Collin Cover

Grayson Stedman

Signature

Signature

27th April 2010

April 27th 2010

Date

Date