**Schedule 3**
**FORM ECSRC - Q**

**Quarterly Report**
**For the period ended March 31st 2006**

**Issuer Registration Number: DOMLEC30041975DM**

**Dominica Electricity Services Limited**

**Commonwealth of Dominica**

**18 Castle Street Roseau Dominica**

**Telephone number (including area code): (767) 255 6000/ 448 2681**

**Fax number: (767) 448 5397**

**Email address: domlec@domleconline.com**

**DOMINICA ELECTRICITY SERVICES LIMITED**
**UN-AUDITED BALANCE SHEET**
**AS AT MARCH 31, 2006**
**(expressed in Eastern Caribbean Dollars)**

| | March 2006 $ | March 2005 $ | December 2005 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 184,626 | 1,163,912 | 1,221,670 |
| Receivables and prepayments (note 4) | 14,284,005 | 14,689,480 | 11,975,880 |
| Inventories | 8,476,372 | 7,167,321 | 7,658,482 |
| | 22,945,003 | 23,020,712 | 20,856,032 |
| **Capital work in progress** | 1,718,501 | 2,346,021 | 95,009 |
| **Property, plant and equipment** (note 6) | 81,421,093 | 73,516,916 | 83,287,737 |
| | 106,084,597 | 98,883,649 | 104,238,779 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Borrowings | 3,743,103 | 4,956,325 | 4,655,794 |
| Accounts payable and accruals | 7,610,459 | 6,371,906 | 8,234,635 |
| Due to related party | 0 | 1,592,931 | 0 |
| Income tax Payable | 720,207 | 578,935 | 845,089 |
| | 12,073,770 | 13,500,097 | 13,735,518 |
| **Borrowings** | 33,295,872 | 29,791,823 | 31,345,872 |
| **Deferred tax liability** | 14,756,156 | 14,679,841 | 14,708,594 |
| **Other liabilities** | 3,535,494 | 3,342,213 | 3,463,385 |
| **Capital grants** | 2,359,459 | 2,991,260 | 2,517,409 |
| | 66,020,750 | 64,305,233 | 65,770,779 |
| **Shareholders' Equity** | | | |
| **Share capital** | 10,417,328 | 10,417,328 | 10,417,328 |
| **Retained earnings** | 29,646,519 | 24,161,088 | 28,050,672 |
| | 40,063,847 | 34,578,416 | 38,468,000 |
| | 106,084,597 | 98,883,649 | 104,238,779 |

**DOMINICA ELECTRICITY SERVICES LIMITED**
**UN-AUDITED STATEMENT OF INCOME**
**FOR THE QUARTER ENDED MARCH 31, 2006**
**(expressed in Eastern Caribbean Dollars)**

| | March 2006 $ | March 2005 $ | December 2005 $ |
|---|---|---|---|
| **Revenue** | | | |
| Energy sales | 11,036,556 | 10,894,613 | 46,457,948 |
| Fuel surcharge | 5,226,242 | 2,579,706 | 20,170,501 |
| Other revenue | 114,260 | 17,145 | 675,302 |
| | 16,377,058 | 13,491,464 | 67,303,751 |
| **Direct expenses** | | | |
| Operating | 2,824,911 | 2,799,093 | 11,668,721 |
| Maintenance | 582,566 | 1,209,756 | 4,465,026 |
| Depreciation | 1,862,963 | 1,732,661 | 6,349,211 |
| Fuel | 5,933,546 | 3,476,785 | 25,883,551 |
| | 11,203,986 | 9,218,296 | 48,366,509 |
| **Gross profit** | 5,173,072 | 4,273,169 | 18,937,243 |
| **Administrative expenses** (schedule) | 2,206,520 | 2,167,164 | 8,674,678 |
| **Net operating income** | 2,966,552 | 2,106,005 | 10,262,564 |
| **Other expenses/(income)** | | | |
| Amortization of capital grants | (157,950) | (157,950) | (631,801) |
| Foreign exchange losses/(gains) | 152,661 | (128,250) | (427,881) |
| Loss/(Gain) on disposal of plant and equipment | (38,919) | 96 | (51,298) |
| | (44,208) | (286,104) | (1,110,980) |
| **Net income before finance charges, exceptional items and tax** | 3,010,760 | 2,392,109 | 11,373,544 |
| **Finance charges** | (617,259) | (738,429) | (2,688,944) |
| **Net income before tax** | 2,393,501 | 1,653,680 | 8,684,601 |
| **Income tax** | (797,656) | (635,387) | (2,528,560) |
| **Net income/(loss) for the year** | 1,595,845 | 1,018,292 | 6,156,041 |
| **Earnings/(loss) per share** (note 17) | 0.15 | 0.10 | 0.59 |

**DOMINICA ELECTRICITY SERVICES LIMITED**
**UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**
**FOR THE QUARTER ENDED MARCH 31, 2006**
**(expressed in Eastern Caribbean Dollars)**

| | March 2006 $ | March 2005 $ | December 2005 $ |
|---|---|---|---|
| **Share capital** | | | |
| Ordinary shares, beginning and end of year | 10,417,328 | 10,417,328 | 10,417,328 |
| **Retained earnings** | | | |
| At beginning of year | 28,050,672 | 23,144,710 | 23,144,710 |
| Net income/(loss) for the year | 1,595,846 | 1,018,292 | 6,156,041 |
| Ordinary dividends rescinded (declared) | 0 | 0 | (1,250,079) |
| At end of year | 29,646,519 | 24,163,002 | 28,050,672 |
| **Shareholders' equity, end of year** | 40,063,847 | 34,580,330 | 38,468,000 |

**DOMINICA ELECTRICITY SERVICES LIMITED**
**UN-AUDITED STATEMENT OF CASH FLOW**
**FOR THE QUARTER ENDED MARCH 31, 2006**
**(expressed in Eastern Caribbean Dollars)**

| | March 2006 $ | March 2005 $ | December 2005 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net income/(loss) before tax | 2,393,501 | 1,653,680 | 8,684,601 |
| Adjustments for: | | | |
| Depreciation | 1,862,963 | 1,732,661 | 6,349,211 |
| Loss/(Gain) on disposal of property, plant and equipment | (38,919) | 96 | (51,298) |
| Exchange (gains)/Loss | 149,049 | (144,323) | (256,068) |
| Amortization of capital grants | (157,950) | (157,950) | (631,801) |
| Interest expense | 617,259 | 738,429 | 2,688,944 |
| **Operating profit before working capital changes** | 4,825,903 | 3,822,593 | 16,783,588 |
| Increase in receivables and prepayments | (2,308,125) | (3,311,082) | (597,483) |
| Decrease/(increase) in inventories | (817,890) | (83,461) | (574,622) |
| Increase in accounts payable and accruals | (624,175) | 3,005,181 | 4,867,991 |
| Increase/(Decrease) in due to related party | 0 | (310,119) | (1,903,050) |
| **Cash generated from operations** | 1,075,712 | 3,123,111 | 18,576,425 |
| Interest paid | (620,938) | (624,723) | (2,652,993) |
| Income tax paid | (874,976) | (905,553) | (2,503,819) |
| **Net cash from operating activities** | (420,202) | 1,592,835 | 13,419,614 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | (1,619,810) | (1,633,786) | (13,770,145) |
| Proceeds on disposal of property, plant and equipment | 42,600 | 0 | 51,600 |
| Net cash used in investing activities | (1,577,210) | (1,633,786) | (13,718,545) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | 1,950,000 | | 27,775,040 |
| Repayment of borrowings | (1,085,124) | (1,802,453) | (26,619,536) |
| Dividends paid | 0 | 0 | (1,250,079) |
| Increase in other liabilities | 72,109 | 42,639 | 163,811 |
| Net cash generated from/(used in) financing activities | 936,985 | (1,759,814) | 69,236 |
| **Net increase/(decrease) in cash and cash equivalents** | (1,060,428) | (1,800,764) | (229,696) |
| **Cash and cash equivalents, beginning of year** | 1,221,670 | 1,451,366 | 1,451,366 |
| **Cash and cash equivalents, end of year** | 161,242 | (349,398) | 1,221,670 |

## 1 General information

Dominica Electricity Services Limited (the Company) was incorporated as a public limited liability company in the Commonwealth of Dominica on April 30, 1975. The Company is regulated under the Electricity Supply Act, 1996 and is responsible for electricity generation, transmission and distribution in the Commonwealth of Dominica. The Company is listed on the Eastern Caribbean Securities Exchange and falls under the jurisdiction of the Eastern Caribbean Securities Regulatory Commission.

Dominica Private Power Ltd. (thereafter "DPP"), a company incorporated in the Turks and Caicos Islands owns 52% of the issued shares capital of the Company, the Dominica Social Security owns 21% and 27% is held by the general public.

The registered office and principal place of business of the Company is located at 18 Castle Street, Roseau, Commonwealth of Dominica.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

**Basis of preparation**

The financial statements of Dominica Electricity Services Limited have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdraft. The bank overdraft is shown within borrowings in current liabilities on the balance sheet.

**Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at fair value, less 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 future collectible amount. The amount of the provision is recognised in the income statement.

## 2 Summary of significant accounting policies…*continued*

**Inventories**
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Allowance is made for obsolete, slow-moving and damaged goods.

**Property, plant and equipment**
Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and are put into use. Depreciation on other assets is calculated using the straight- line method to allocate their cost to their residual lives over their estimated useful lives, as follows:

| | |
|---|---|
| Buildings, headworks and pipelines | 2.5 – 3 1/3% |
| Generator transmission and distribution | 4 - 10% |
| Motor vehicles | 14 – 20% |
| Furniture and fittings | 12 1/2 - 33 1/3% |

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

## 2 Summary of significant accounting policies…*continued*

### Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Interest expense is recorded on an accrual basis over the period it becomes due. Borrowing cost is recognized as an expense in the period in which they are incurred.

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.

**Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

### Deferred taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The principal temporary difference arises from depreciation on plant and equipment.

### Capital work in progress

Capital work in progress is recorded at cost less impairment losses. The cost of completed work is transferred to property, plant and equipment upon completion.

## 2 Summary of significant accounting policies…*continued*

### Consumer contributions

In certain specified circumstances, consumers requiring line extensions are required to contribute the estimated capital cost of the extension. These contributions are offset against the actual cost incurred. Contributions in excess of the applicable capital cost of line extensions are recorded as other revenue in the period in which they are completed; shortfalls are recorded as increases in property, plant and equipment. The capital costs of consumer line extensions are excluded from property, plant and equipment.

### Customer 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).

### Leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

### Capital grants

Capital grants represent the fair value of fixed assets donated to the Company. The amount is amortised over the estimated useful lives of the respective assets.

### Share capital

Ordinary shares are classified as equity.

### Dividends

Dividends on ordinary shares are recorded in the Company's financial statements in the same period that it is declared by the Board of Directors.

### Revenue recognition

Revenues comprise the fair value for the sale of energy.  Revenue is recognized as follows:

<u>Sale of energy</u>

Revenue from energy sales is based on meter readings which are carried out on a rotational basis throughout each month. A provision based on number of day's unbilled accounts of the current month's billings, excluding the fuel surcharge is made to record unbilled energy sales at the end of each month. 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 actual cost of fuel per unit used to generate energy sales in the current month and the statutory established base price of fuel per unit.  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.

<u>Interest income</u>

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

## 2 Summary of significant accounting policies…*continued*

### Employee benefits

(a) Pension
The Company contributes to a defined contribution plan for all employees subscribing to the Plan. The assets of the Plan are held separately. The pension plan is funded by payments from participating employees and the Company. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Company contributes 3% of each of the individual employee's monthly salary while the employee contributes a minimum of 3% of his/her monthly salary.

The Company pays its contribution to a privately administered pension insurance plan on a contractual basis. The Company has no further payment obligation once the contribution has been paid. The contributions are recognised as employee benefit expenses when they are due.

(b) Termination benefits
Termination benefits are payable when employment is terminated prior to the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

### Foreign currency translation

Functional and presentation currency
Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Eastern Caribbean dollars, which is the Company's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

### Comparatives
Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

## 3 Financial risk management

The Company’s activities expose it to a variety of financial risk: foreign exchange risk, liquidity risk and interest rate risk and price risk.

**Foreign exchange risk**

The Company trades internationally. Such transactions are primarily in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since July 1976. Foreign exchange gains and losses are recognised on transactions denominated in foreign currencies and is based on the rate of exchange on the transaction date and the period end date. As at March 31st 2006 the company held loans denominated in foreign currencies amounting to EC$7,756,845 comprised as follows: CAD234,586, XDR246,336, Euro589,318, USD1,727,148.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Management does not believe significant liquidity risk exists at March 31, 2006.

Credit risk

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. The debt due from the Government of the Commonwealth of Dominica which comprises of 43% of the total outstanding receivables provides a level of risk; however, the company is looking into mitigating factors such as a swap of debts for assets which is being negotiated. Management performs periodic credit evaluations of its customers’ financial condition and does not believe that significant credit risk exists at March 31, 2006.

Interest rate risk

Differences in contractual reprising or maturity dates and changes in interest rates may expose the Company to interest rate risk.

Fair value estimation

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

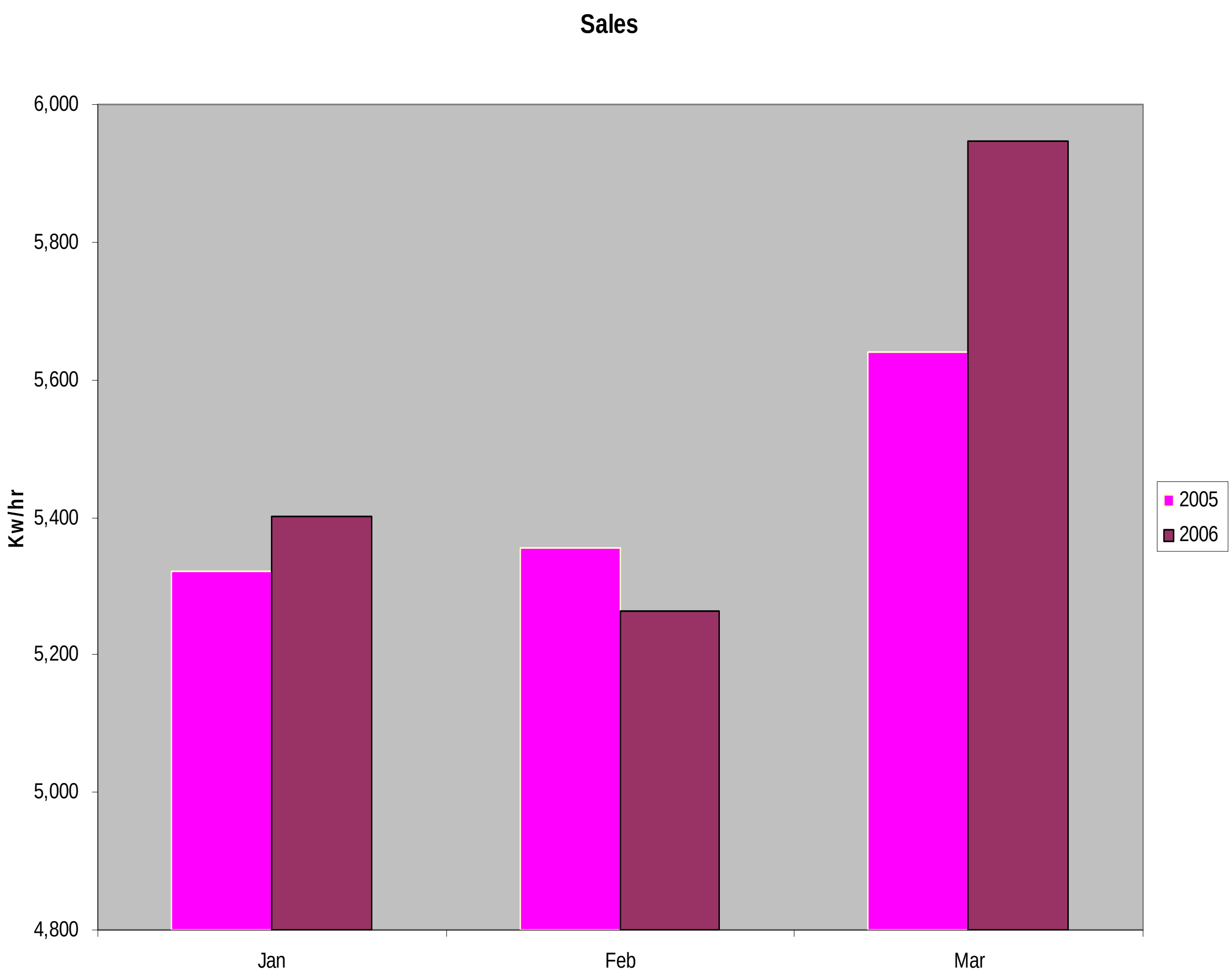
## 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

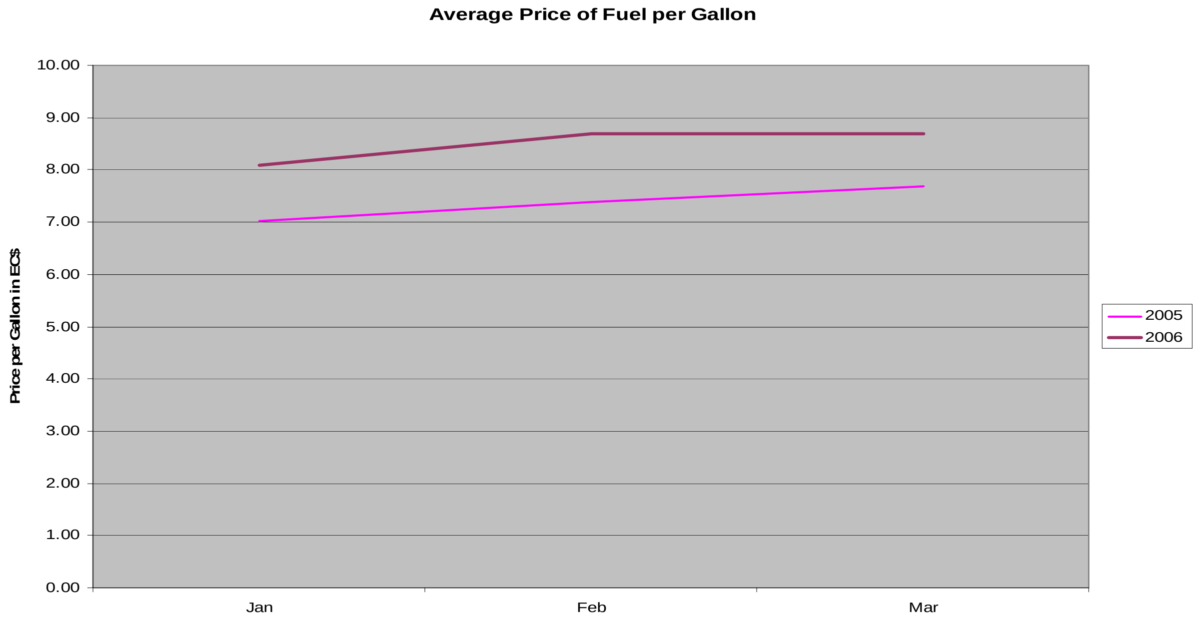
The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management do not consider that there are estimates and assumptions that will have a significant risk, causing a material adjustment to the carrying amounts of assets and liability within the next financial year.

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

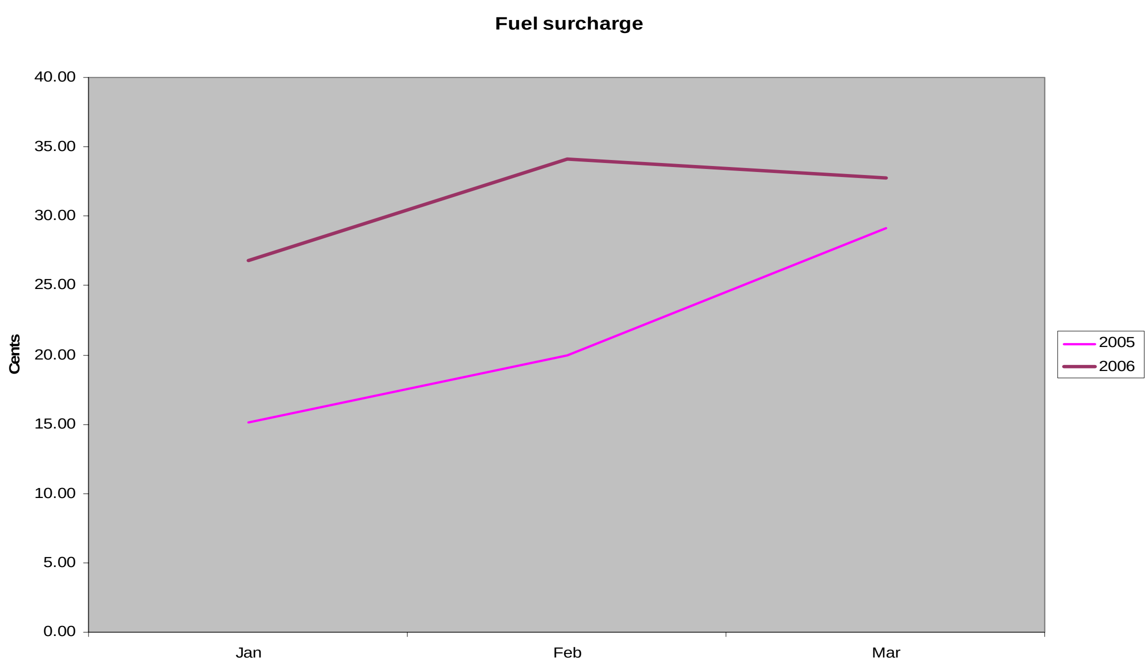
Total revenue increased by EC$2.886 million or 21% over the corresponding period of 2005. Energy sales value increased by EC$0.142 million (1.3%) and fuel surcharge by EC$2.647 million, while unit sales increased by .30 MWh (1.8%) over the same period of 2005. There was growth in the Domestic and Commercial sectors, however there continues to be decline in the Hotel and Industrial sectors.



The world price for fuel has continued to increase, with the price of diesel being 15% higher than for the same period in 2005, resulting in the cost of fuel to the company rising by EC$2.457 million or 71% over that comparable period.




As a consequence of the increased fuel prices and an increase in the utilization of diesel fuel for generation, fuel surcharge recovery increased by EC$2.647 million over the corresponding period of 2005.



Direct expenses net of fuel cost declined over that of 2005 by EC$471,071, or 8%. This decline was significantly due to lower maintenance cost mainly due to fewer breakdowns as compared to the corresponding period in 2005. The company recorded an earnings per share of EC$0.15 compared to the same period of 2005 of EC$0.10.

## DOMLEC IN THE FIRST QUATER OF 2006

| **Operating Highlights** | **2006** | **2005** |
|---|---|---|
| Number of customers | 29,568 | 27,243 |
| Hydro generation (1,000 kWh) | 6,852 | 9,082 |
| Diesel generation (1,000 kWh) | 12,931 | 10,317 |
| Units sold (1,000 kWh) | 16,612 | 16,317 |
| Fuel efficiency | 17.34% | 17.58% |
| System losses | 14.1% | 12.9% |

(a) **Liquidity**

The company has continued its strong liquidity position as a result of management of working capital in an efficient manner. The company has funding at its disposal which has not yet been committed to any major project. This strong liquidity position is expected to continue as a result of prudent management of the company's finances.

(b) **Capital Resources**

The company has committed funds for the refurbishment and expansion of a recently acquired building to accommodate staff of the Engineering and Transmission and Distribution departments. This capital commitment will be funded by already negotiated funds from a local financial institution. The company is expected to continue to fund its capital commitments from bank loan funding which has already been negotiated, and internal sources.

(c) **Results of Operation.**

There are no unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations. There are no trends or uncertainties that have had or that the company reasonably expects will have a material favourable or unfavourable impact on net sales or revenues or income from continuing operations. There are no events which to the knowledge of management will cause a material change in the relationship between costs and revenues such as price increases, costs of labour or materials.

**2. Disclosure of Risk Factors.**

**<u>Foreign exchange risk</u>**

See note 3; Financial risk management.

**<u>Credit risk</u>**

See note 3; Financial risk management.

**<u>Review of Electricity Supply Act</u>**

A proposal for changes to the Electricity Supply Act has been submitted to the company for its review and comments. These changes include the re-structuring of the current licensing regime to facilitate initiatives in generation of electricity from renewable resources. The company has submitted a response to the proposal and anticipates continued dialogue with government before any changes are formalised. The company fully supports government's initiative to restructure the sector so as to achieve improved service quality and reliability. The company is committed to working with the government to achieve that objective while at the same time ensuring that its position in the market is not compromised.

**3. Legal Proceedings.**

None

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

None

**5. Defaults upon Senior Securities.**

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

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

None

**7. Other Information.**

None

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.

| CLASS | NUMBER |
|---|---|
| Ordinary | 10,417,328 |
| | |
| | |
| | |

**SIGNATURES**

Name of Managing Director:

Signature

Date

Name of Director:

Signature

Date