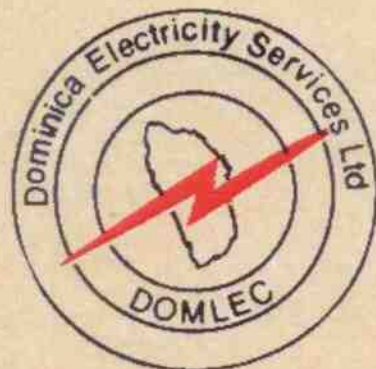


DOMINICA ELECTRICITY SERVICES LIMITED



FORM ECSRC-Q

**Quarterly Report
For period ended March 31st, 2013**

FORM ECSRC - Q

QUARTERLY REPORT
For the period ended March 31st 2013

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@domlec.dm

1. Financial Statements

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED BALANCE SHEET
AS AT MARCH 31, 2013
(expressed in Eastern Caribbean Dollars)

	March 2013 \$	March 2012 \$	December 2012 \$
Assets			
Current assets			
Cash and cash equivalents	248,541	789,586	1,948,772
Receivables and prepayments	19,306,312	17,113,522	19,227,193
Inventories	14,150,290	16,609,090	15,519,066
	<u>33,705,144</u>	<u>34,512,198</u>	<u>36,695,031</u>
Capital work in progress	2,802,965	3,229,831	460,879
Property, plant and equipment	118,456,104	120,119,486	121,439,574
	<u>154,964,212</u>	<u>157,861,516</u>	<u>158,595,483</u>
Liabilities			
Current liabilities			
Borrowings	3,578,472	5,014,180	5,359,107
Accounts payable and accruals	11,727,085	14,172,367	13,568,049
Due to related party	0	0	90,120
Income tax Payable	283,605	393,632	873,162
	15,589,162	19,580,179	19,890,438
Borrowings	41,038,732	45,335,189	41,038,732
Deferred tax liability	17,531,306	16,693,991	17,313,615
Other liabilities	11,540,155	11,332,524	11,436,796
Capital grants	622,056	755,859	655,507
	<u>86,321,412</u>	<u>93,697,742</u>	<u>90,335,088</u>
Shareholders' Equity			
Share capital	10,417,328	10,417,328	10,417,328
Retained earnings	58,225,474	53,746,448	57,843,068
	<u>68,642,802</u>	<u>64,163,776</u>	<u>68,260,396</u>
	<u>154,964,212</u>	<u>157,861,516</u>	<u>158,595,484</u>

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED MARCH 31, 2013
(expressed in Eastern Caribbean Dollars)

	March 2013 \$	March 2012 \$	December 2012 \$
Revenue			
Energy sales	14,328,906	14,477,868	61,593,011
Fuel surcharge	9,846,251	9,884,960	44,260,626
Other revenue	179,934	165,250	1,500,882
	<u>24,355,092</u>	<u>24,528,078</u>	<u>107,354,520</u>
Direct expenses			
Operating	3,890,335	3,178,957	13,107,007
Maintenance	2,104,673	1,944,909	8,262,621
Depreciation	2,806,163	2,642,729	10,821,809
Fuel	11,575,009	11,615,190	51,660,677
	<u>20,376,180</u>	<u>19,381,785</u>	<u>83,852,114</u>
Gross profit	3,978,912	5,146,292	23,502,406
Administrative expenses	<u>1,993,439</u>	<u>1,971,255</u>	<u>7,949,385</u>
Net operating income	<u>1,985,473</u>	<u>3,175,037</u>	<u>15,553,021</u>
Other expenses/(income)			
Amortization of capital grants	(125,095)	(104,280)	(531,106)
Foreign exchange losses/(gains)	(4,549)	1,959	(5,305)
Loss/(Gain) on disposal of plant and equipment	(2,999)	0	1,334,138
	<u>(132,644)</u>	<u>(102,322)</u>	<u>797,727</u>
Net income before finance	2,118,116	3,277,359	14,755,294
Finance charges	(692,072)	(754,582)	(2,944,975)
Net income before tax	1,426,044	2,522,777	11,810,318
Income tax	<u>(502,901)</u>	<u>(500,067)</u>	<u>(3,607,522)</u>
Net income/(loss) for the period	<u>923,143</u>	<u>2,022,709</u>	<u>8,202,796</u>
Earnings/(loss) per share	<u>0.09</u>	<u>0.19</u>	<u>0.79</u>

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE QUARTER ENDED MARCH 31, 2013
(expressed in Eastern Caribbean Dollars)

	March 2013 \$	March 2012 \$	December 2012 \$
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	57,843,068	51,723,738	51,723,738
Net income/(loss) for the period	923,143	2,022,709	8,202,796
Ordinary dividends (declared)	<u>(540,739)</u>	<u> </u>	<u>(2,083,466)</u>
At end of period	<u>58,225,474</u>	<u>53,746,447</u>	<u>57,843,068</u>
Shareholders' equity, end of period	<u>68,642,802</u>	<u>64,163,776</u>	<u>68,260,396</u>

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED MARCH 31, 2013
(expresses in Eastern Caribbean Dollars)

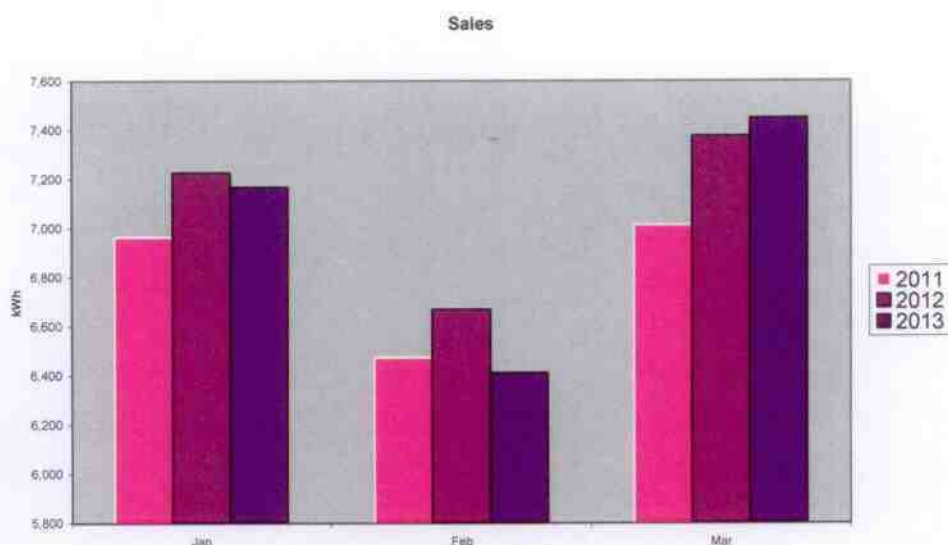
	March 2013 S	March 2012 S	December 2012 S
Cash flows from operating activities			
Net income/(loss) before tax	1,426,044	2,522,777	11,810,318
Adjustments for:			
Depreciation	2,806,163	2,642,729	10,821,809
Loss/(Gain) on disposal of property, plant and equipment	(2,999)	0	1,334,138
Amortization of capital grants	(125,095)	(104,280)	(133,801)
Interest expense	692,072	754,582	2,944,975
Operating profit before working capital changes	4,796,185	5,815,808	26,777,439
Decrease (Increase) in receivables and prepayments	(79,119)	(1,345,160)	(3,458,831)
Decrease/(increase) in inventories	1,368,776	(50,938)	1,039,086
Increase/(decrease) in accounts payable and accruals	(1,840,963)	2,178,144	1,722,378
Increase/(decrease) in due to related party	(90,120)	0	(58,432)
Cash generated from operations	4,154,758	6,597,854	26,021,640
Interest paid	(692,072)	(754,582)	(2,944,975)
Income tax paid	(874,766)	(1,268,752)	(3,277,053)
Net cash from operating activities	2,587,920	4,574,520	19,799,611
Cash flows from investing activities			
Purchase of property, plant and equipment	(2,073,137)	(2,229,848)	(10,258,348)
Proceeds on disposal of property, plant and equipment	3,000	0	12,500
Net cash used in investing activities	(2,070,137)	(2,229,848)	(10,245,848)
Cash flows from financing activities			
Proceeds from borrowings	0	0	2,000,000
Repayment of borrowings	(1,780,635)	(1,719,088)	(6,940,625)
Dividends paid	(540,739)	0	(2,083,466)
Increase in other liabilities	103,360	360,119	464,391
Net cash generated from/(used in) financing activities	(2,218,015)	(1,358,969)	(6,559,700)
Net increase/(decrease) in cash and cash equivalents	(1,700,231)	985,703	2,994,068
Cash and cash equivalents, beginning of period	1,948,772	(1,045,296)	(1,045,296)
Cash and cash equivalents, end of period	248,540	59,593	1,948,772

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

Net profit after tax for the first quarter ending March 31st 2013 was EC\$0.923 million compared to EC\$2.023 million in the similar period of 2012, a decrease of 54% or EC\$1.099 million.

Total revenue for the quarter was EC\$24.36 million decreasing by only 7% over 2012. Revenue from electricity sales reduced by \$0.149 million or 1% to EC\$14.33 million, while revenue from fuel surcharge decreased from EC\$9.88 million in 2012 to EC\$9.85 million this quarter.

The decrease in revenue from energy sales was attributed to an overall 1.15% decrease in unit sales for this first quarter compared to the similar period in 2012. Sales totalled 21.03 GWh as opposed to 21.27 GWh in 2012. The domestic, commercial and industrial sectors reported negative sales growth. The industrial sector experienced the highest decline of 6.76% amongst the sectors, while the hotel sector showed positive sales growth of 36.56%.

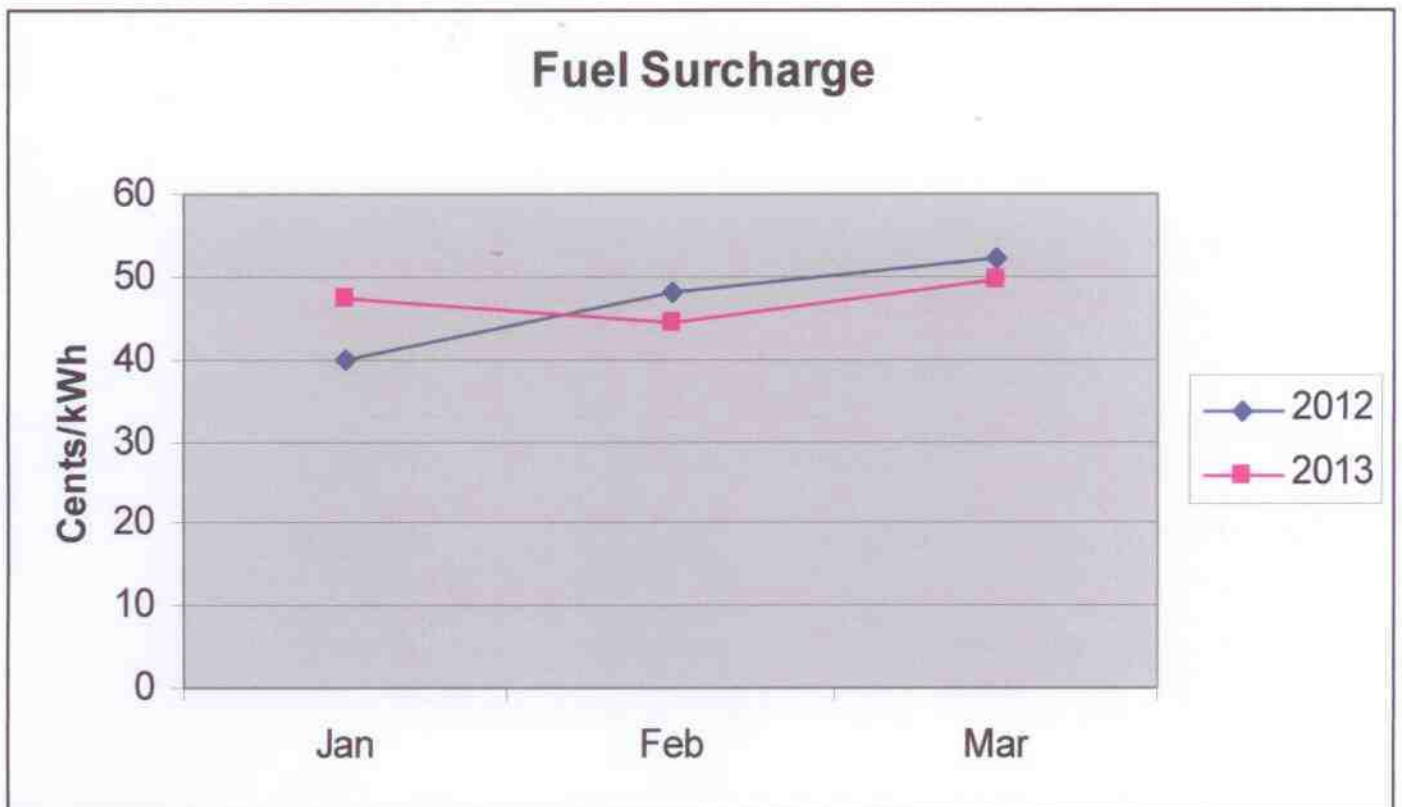


Total energy generated in the first quarter decreased by 1.11% to 23.64 GWh. There was less reliance on diesel generation due to higher rainfall recorded in the earlier part of the year compared to 2012. Diesel generation accounted for 74% of total energy generated compared to 75% in 2012. As a result, diesel consumption decreased by 3.48% to 1.00 million imperial gallons.

Hydro generation increased by 2.46% to 6.15 GWh or 26% compared to 2012. Output from hydro generation in 2012 accounted for 5.99 GWh or 25% of total generation.

At March 31st 2013, system losses (Moving Annual Total) stood at 7.9% compared to 8.1% in 2012.

At March 31st, 2013, fuel surcharge was EC\$9.85 million. Over the past three months, fuel surcharge has oscillated, moving from 47.3 cent/kWh in January, to 44.5 cents/kWh in February and to 49,5 cents/kWh in March.



Direct expenses totalled EC\$20.38 million; an increase of EC\$0.99 million or 19.5%. This increase was driven primarily by increases in operating and maintenance expenses of 22% and 8% respectively. The variance in the operating cost was attributed to timing differences related to the provisioning of the T&D self- insurance which commenced in the 1st quarter of this year while no provision was made in the similar period of 2012.

Earning per share for the quarter stood at 9 cents, a 53% decrease from EPS of 19 cents per share from the first quarter of 2012.

DOMLEC IN THE FIRST QUARTER OF 2013

Operating Highlights	2013	2012
Hydro generation (1,000 kWh)	6,146	5,998
Diesel generation (1,000 kWh)	17,491	17,905
Purchased generation (1,000 kWh)	25.27	60.31
Units sold (1,000 kWh)	21,028	21,272
Fuel efficiency(kWh per IG)	17.5	17.3
System losses	7.9%	8.1%

(a) **Liquidity**

Outstanding debt due to the company in the first quarter increased as compared to 2012. Trade receivables (excluding unbilled sales) stood at EC\$11.99 million at the end of this quarter compared to EC\$9.91 million a year ago.

Debt within the Commercial sector represented the major portion of collectibles, accounting for 52% of gross receivables, while Domestic debt represented 20% of all debt receivables. Throughout the period, Government debt remained current and accounts for only 18% of receivables at the end of the first quarter, an increase from 12% in 2012. At the end of the quarter, 61% of all outstanding debt was current compared to 76% in 2012.

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

(b) **Capital Resources**

The company has spent EC\$2.16 million during the period to acquire fixed assets and funding of capital projects. These were funded from internally generated funds.

(c) **Financial Outlook**

Sales for electricity in the first quarter has been 1.1% lower than sales for the same period last year and 1.7% lower than the budgeted sales. Throughout the rest of the year, sales growth is expected at 0.5% from 2012. The company continues to closely monitor fuel prices, as rising prices could stifle demand for electricity as the economy slows. Even so, the company expects continued profitability in the next quarter and anticipates an EPS of at least EC 66 cents for this fiscal year.

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 2012.

The most significant risk to which the company are firstly the possibility of losing a significant share of its generation production to power produced by geothermal energy within approximately five years, secondly the lack of insurance for the transmission and distribution assets, and thirdly the continuing uncertainty in the Company's regulatory environment.

Competition from Geothermal Production

Exploratory drilling for geothermal energy was successfully in the Wotten Waven area of Dominica. It is envisaged that a geothermal power plant will be built selling power to Martinique and Guadeloupe via submarine cables, and also for local supply in Dominica. DOMLEC could potentially lose a major portion of its generation production to this project. To mitigate this DOMLEC is taking steps to become involved in the production of electricity from geothermal energy. The company remains open also to exploring partnerships with other stakeholders in the geothermal market to ensure that Domlec and its customers benefit from the project.

Regulatory Environment

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.

The most significant risk still remains that the rate of return the company will be allowed when filing for a new tariff is unknown and will be at the discretion of the Independent Regulatory Commission.

License

There is now a greater sense of certainty about the company obtaining a licence from the IRC for operating after 31st December 2015 as negotiations between the IRC and the utility is quite advanced. The first round of face to face negotiations between the IRC and the company has been completed and public consultations have been held. There will be a second session of face to face negotiations scheduled shortly. The licences being contemplated are a non-exclusive licence to generate electricity in Dominica and an exclusive licence to transmit and distribute electricity in Dominica.

Operating Environment

The T&D assets remain uninsured. The company continues to explore options for self insurance of its T&D assets against damage caused by hurricanes and other natural disasters. The company has proposed a self insurance scheme to the Government which enables it to set up a fund from which capital would be readily available for financing restoration after a catastrophic event. The details of the self insurance scheme have been finalised with the Government. However, parliament has not yet enacted into law the regulation that will enable the company to set up the self insurance scheme as a tax free entity. Meanwhile the company continues to maintain the Catastrophe Standby facility which was arranged with a financial institution to fund the restoration of the Transmission and Distribution assets after a catastrophe.

4. LEGAL PROCEEDINGS

The arbitration proceedings which the company initiated against the Government of the Commonwealth of Dominica in relation to the curtailment of the company's licence, is presently adjourned awaiting the outcome of the negotiation meetings between the parties.

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

23rd April 2013

23/4/13

Date

Date