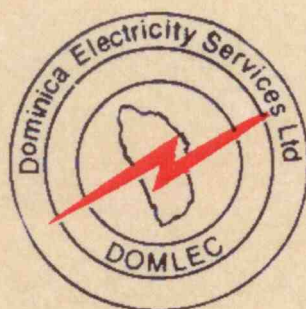


DOMINICA ELECTRICITY SERVICES LIMITED



FORM ECSRC-Q

**Quarterly Report
For the Period ended 31 March, 2012.**

FORM ECSRC - Q

QUARTERLY REPORT

For the period ended March 31st 2012

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, 2012
(expressed in Eastern Caribbean Dollars)

| | March 2012 \$ | March 2011 \$ | December 2011 \$ |
|--------------------------------------|---------------------|---------------------|------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 789 586 | 411 200 | 603 201 |
| Receivables and prepayments | 17 113 522 | 14 033 037 | 15 768 362 |
| Inventories | 16 609 090 | 12 944 122 | 16 558 152 |
| | <u>34 512 198</u> | <u>27 388 359</u> | <u>32 929 716</u> |
| Capital work in progress | 3 229 831 | 7 382 441 | 1 089 232 |
| Property, plant and equipment | 120 119 486 | 115 690 614 | 122 721 322 |
| | <u>157 861 516</u> | <u>150 461 414</u> | <u>156 740 271</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Borrowings | 5 014 180 | 7 586 117 | 7 651 772 |
| Accounts payable and accruals | 14 172 367 | 9 889 038 | 11 994 223 |
| Due to related party | 0 | 0 | 0 |
| Income tax Payable | 393 632 | 524 063 | 1 259 612 |
| | 19 580 179 | 17 999 218 | 20 905 608 |
| Borrowings | 45 335 189 | 47 463 133 | 45 335 189 |
| Deferred tax liability | 16 693 991 | 16 070 906 | 16 596 696 |
| Other liabilities | 11 332 524 | 10 290 572 | 10 972 404 |
| Capital grants | 755 859 | 929 759 | 789 309 |
| | <u>93 697 742</u> | <u>92 753 588</u> | <u>94 599 206</u> |
| Shareholders' Equity | | | |
| Share capital | 10 417 328 | 10 417 328 | 10 417 328 |
| Retained earnings | 53 746 448 | 47 290 500 | 51 723 737 |
| | <u>64 163 775</u> | <u>57 707 828</u> | <u>62 141 065</u> |
| | <u>157 861 516</u> | <u>150 461 414</u> | <u>156 740 271</u> |

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED MARCH 31, 2012
(expressed in Eastern Caribbean Dollars)

| | March 2012 \$ | March 2011 \$ | December 2011 \$ |
|--|---------------------|---------------------|------------------------|
| Revenue | | | |
| Energy sales | 14 477 868 | 14 083 413 | 60 856 464 |
| Fuel surcharge | 9 884 960 | 6 781 836 | 36 660 982 |
| Other revenue | 165 250 | 177 885 | 799 349 |
| | <u>24 528 078</u> | <u>21 043 133</u> | <u>98 316 796</u> |
| Direct expenses | | | |
| Operating | 3 717 988 | 4 213 366 | 14 595 312 |
| Maintenance | 1 295 998 | 1 149 159 | 5 724 361 |
| Depreciation | 2 642 729 | 2 589 489 | 10 335 421 |
| Fuel | 11 615 190 | 8 218 011 | 42 927 824 |
| | <u>19 271 906</u> | <u>16 170 025</u> | <u>73 582 918</u> |
| Gross profit | 5 256 172 | 4 873 108 | 24 733 878 |
| Administrative expenses | <u>2 081 135</u> | <u>2 036 314</u> | <u>9 845 503</u> |
| Net operating income | <u>3 175 037</u> | <u>2 836 794</u> | <u>14 888 374</u> |
| Other expenses/(income) | | | |
| Amortization of capital grants | (104 280) | (111 209) | (492 086) |
| Foreign exchange losses/(gains) | 1 959 | 5 087 | (90 377) |
| Loss/(Gain) on disposal of plant and equipment | 0 | 1 852 | 1 267 548 |
| | <u>(102 322)</u> | <u>(104 270)</u> | <u>685 086</u> |
| Net income before finance | 3 277 359 | 2 941 064 | 14 203 289 |
| Finance charges | (754 582) | (758 587) | (3 113 597) |
| Net income before tax | 2 522 777 | 2 182 476 | 11 089 691 |
| Income tax | <u>(500 067)</u> | <u>(691 725)</u> | <u>(3 342 666)</u> |
| Net income/(loss) for the period | <u>2 022 709</u> | <u>1 490 751</u> | <u>7 747 025</u> |
| Earnings/(loss) per share | <u>0.19</u> | <u>0.14</u> | <u>0.74</u> |

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE QUARTER ENDED MARCH 31, 2012
(expressed in Eastern Caribbean Dollars)

| | March 2012 \$ | March 2011 \$ | December 2011 \$ |
|--|---------------------|---------------------|------------------------|
| 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 | 51,723,738 | 45,799,745 | 45,799,745 |
| Net income/(loss) for the period | 2,022,709 | 1,490,751 | 7,747,025 |
| Ordinary dividends (declared) | | | (1,823,032) |
| At end of period | <u>53,746,445</u> | <u>47,290,497</u> | <u>51,723,738</u> |
| Shareholders' equity, end of period | <u>64,163,772</u> | <u>57,707,825</u> | <u>62,141,066</u> |

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED MARCH 31, 2012
(expressed in Eastern Caribbean Dollars)

| | March 2012 \$ | March 2011 \$ | December 2011 \$ |
|---|---------------------|---------------------|------------------------|
| Cash flows from operating activities | | | |
| Net income/(loss) before tax | 2 522 777 | 2 182 476 | 11 089 691 |
| Adjustments for: | | | |
| Depreciation | 2 642 729 | 2 589 489 | 10 335 421 |
| Loss/(Gain) on disposal of property, plant and equipment | 0 | 1 852 | 1 267 548 |
| Exchange (gains)/Loss | 0 | 0 | 0 |
| Amortization of capital grants | (104 280) | (111 209) | (187 264) |
| Interest expense | 754 582 | 758 587 | 3 113 597 |
| | <u>5 815 808</u> | <u>5 421 196</u> | <u>25 618 994</u> |
| Operating profit before working capital changes | | | |
| Decrease (Increase) in receivables and prepayments | (1 345 160) | (941 610) | (2 676 935) |
| Decrease/(increase) in inventories | (50 938) | (608 655) | (4 222 686) |
| Increase/(decrease) in accounts payable and accruals | 2 178 144 | 351 948 | 2 453 988 |
| Increase/(decrease) in due to related party | 0 | (135 844) | (132 698) |
| | <u>6 597 854</u> | <u>4 087 036</u> | <u>21 040 664</u> |
| Cash generated from operations | | | |
| Interest paid | (754 582) | (733 346) | (3 113 594) |
| Income tax paid | (1 268 752) | (1 218 274) | (2 607 876) |
| | <u>4 574 520</u> | <u>2 135 416</u> | <u>15 319 194</u> |
| Net cash from operating activities | | | |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | (2 229 848) | (3 955 446) | (13 743 835) |
| Proceeds on disposal of property, plant and equipment | 0 | 0 | 100 |
| | <u>(2 229 848)</u> | <u>(3 955 446)</u> | <u>(13 743 735)</u> |
| Net cash used in investing activities | | | |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 0 | 3 000 000 | 6 738 229 |
| Repayment of borrowings | (1 719 088) | (1 670 602) | (6 652 446) |
| Dividends paid | 0 | 0 | (1 823 032) |
| Increase in other liabilities | 360 119 | 596 326 | 1 278 158 |
| Increase in Capital grants | 0 | 0 | 0 |
| | <u>(1 358 969)</u> | <u>1 925 723</u> | <u>(459 091)</u> |
| Net cash generated from/(used in) financing activities | | | |
| Net increase/(decrease) in cash and cash equivalents | 985 703 | 105 693 | 1 116 368 |
| Cash and cash equivalents, beginning of period | (1 045 296) | (2 161 663) | (2 161 664) |
| | <u>59 593</u> | <u>(2 055 971)</u> | <u>(1 045 296)</u> |
| Cash and cash equivalents, end of period | | | |

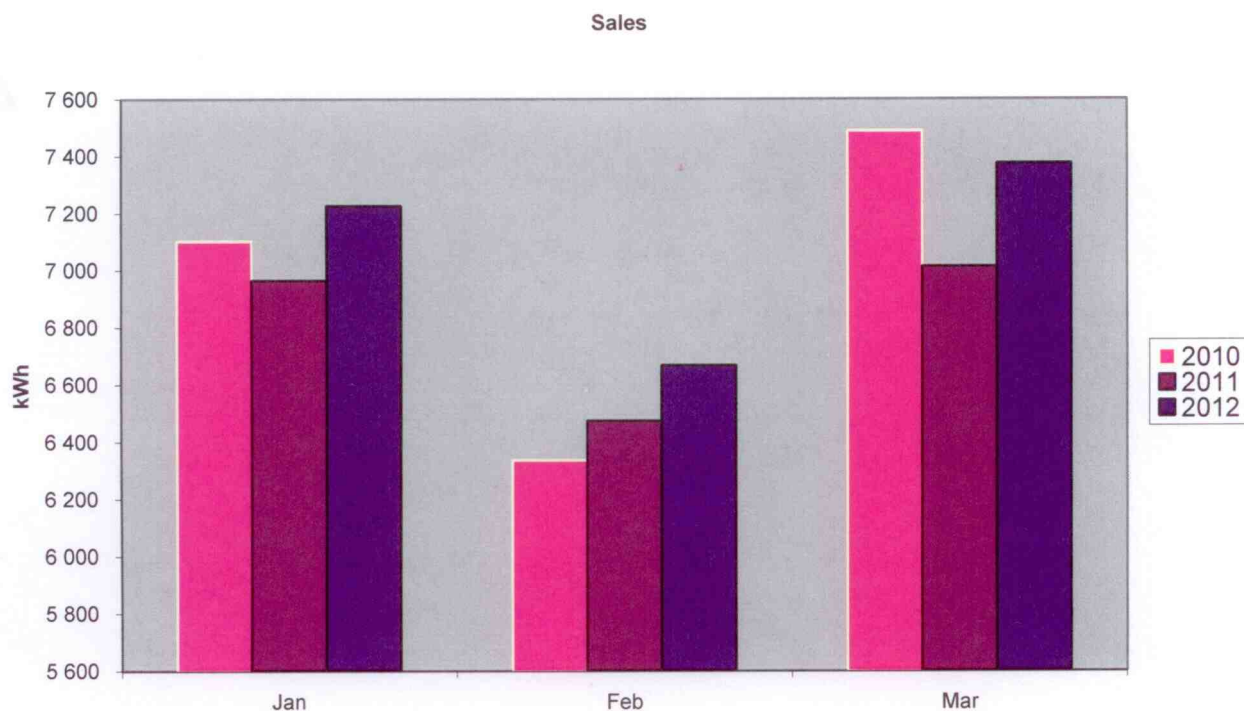
2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net profit after tax for the first quarter ending March 31st 2012 was EC\$2.023 million, compared to EC\$1.491 million in the first quarter of 2011, an increase of 36% or EC\$0.532 million.

Total revenue for the quarter is EC\$24.53 million, an increase of 16.5% or EC\$3.48 million from the similar period in 2011. Revenue from electricity sales grew by 3% to EC\$14.478 million this quarter, while revenue from fuel surcharge increased 46%, from EC\$6.78 million in 2011 to EC\$9.88 million in 2012.

The increase in revenue from energy sales was due to an overall 4% increase in unit sales in this first quarter, compared to the first quarter of 2011. Sales for the quarter totalled 21.3 GWh compared to 20.5 GWh in 2011. All sectors reported positive growth, except the hotel sector, where energy sales contracted by 55.32%. The industrial sector experienced the highest growth of 8.96% amongst the sectors. Demand within the Commercial and Domestic sectors expanded by 7.01% and 3.44% respectively.

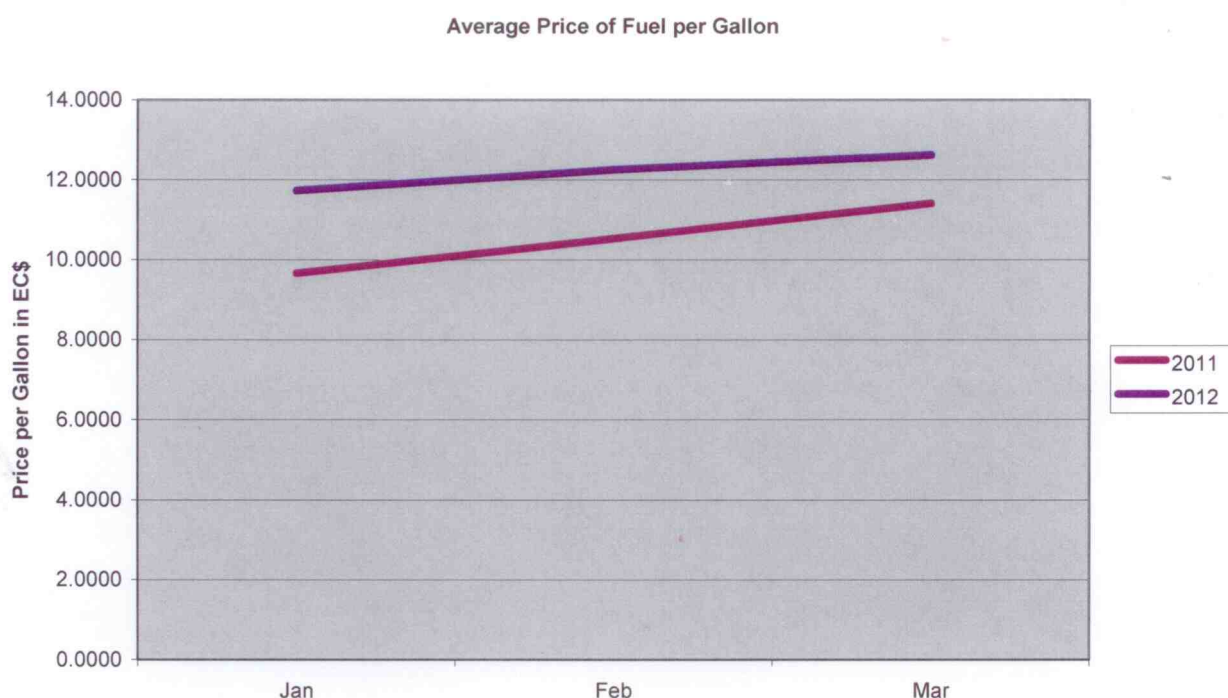
The increase in fuel surcharge has been driven by an increase in the price per imperial gallon of diesel and a greater reliance on diesel generation to support the increased demand for energy in this quarter as low rainfall restricted production on the hydro units.



Total Energy generated in the first quarter increased by 1.8% to 23.9 GWh. There was more reliance on diesel generation which made up 75% of total energy output as compared to 2011 when 63% of total energy generated was through diesel generation. As a result, Diesel consumption increased 20.6% to 1.036 million imperial gallons.

Hydro generation declined by 31% to 6.0 GWh due to lower rainfall in the earlier part of the quarter compared to 2011. Output from hydro generation in 2011 of 8.7 GWh was 37% of total generation.

At March 31st 2012, system losses (Moving Annual Total) stood at 8.1% compared to 9.7% for the same period in 2011.



Direct Expenses totalled EC\$19.3 million; an increase of EC\$3.1 million or 19%. This increase was driven primarily by a 41% increase in fuel expenses, as discussed above.

Earnings per share (EPS) for the quarter stood at 19 cents, a 36% increase from EPS of 14 cents per share in the first quarter of 2011.

DOMLEC IN THE FIRST QUARTER OF 2012

| Operating Highlights | 2012 | 2011 |
|-------------------------------|-------------|-------------|
| Hydro generation (1,000 kWh) | 5,998 | 8,684 |
| Diesel generation (1,000 kWh) | 17,905 | 14,801 |
| Units sold (1,000 kWh) | 21,272 | 20,455 |
| Fuel efficiency(kWh per IG) | 17.3 | 17.2 |
| System losses | 8.1% | 9.7% |

(a) **Liquidity**

Outstanding debt due to the company in the first quarter increased as compared to 2011. Trade receivables (excluding unbilled sales) stood at EC\$9.916 million at the end of this quarter compared to EC\$8.135 million a year ago.

Debt within the Commercial sector represented the major portion of collectibles, amounting to 50% of gross receivables, while Domestic debt accounted for 25% of all debt receivables. Throughout the period Government debt remained current and accounts for 12% of receivables at the end of the first quarter, a marginal increase compared to 10.6% in 2011. At the end of the quarter 76% of all outstanding debt was current compared to 77% in 2011.

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\$2.1 million during the period to acquire fixed assets and funding of capital projects. Capital programmes are partly funded by internal funds and pre-existing long-term loan facilities with the National Bank of Dominica.

(c) **Financial Outlook**

Demand for electricity in the first quarter has been strong, with average growth across all sectors at 4%. Throughout the rest of the year, demand growth is expected to slow to between 1.5 and 2% from 2011. The company continues to closely monitor fuel prices, as rising prices could stifle demand for electricity by making the commodity more expensive and putting additional pressure on household budgets. Even so, the company expects continued profitability in the next quarter and anticipates an EPS of at least EC 60 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 is exposed is the continuing uncertainty in the Company's regulatory environment. Thus, 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.

Regulatory Environment and Tariff Mechanism

There has been no change in the Regulatory Environment during this quarter.

The 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

In January 2011 the IRC presented the company with a draft Generation Licence and a draft Transmission and Distribution Licence, which the company reviewed and submitted its comments to the IRC. Both these licences are for a proposed twenty year period. The company continues to assess what is the most viable option for its licensing arrangements and intends to have further discussions with the IRC in that regard by June 2012.

Operating Environment

The T&D assets remain uninsured. The company has presented a legislative proposal for self insurance to the Government and awaits their response. The catastrophe Standby Facility which has been arranged with a financial institution to cover the Transmission and Distribution assets is still maintained.

4. LEGAL PROCEEDINGS.

The arbitration proceedings which the company initiated against the Government of the Commonwealth of Dominica in relation to the revocation of the company's licence, is presently adjourned pending the outcome of the negotiation meetings between the parties. Some progress has been made so far in the negotiation talks with the Government.

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
Signature

Grayson Stedman
Signature

24th April 2012
Date

24/4/2012
Date