DOMINICA ELECTRICITY SERVICES LIMITED

FORM ECSRC - Q

Quarterly Report
For the period ended June 30th, 2011

FORM ECSRC - Q

QUARTERLY REPORT
For the period ended June 30th 2011

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 JUNE 30, 2011
(expressed in Eastern Caribbean Dollars)

	June 2011 $	June 2010 $	December 2010 $
Assets			
Current assets			
Cash and cash equivalents	382 378	218 879	506 295
Receivables and prepayments	17 114 737	12 778 915	13 091 427
Inventories	13 088 283	12 431 766	12 335 467
	30 585 398	25 429 561	25 933 189
Capital work in progress	13 248 595	12 721 910	3 314 500
Property, plant and equipment	113 174 468	106 622 588	118 355 298
	157 008 461	144 774 059	147 602 987
Liabilities			
Current liabilities			
Borrowings	6 158 388	5 406 162	9 457 507
Accounts payable and accruals	14 186 075	8 569 786	9 537 089
Due to related party	0		135 844
Income tax Payable	1 321 988	632 025	1 218 452
	21 666 451	14 607 973	20 348 892
Borrowings	48 201 362	50 938 298	44 463 133
Deferred tax liability	16 238 746	15 673 536	15 903 066
Other liabilities	10 721 713	9 042 727	9 694 247
Capital grants	882 942	1 053 824	976 576
	97 711 216	91 316 358	91 385 914
Shareholders' Equity			
Share capital	10 417 328	10 417 328	10 417 328
Retained earnings	48 879 917	43 040 373	45 799 745
	59 297 245	53 457 701	56 217 073
	157 008 461	144 774 059	147 602 987

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED JUNE 30, 2011
(expressed in Eastern Caribbean Dollars)

	June 2011 $	June 2010 $	December 2010 $
Revenue			
Energy sales	15 413 334	15 059 502	58 977 216
Fuel surcharge	9 869 132	8 102 310	30 108 305
Other revenue	218 709	158 228	1 733 786
	25 501 175	23 320 040	90 819 307
Direct expenses			
Operating	4 465 690	4 232 350	14 616 451
Maintenance	1 043 435	1 762 239	6 656 089
Depreciation	2 589 489	2 613 283	9 487 723
Fuel	11 241 389	9 820 710	37 545 599
	19 340 002	18 428 582	68 305 862
Gross profit	6 161 173	4 891 458	22 513 445
Administrative expenses	2 155 708	2 513 872	9 717 169
Net operating income	4 005 464	2 377 586	12 796 276
Other expenses/(income)			
Amortization of capital grants	(111 209)	(129 603)	(466 057)
Foreign exchange losses/(gains)	15 157	83 495	79 003
Loss/(Gain) on disposal of plant and equipment	0	(3 500)	1 696 487
	(96 051)	(49 608)	1 309 433
Net income before finance charges,	4 101 516	2 427 194	11 486 843
Finance charges	(765 031)	(680 053)	(3 008 258)
Net income before tax	3 336 485	1 747 141	8 478 585
Income tax	(965 765)	(6 749 271)	(8 749 887)
Net income/(loss) for the period	2 370 720	(5 002 130)	(271 302)
Earnings/(loss) per share	0.23	(0.48)	(0.03)

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
AS AT JUNE 30, 2011
(expressed in Eastern Caribbean Dollars)

	June 2011 $	June 2010 $	December 2010 $
Share capital			
Ordinary shares, beginning and end of period	10 417 328	10 417 328	10 417 328
Retained earnings			
At beginning of period	45 799 745	47 633 646	47 633 646
Net income/(loss) for the year	3 861 472	(3 811 973)	(271 302)
Ordinary dividends (declared)	(781 300)	(781 300)	(1 562 599)
At end of period	48 879 917	43 040 373	45 799 745
Shareholders' equity, end of period	59 297 245	53 457 701	56 217 073

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CASH FLOW
AS AT JUNE 30, 2011
(expressed in Eastern Caribbean Dollars)

	June 2011 $	June 2010 $	December 2010 $
Cash flows from operating activities			
Net income/(loss) before tax	3 336 485	1 747 140	8 478 585
Adjustments for:			
Depreciation	2 589 489	2 613 283	9 487 723
Loss/(Gain) on disposal of property, plant and equipment	0	(3 500)	1 696 487
Exchange (gains)/Loss	0	0	0
Amortization of capital grants	(46 816)	(71 717)	(220 684)
Interest expense	765 031	680 053	3 008 258
Operating profit before working capital changes	6 644 189	4 965 260	22 450 369
Decrease (Increase) in receivables and prepayments	(3 081 699)	613 346	552 712
Decrease/(increase) in inventories	(144 161)	(2 082 589)	(1 560 649)
Increase/(decrease) in accounts payable and accruals	4 297 037	(1 052 179)	(639 895)
Increase/(decrease) in due to related party	0	0	3 146
Cash generated from operations	7 715 365	2 443 837	20 805 683
Interest paid	(765 031)	(684 888)	(3 067 087)
Income tax paid	0	(6 163 846)	(8 818 312)
Net cash from operating activities	6 950 334	(4 404 897)	8 920 284
Cash flows from investing activities			
Purchase of property, plant and equipment	(5 939 496)	(3 358 265)	(14 002 694)
Proceeds on disposal of property, plant and equipment		3 500	54 000
Net cash used in investing activities	(5 939 496)	(3 354 765)	(13 948 694)
Cash flows from financing activities			
Proceeds from borrowings	738 300	10 641 663	10 641 663
Repayment of borrowings	(1 678 885)	(2 006 354)	(7 045 802)
Dividends paid	(781 300)	(781 300)	(1 562 599)
Increase in other liabilities	431 141	175 341	1 229 429
Net cash generated from/(used in) financing activities	(1 290 744)	8 029 350	3 262 691
Net increase/(decrease) in cash and cash	(279 906)	269 688	(1 765 719)
Cash and cash equivalents, beginning of period	(2 055 971)	(1 823 536)	(395 945)
Net cash and cash equivalents, end of period	(2 335 877)	(1 553 848)	(2 161 664)

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

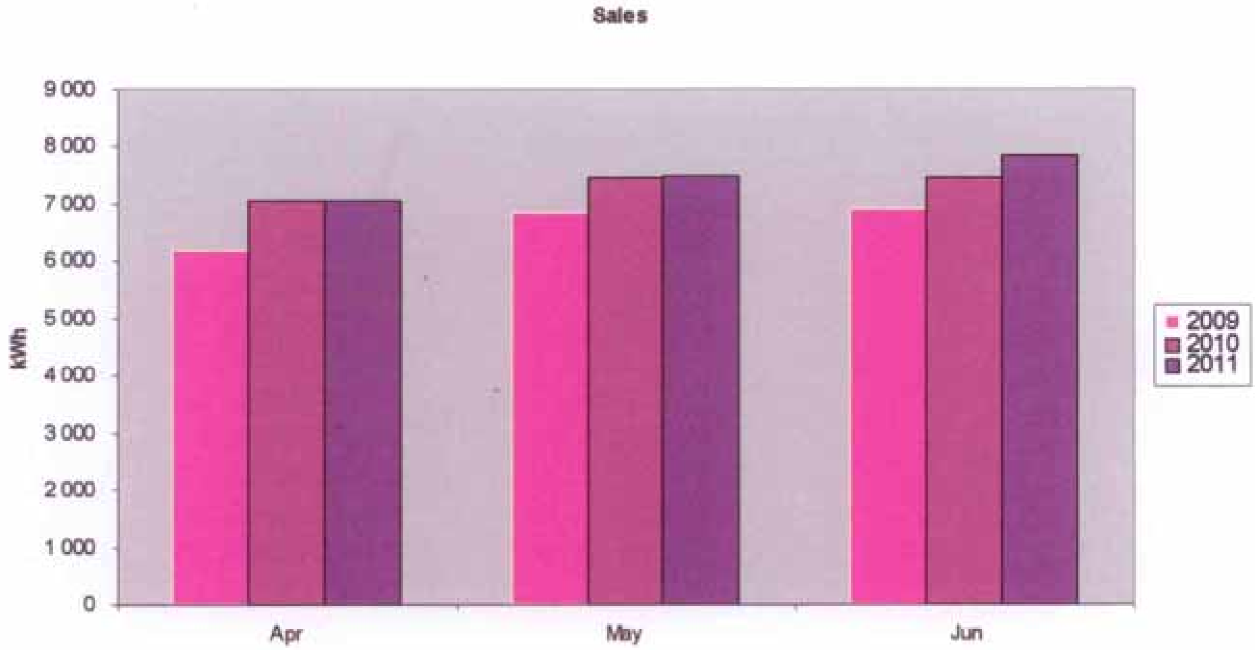
Net profit before taxes for second quarter ending June 30th 2011 was EC$3.336 million, compared with EC$1.747 million for the comparable period of 2010, an increase of EC$1.589 million.

After tax profit for the quarter stood at EC$2.370 million compared to an after tax loss of EC$5.0 million in the second quarter of 2010. The loss from a year ago was as a consequence of an additional tax payment made to the Inland Revenue Division following the re-assessment of the company tax filings from 2001.

Total revenue for the quarter was EC$25.5 million. This was EC$2.181 million or 9% higher than the comparable period in 2010. Due to the increase in oil prices, revenue from fuel surcharge increased EC$1.7 million (22%) to EC$9.869 million this quarter. Sales revenue for the period was $354,000 (2%) higher than the similar period in 2010.

Unit sales of electricity in the second quarter totaled 22.4 GWh, 1.1% higher than the second quarter of 2010. The most significant movements occurred in the Commercial, Industrial and Hotel sectors. The Commercial and Industrial sectors reported growth of 625MWh (6.9%) and 134MWh (7.7%) respectively from the second quarter of 2010, while the Hotel sector contracted 171MWh (26%) compared to the same period last year. Sales in the Domestic sector have remained relatively flat, lower by just 0.5% from the second quarter of 2010.

The sales performance in this quarter was helped by reductions in customer hours lost (outages) throughout the period.

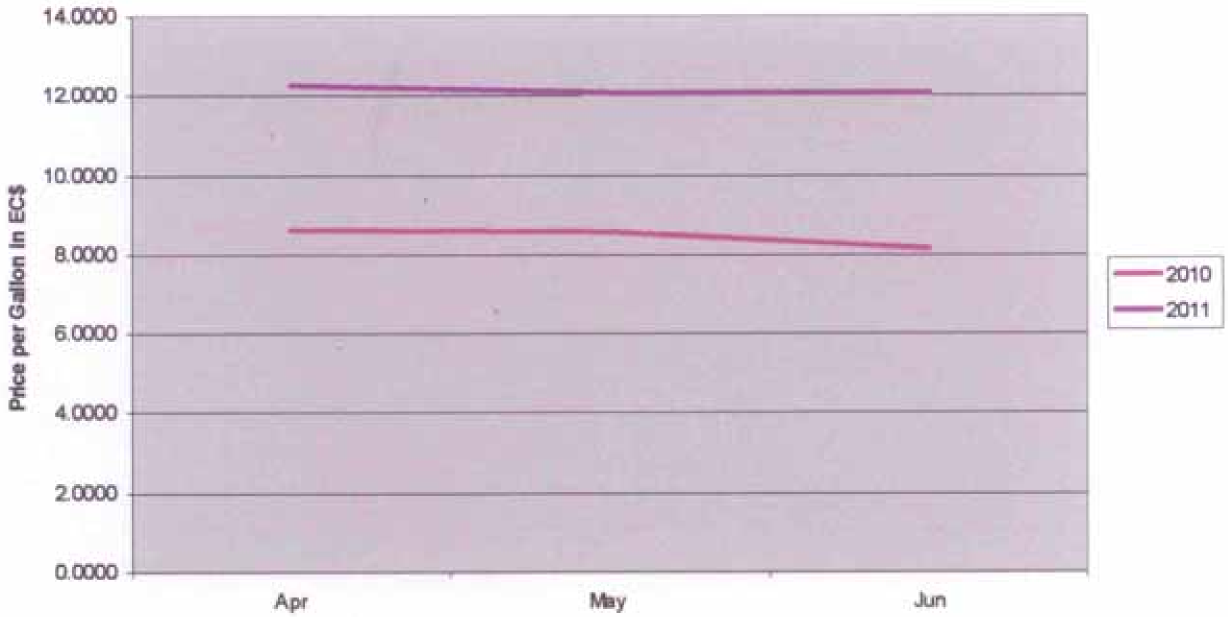


Fuel costs for the quarter totalled EC$11.241 million, 14% higher than the quarter ended June 2010. The average price paid for diesel used in generation of electricity has increased steadily, moving from EC$8.16 in June 2010 to EC$12.07 in June 2011. During this quarter, 12.6% or 146,390 fewer imperial gallons of diesel were used to generate electricity compared to the same period in 2010.

Although diesel continues to be the primary source of electricity generation, representing 67% of total production in the quarter, there was a decrease in diesel output of 12.6% from the comparable period of 2010.

In the second quarter, hydro generation represented 33% of total energy generated, a marked improvement from 21% of total production a year ago. Two main reasons for this improvement were the restoration of the Padu hydro plant that was destroyed by Hurricane Dean in 2007 and higher rainfall so far this year than last year. Overall, energy produced from Hydro increased by 62% from quarter two of last year to 8,532,962 kWh.

Average Price of Fuel per Gallon



Direct Expenses in the second quarter totalled EC$19.3 million, an increase of EC$0.9 million, due in the main to increases in fuel expenses. Direct expenses net of fuel costs decreased 6% due to significantly lower maintenance expenses, in particular, scheduled maintenance on plant. Last year an aggressive maintenance program was established to have all units brought unto the manufacturers recommended maintenance schedules. The catch-up has been completed and so maintenance costs are expected to be lower this year.

Earning per share for the quarter stood at 23 EC cents, compared to a loss per share of 48 EC cents a year ago.

DOMLEC IN THE SECOND QUARTER OF 2011

Operating Highlights	2011	2010
Hydro generation (1,000 kWh)	8,533	5,262
Diesel generation (1,000 kWh)	17,268	19,767
Units sold (1,000 kWh)	22,403	21,964
Fuel efficiency(kWh per IG)	17.13	17.12
System losses (MAT)	9.6%	9.2%

(a) **Liquidity**

Trade receivables (excluding unbilled sales) at the end of the second quarter were EC$11.401 million compared to EC$8.376 million at June 2010. Government's debt contributed significantly to this increase, rising by EC$1.237 million. The average age of outstanding debt moved from 39 days at June 2010 to 49 days at June 2011.

The Commercial and Domestic sectors continue to represent a large portion of gross receivables at 45% and 24% respectively. During this quarter Government's outstanding debt has increased and at June 2011 accounts for 20% of all debt receivable, much higher than 12.5% at the end of June 2010.

Even so, the company remains in a stable liquid position at the end of the second quarter of 2011 and remains confident that outstanding debt is not impaired and remains collectable.

(b) **Capital Resources**

The company has committed EC$10.51 million during the period to acquire fixed assets and has spent EC$10.02 million to date. This capital expenditure was partly funded from internal funds and from a previously negotiated loan facility from a local financial institution.

(c) **Financial Outlook**

The company has revised its outlook for 2011 and now expects sales growth of between -0.5% and 1% for the rest of 2011 as signs of economic slow down on island take hold. There is concern about any additional increase in oil prices, which would further stifle sales and potentially increase debtor days, due to competing pressure on consumers' budgets. In anticipation of the potential levelling of growth in electricity sales, several revisions have been made in discretionary spending areas which will help manage the effect of flat or negative sales growth. Consequently, with prudent management of resources we expect continued profitability throughout each of the next two quarters.

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 June 30th 2010.

Regulatory Environment

The most significant risk to which the company is exposed is the continuing uncertainty in the Company's regulatory environment.

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 the IRC presented the company with a draft Generation Licence and a draft Transmission and Distribution Licence. Both these licences are for a proposed twenty year period. The company is reviewing these documents with the intention of engaging the IRC when the review is complete.

Operating Environment

The T&D assets remain uninsured. The company is still awaiting government's response on the self-insurance proposal that that has been put forward. The facility that was arranged in the previous year with a local bank for storm and hurricane emergencies has expired. Negotiations are ongoing with other financial institutions for a similar facility.

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.

MAY 12th 2011 37TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

The following directors were elected on a poll to serve for the periods indicated:

Grayson Stedman	Three Years
Norman Rolle	Three Years

PricewaterhouseCoopers were appointed as auditors for the year ending December 31st 2011 on a majority vote by a show of hands.

CLASS	NUMBER
Common	10,417,328

SIGNATURES

Name of Chief Executive Officer:

Collin Cover

Signature

26th July 2011

Date

Name of Director:

Norman Rolle

Signature

26/7/2011

Date