

# **DOMINICA ELECTRICITY SERVICES LIMITED**



## **FORM ECSRC-Q**

**Quarterly Report  
For period ended June 30<sup>th</sup>, 2012**

FORM ECSRC - Q

QUARTERLY REPORT  
For the period ended June 30<sup>th</sup> 2012

Issuer Registration Number: DOMLEC30041975DM

DOMINICA ELECTRICITY SERVICES LIMITED

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

DOMINICA

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(Territory or jurisdiction of incorporation)

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

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(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, 2012**  
(expressed in Eastern Caribbean Dollars)

	June 2012 S	June 2011 S	December 2011 S
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	591,561	382,378	603,201
Receivables and prepayments	17,758,672	17,114,737	15,768,362
Inventories	16,387,778	13,088,283	16,558,152
	<u>34,738,012</u>	<u>30,585,398</u>	<u>32,929,716</u>
<b>Capital work in progress</b>	5,443,622	13,248,595	1,089,232
<b>Property, plant and equipment</b>	117,635,183	113,174,468	122,721,322
	<u>157,816,816</u>	<u>157,008,461</u>	<u>156,740,271</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	4,256,636	6,158,388	7,651,772
Accounts payable and accruals	11,346,747	14,186,075	11,994,221
Due to related party	0		0
Income tax Payable	918,252	1,321,988	1,259,612
	<u>16,521,635</u>	<u>21,666,451</u>	<u>20,905,606</u>
<b>Borrowings</b>	47,335,189	48,201,362	45,335,189
<b>Deferred tax liability</b>	16,791,287	16,238,746	16,596,696
<b>Other liabilities</b>	11,322,578	10,721,713	10,972,404
<b>Capital grants</b>	722,409	882,942	789,308
	<u>92,693,097</u>	<u>97,711,216</u>	<u>94,599,203</u>
<b>Shareholders' Equity</b>			
Share capital	10,417,328	10,417,328	10,417,328
Retained earnings	54,706,390	48,879,917	51,723,738
	<u>65,123,718</u>	<u>59,297,245</u>	<u>62,141,066</u>
	<u>157,816,816</u>	<u>157,008,461</u>	<u>156,740,270</u>

**DOMINICA ELECTRICITY SERVICES LIMITED**  
**UN-AUDITED STATEMENT OF INCOME**  
**FOR THE QUARTER ENDED JUNE 30, 2012**  
 (expressed in Eastern Caribbean Dollars)

	June 2012 \$	June 2011 \$	December 2011 \$
<b>Revenue</b>			
Energy sales	15,556,035	15,413,334	60,856,464
Fuel surcharge	11,206,455	9,869,132	36,660,982
Other revenue	147,799	218,709	799,349
	<u>26,910,289</u>	<u>25,501,175</u>	<u>98,316,796</u>
<b>Direct expenses</b>			
Operating	4,508,450	4,465,690	14,595,312
Maintenance	1,684,439	1,043,435	5,724,361
Depreciation	2,642,729	2,589,489	10,335,421
Fuel	12,770,423	11,241,389	42,927,824
	<u>21,606,041</u>	<u>19,340,002</u>	<u>73,582,918</u>
<b>Gross profit</b>	5,304,248	6,161,173	24,733,878
<b>Administrative expenses</b>	<u>2,032,864</u>	<u>2,155,708</u>	<u>9,845,503</u>
<b>Net operating income</b>	<u>3,271,384</u>	<u>4,005,464</u>	<u>14,888,374</u>
<b>Other expenses/(income)</b>			
Amortization of capital grants	(104,280)	(111,209)	(492,086)
Foreign exchange losses/(gains)	6,284	15,157	(90,377)
Loss/(Gain) on disposal of plant and equipment	0	0	1,267,548
	<u>(97,996)</u>	<u>(96,051)</u>	<u>685,086</u>
<b>Net income before finance charges,</b>	3,369,381	4,101,516	14,203,289
<b>Finance charges</b>	<u>(745,787)</u>	<u>(765,031)</u>	<u>(3,113,597)</u>
<b>Net income before tax</b>	2,623,593	3,336,485	11,089,691
<b>Income tax</b>	<u>(621,917)</u>	<u>(965,765)</u>	<u>(3,342,666)</u>
<b>Net income/(loss) for the period</b>	<u>2,001,677</u>	<u>2,370,720</u>	<u>7,747,025</u>
<b>Earnings/(loss) per share</b>	<u>0.19</u>	<u>0.23</u>	<u>0.74</u>

**DOMINICA ELECTRICITY SERVICES LIMITED**  
**UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**AS AT JUNE 30, 2012**  
**(expressed in Eastern Caribbean Dollars)**

	June 2012 \$	June 2011 \$	December 2011 \$
<b>Share capital</b>			
Ordinary shares, beginning and end of period	<u>10,417,328</u>	<u>10,417,328</u>	<u>10,417,328</u>
<b>Retained earnings</b>			
At beginning of period	51,723,738	45,799,745	45,799,745
Net income/(loss) for the year	4,024,386	3,861,472	7,747,025
Ordinary dividends (declared)	<u>(1,041,733)</u>	<u>(781,300)</u>	<u>(1,823,032)</u>
At end of period	<u>54,706,390</u>	<u>48,879,917</u>	<u>51,723,738</u>
<b>Shareholders' equity, end of period</b>	<u>65,123,718</u>	<u>59,297,245</u>	<u>62,141,066</u>

**DOMINICA ELECTRICITY SERVICES LIMITED**  
**UN-AUDITED STATEMENT OF CASH FLOW**  
**AS AT JUNE 30, 2012**  
(expressed in Eastern Caribbean Dollars)

	June 2012 S	June 2011 S	December 2011 S
<b>Cash flows from operating activities</b>			
Net income/(loss) before tax	2,623,593	3,336,485	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	0	1,267,548
Exchange (gains)/Loss	0	0	0
Amortization of capital grants	(33,450)	(46,816)	(187,264)
Interest expense	745,787	765,031	3,113,597
<b>Operating profit before working capital changes</b>	<b>5,978,660</b>	<b>6,644,189</b>	<b>25,618,994</b>
Decrease (Increase) in receivables and prepayments	(645,150)	(3,081,699)	(2,676,935)
Decrease/(increase) in inventories	221,312	(144,161)	(4,222,686)
Increase/(decrease) in accounts payable and accruals	(2,825,620)	4,297,037	2,453,986
Increase/(decrease) in due to related party	0	0	(132,698)
<b>Cash generated from operations</b>	<b>2,729,201</b>	<b>7,715,365</b>	<b>21,040,662</b>
Interest paid	(745,787)	(765,031)	(3,113,594)
Income tax paid	0	0	(2,607,876)
<b>Net cash from operating activities</b>	<b>1,983,414</b>	<b>6,950,334</b>	<b>15,319,192</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(2,372,216)	(5,939,496)	(13,743,835)
Proceeds on disposal of property, plant and equipment	0	0	100
<b>Net cash used in investing activities</b>	<b>(2,372,216)</b>	<b>(5,939,496)</b>	<b>(13,743,735)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	2,000,000	738,300	6,738,229
Repayment of borrowings	(1,728,174)	(1,678,885)	(6,652,446)
Dividends paid	(1,041,733)	(781,300)	(1,823,032)
Increase in other liabilities	(9,946)	431,141	1,278,158
<b>Net cash generated from/(used in) financing activities</b>	<b>(779,853)</b>	<b>(1,290,744)</b>	<b>(459,091)</b>
<b>Net increase/(decrease) in cash and cash equivalents, beginning of period</b>	<b>(1,168,654)</b>	<b>(279,906)</b>	<b>1,116,366</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>59,593</b>	<b>(2,055,971)</b>	<b>(2,161,664)</b>
<b>Net cash and cash equivalents, end of period</b>	<b>(1,109,061)</b>	<b>(2,335,877)</b>	<b>(1,045,298)</b>

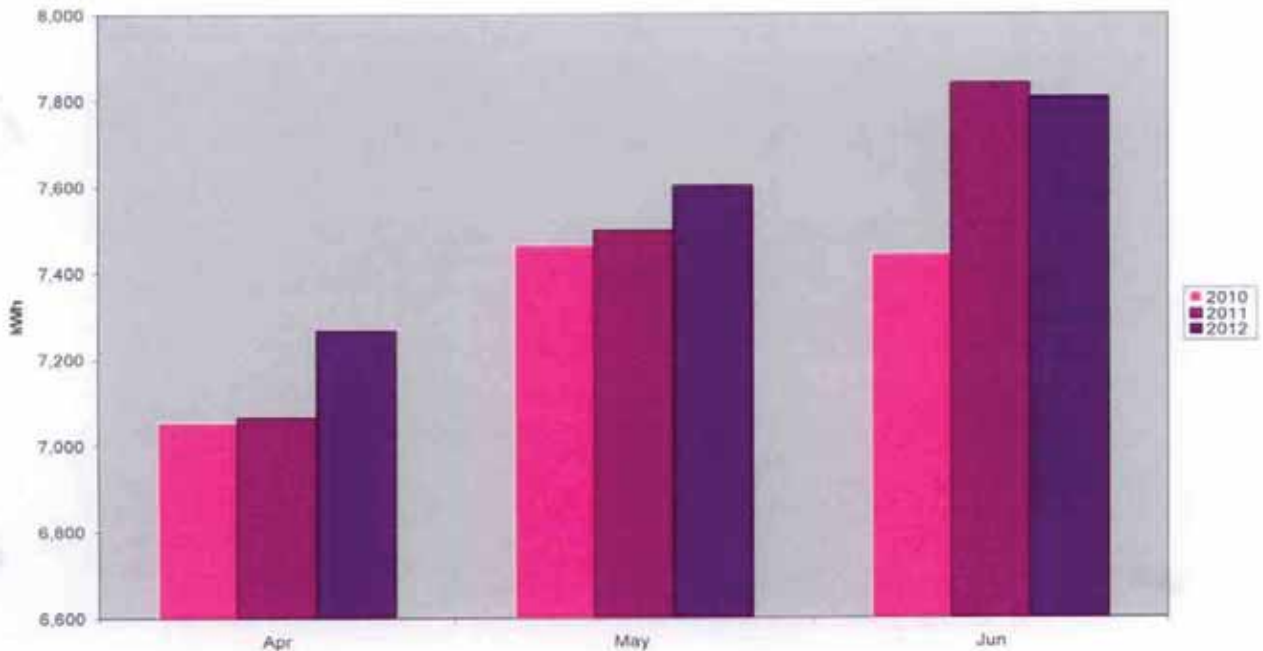
## 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net profit before taxes for second quarter ending June 30<sup>th</sup> 2012 was EC\$2.624 million, compared with EC\$3.336 million for the comparable period of 2011, a decrease of EC\$0.713 million or 21%. After tax profit for the quarter fell 15%, moving from EC\$2.370 million in 2011 to EC\$2.001 million in 2012.

Revenue for the quarter totalled EC\$26.9 million, and increase of 6% from the EC\$25.5 million in gross revenue earned in 2011. The growth in total revenue was driven by a 14% increase in fuel surcharge. The increase in fuel prices in this quarter led to a commensurate increase in fuel surcharge revenue. Revenue from electricity sales inched higher in this quarter, by EC\$0.142 million (1%) to EC\$15.556 million.

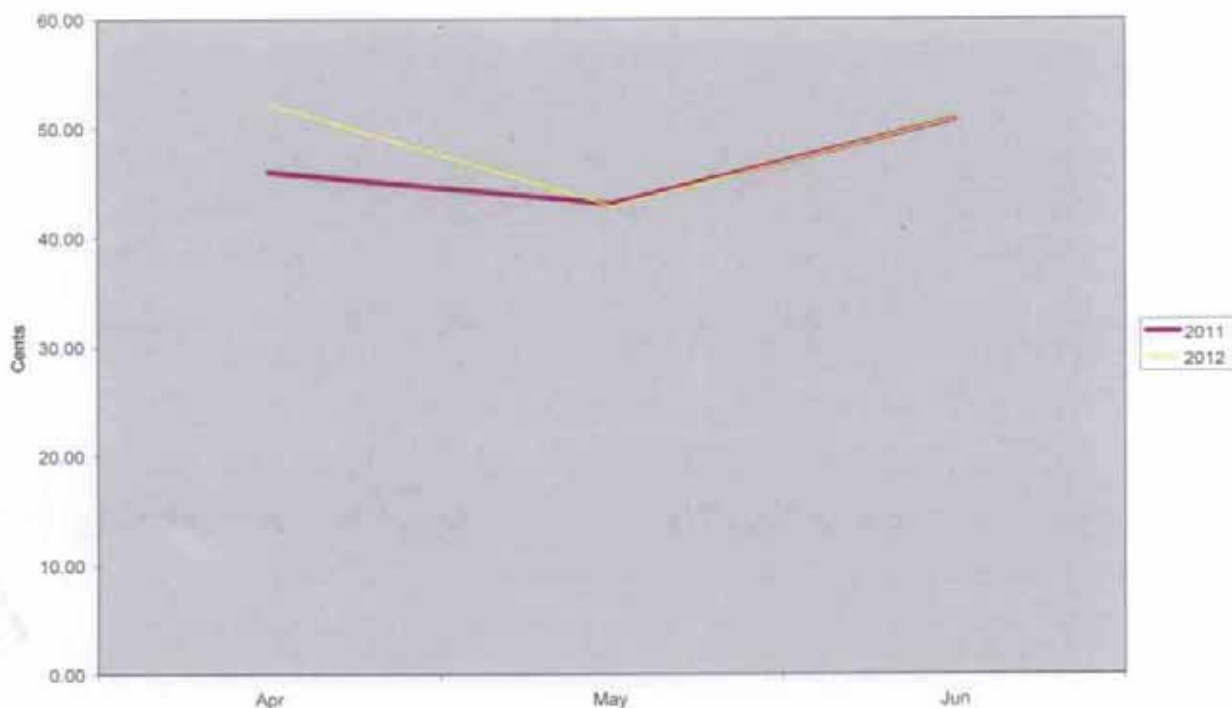
Unit sales of electricity in the second quarter totalled grew 1.2% from the same period last year to 22.7 GWh. The Commercial and Domestic sectors were most responsible for this result, growing by 1.6% and 2.3% respectively. The smaller Industrial sector showed growth of 3.7%, however this translates into just 69,217 kWh compared to a combined 381,933 kWh increase from the Commercial and Domestic sectors. The hotel sector continues to underperform. Sales in this sector contracted 38% in this quarter after contracting 26% in the second quarter of 2011.

Sales



Fuel costs for the quarter totalled EC\$12.770 million, an increase of EC\$1.529 million (14%) from the comparable period of 2011. The average price paid per imperial gallon of diesel moved from EC\$11.15 in the second quarter of 2011 to EC\$12.15 this quarter. The consumption of diesel also increased in the quarter, 43,009 more imperial gallons of diesel were used in the generation of electricity, driven by a greater reliance on diesel generation in this quarter and lower fuel efficiency.

Fuel surcharge



Diesel generation continues to be the primary sources of electricity generation. 70% of all energy produced was from thermal plant, compared to 67% in 2011. During this quarter, output from Hydro generation fell 10% from the historic highs from a year ago to 7.7 GWH. The breakdown of a generator at the Trafalgar power plant coupled with lower rainfall in this quarter was responsible for the lower output from hydro.

Direct Expense in the second quarter totalled EC\$21.6 million, an increase of EC\$2.226 million, due in the main to the increase in fuel and maintenance expenses. Direct expenses net of fuel costs increased 9% or EC\$0.735 million to EC\$1.68 million. The increase in maintenance expenses accounts for 87% of the total increase in net direct expenses. Regular interval maintenance scheduled for 2011 on diesel plant was deferred to 2012, as increased output from Hydro meant that maintenance intervals on diesel plant were not reached. However, in this quarter, there has been increased maintenance on plant as versus the comparative period last year.

Earning per share for the quarter stood at 19 EC cents, compared to 23 EC cents a year ago.



## DOMLEC IN THE SECOND QUARTER OF 2012

<b>Operating Highlights</b>	<b>2012</b>	<b>2011</b>
Hydro generation (1,000 kWh)	7,685	8,533
Diesel generation (1,000 kWh)	17,904	17,268
Units sold (1,000 kWh)	22,676	22,403
Fuel efficiency(kWh per IG)	17.13	17.13
System losses (MAT)	7.9%	9.6%

### (a) Liquidity

Trade receivables (excluding unbilled sales) at the end of the second quarter were EC\$ 12.207 million compared to EC\$11.401 at June 2011 an increase of EC\$0.806 million. Commercial and Government debt were the main contributors to this increase, rising by EC\$0.614 million and EC\$0.159 million respectively. The average age of outstanding debt moved from 49 days at June 2011 to 47 days at June 2012.

The Commercial and Domestic sectors continue to represent a large portion of gross receivables at 47% and 22% respectively. In 2011, these two sectors also accounted for 69% of all outstanding debt. Government's debt represents 20% of all trade receivables, consistent with the results at June 2011.

The company remains in a stable liquid position at the end of the second quarter of 2012 and is confident that outstanding debt is unimpaired and collectable.

### (b) Capital Resources

The company has committed EC\$4.7 million during the period to acquire fixed assets and has spent EC\$4.3 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

Demand for electricity slowed in the second quarter, with average growth across all sectors at 1.2% compared to an average of 4% in the first quarter of 2012. The company expects sales growth throughout the rest of the year to mirror the second quarter performance of between 1.0% and 1.5%. Further, 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 June 30<sup>th</sup> 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 June the company formally communicated to the Independent Regulatory Commission its intention to apply for a new licence. The Commission will shortly give the company a timetable for negotiations.

#### **Operating Environment**

The T&D assets remain uninsured. The company has presented a legislative proposal for self insurance to the Government and awaits government's response on the proposal. The Government has indicated an approval in principle, but is doing a legal review of the document. Meanwhile a catastrophe Standby facility was arranged with a financial institution to cover the Transmission and Distribution assets.

### **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 9<sup>th</sup> 2012 38<sup>TH</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS

PricewaterhouseCoopers were re-appointed as auditors for the year ending December 31<sup>st</sup> 2012 on a majority vote by a show of hands.

CLASS	NUMBER
Common	10,417,328

SIGNATURES


Name of Chief Executive Officer:

Name of Director:

Collin Cover

Grayson Stedman

  
Signature

  
Signature

24<sup>th</sup> July 2012  
Date

July 26<sup>th</sup> 2012  
Date