DOMINICA ELECTRICITY SERVICES LIMITED

FORM ECSRC-Q

QUARTERLY REPORT

For the Period Ended June 30th, 2013

FORM ECSRC - Q

QUARTERLY REPORT
For the period ended June 30th 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 JUNE 30, 2013
(expressed in Eastern Caribbean Dollars)

	June 2013 $	June 2012 $	December 2012 $
Assets			
Current assets			
Cash and cash equivalents	3,222,495	591,561	1,948,772
Receivables and prepayments	15,360,459	17,758,672	19,227,193
Inventories	14,236,415	16,387,778	15,519,065
	32,819,368	34,738,012	36,695,030
Capital work in progress	4,458,208	5,443,622	460,879
Property, plant and equipment	115,827,247	117,635,183	121,439,574
	153,104,824	157,816,816	158,595,483
Liabilities			
Current liabilities			
Borrowings	4,397,373	4,256,636	5,359,107
Accounts payable and accruals	8,517,018	11,346,747	13,568,049
Due to related party	0		90,120
Income tax Payable	536,751	918,252	873,162
	13,451,143	16,521,635	19,890,438
Borrowings	38,798,663	47,335,189	41,038,732
Deferred tax liability	17,748,998	16,791,287	17,313,615
Other liabilities	11,867,374	11,322,578	11,436,796
Capital grants	588,605	722,409	655,507
	82,454,783	92,693,097	90,335,088
Shareholders' Equity			
Share capital	10,417,328	10,417,328	10,417,328
Retained earnings	60,232,713	54,706,390	57,843,068
	70,650,041	65,123,718	68,260,396
	153,104,824	157,816,816	158,595,484

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED JUNE 30, 2013
(expressed in Eastern Caribbean Dollars)

	June 2013 $	June 2012 $	December 2012 $
Revenue			
Energy sales	15,330,725	15,556,035	61,593,011
Fuel surcharge	9,623,292	11,206,455	44,260,626
Other revenue	129,089	147,799	1,500,882
	25,083,105	26,910,289	107,354,520
Direct expenses			
Operating	3,977,292	4,171,692	13,107,007
Maintenance	1,468,615	2,006,289	8,262,621
Depreciation	2,806,163	2,642,729	10,821,809
Fuel	10,867,678	12,770,423	51,660,677
	19,119,746	21,591,133	83,852,114
Gross profit	5,963,359	5,319,156	23,502,406
Administrative expenses	2,077,976	2,047,771	7,949,385
Net operating income	3,885,383	3,271,384	15,553,021
Other expenses/(income)			
Amortization of capital grants	(125,095)	(104,280)	(531,106)
Foreign exchange losses/(gains)	(3,752)	6,284	(5,305)
Loss/(Gain) on disposal of plant and equipment	(37,498)	0	1,334,138
	(166,345)	(97,996)	797,727
Net income before finance charges,	4,051,728	3,369,381	14,755,294
Finance charges	(644,321)	(745,787)	(2,944,975)
Net income before tax	3,407,407	2,623,593	11,810,318
Income tax	(899,172)	(621,917)	(3,607,522)
Net income/(loss) for the period	2,508,235	2,001,677	8,202,796
Earnings/(loss) per share	0.24	0.19	0.79

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE QUARTER ENDED JUNE 30, 2013
(expressed in Eastern Caribbean Dollars)

	June 2013 $	June 2012 $	December 2012 $
Share capital			
Ordinary shares, beginning and end of period	10,417,328	10,417,328	10,417,328
Retained earnings			
At beginning of period	58,225,474	51,723,738	51,723,738
Net income/(loss) for the year	2,508,235	4,024,386	8,202,796
Ordinary dividends (declared)	(500,993)	(1,041,733)	(2,083,466)
At end of period	60,232,714	54,706,390	57,843,068
Shareholders' equity, end of period	70,650,041	65,123,718	68,260,396

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED JUNE 30, 2013
(expressed in Eastern Caribbean Dollars)

	June 2013 $	June 2012 $	December 2012 $
Cash flows from operating activities			
Net income/(loss) before tax	3,407,407	2,623,593	11,810,318
Adjustments for:			
Depreciation	2,806,163	2,642,729	10,821,809
Loss/(Gain) on disposal of property, plant and equipment	(37,498)	0	1,334,138
Amortization of capital grants	(33,451)	(33,450)	(133,801)
Interest expense	644,321	745,787	2,944,975
Operating profit before working capital changes	6,786,941	5,978,660	26,777,439
Decrease (Increase) in receivables and prepayments	3,945,853	(645,150)	(3,458,831)
Decrease/(increase) in inventories	(86,125)	221,312	1,039,088
Increase/(decrease) in accounts payable and accruals	(3,210,067)	(2,825,620)	1,722,378
Increase/(decrease) in due to related party	0	0	(58,432)
Cash generated from operations	7,436,603	2,729,201	26,021,641
Interest paid	(644,321)	(745,787)	(2,944,975)
Income tax paid	(428,335)	0	(3,277,053)
Net cash from operating activities	6,363,947	1,983,414	19,799,612
Cash flows from investing activities			
Purchase of property, plant and equipment	(1,832,551)	(2,372,216)	(10,258,347)
Proceeds on disposal of property, plant and equipment	37,500	0	12,500
Net cash used in investing activities	(1,795,051)	(2,372,216)	(10,245,847)
Cash flows from financing activities			
Proceeds from borrowings	0	2,000,000	2,000,000
Repayment of borrowings	(1,421,169)	(1,728,174)	(6,940,625)
Dividends paid	(500,993)	(1,041,733)	(2,083,466)
Increase in other liabilities	327,219	(9,946)	464,391
Net cash generated from/(used in) financing activities	(1,594,943)	(779,853)	(6,559,700)
Net increase/(decrease) in cash and cash equivalents	2,973,953	(1,168,654)	2,994,068
Cash and cash equivalents, beginning of period	248,541	59,593	(1,045,296)
Net cash and cash equivalents, end of period	3,222,495	(1,109,061)	1,948,772

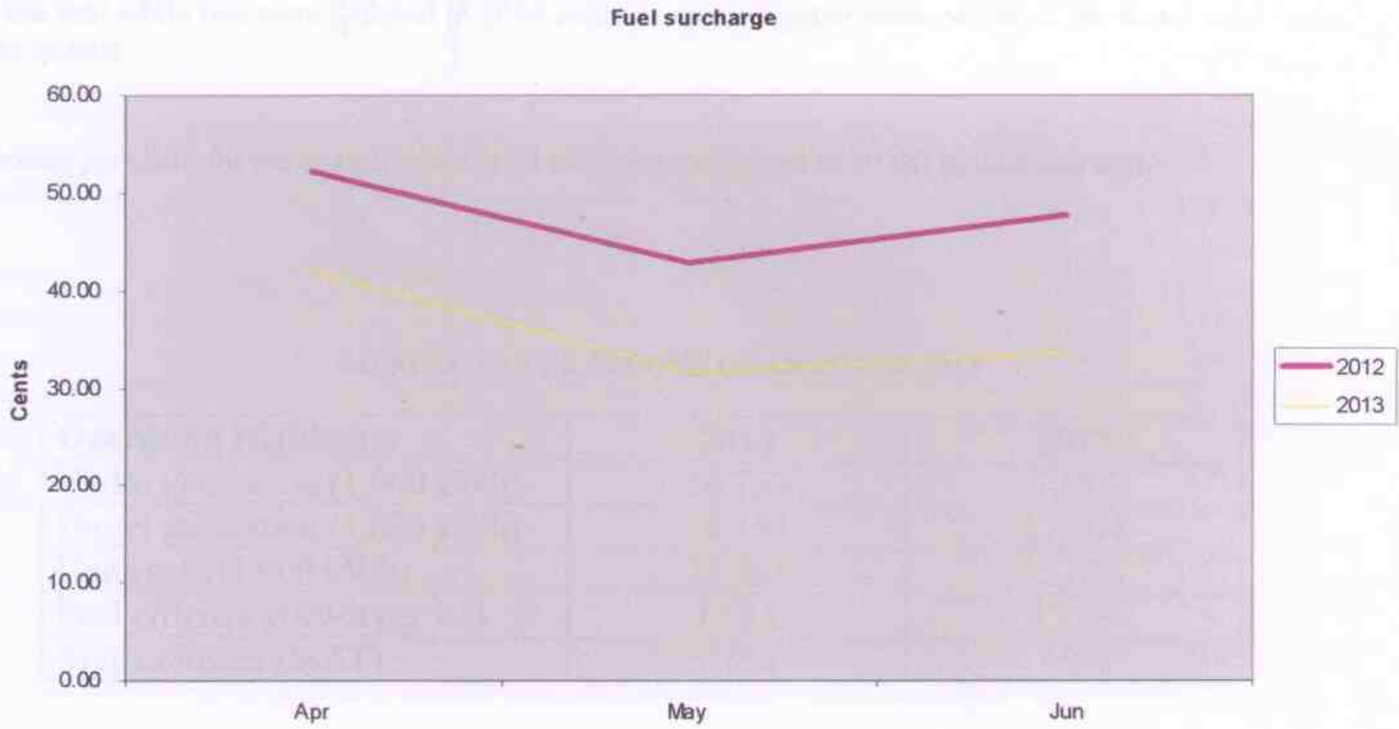
2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net profit before taxes for the second quarter ended June 30th 2013 was EC$3.41 million, an increase of EC$0.78 million or 30%, over the comparable period of 2012 where profit stood at EC$2.62 million. After tax profit for the quarter stood at EC$2.51 million, an increase of 25.3%; compared to EC$2.00 million in 2012.

Total revenue for the quarter was EC$25.08 million. This was EC$0.73 million or 3 % higher than the first quarter of 2013 and EC$1.83 million or 7% lower than the similar period in 2012. Revenue from electricity sales decreased by EC$0.23 million or 1% to EC$15.33 million from EC$15.56 million for the comparable period in 2012. Due to higher rainfall coupled with a reduction in average oil prices, revenue from fuel surcharge decreased from EC$11.21 million in 2012 to EC$9.62 million this quarter.

Unit sales of electricity in the second quarter totalled 22.4 GWh, 1.4% lower than the same period last year. The Commercial and Domestic sectors were most responsible for this result, with declines of 3.55% (347 MWh) and 0.41% (42MWh). However, the smaller Industrial and the Hotel sectors showed growth of 2.18% (42 MWh) and 2.62% (8 MWh) respectively when compared to the second quarter of 2012.

Fuel costs for the quarter totalled EC$10.87 million, a decrease of EC$1.90 million (15%) from the comparable period of 2012. The average price paid per imperial gallon of diesel moved from EC$12.50 in the second quarter of 2012 to EC$11.50 this quarter. The consumption of diesel also decreased with 217,545 less imperial gallons of diesel being used in the generation of electricity due mainly to increased rainfall this quarter.



Total energy generated for the second quarter was 25.2 GWh, a decrease of 0.385 GWh or 1.50% from the comparable period last year.

Diesel generation continues to be the primary sources of electricity generation. . Diesel generation accounted for 57.3% of total energy generated compared to 70% in 2012. Due to higher rainfall recorded for the second quarter compared to 2012, there has been less reliance on diesel generation. As a result, diesel consumption decreased by 20.69% to 0.834 million imperial gallons.

In the second quarter, hydro generation represented 42.7% of total energy generated, a marked improvement from 30.03% of total production a year ago. Total production increased by 39.89% to 10.75 GWh in 2013 compared to 7.69 GWh in 2012.

Direct expenses in the second quarter totalled EC$19.12 million; a decrease of EC$2.47 million or 11%. This decrease was driven primarily by a reduction in fuel and maintenance expenses of EC$1.90 million (15%) and EC$0.54 million (27%) respectively. Direct expenses net of fuel cost decreased by 6% to EC$8.25 million from EC$8.82 million. The reduction in maintenance expenses accounted for 95% of the total decrease in net direct expenses. In this quarter, there has been less maintenance on plant as versus the comparative period last year. Regular interval maintenance scheduled for 2013 were rescheduled for later in the year while two were deferred to 2014 owing to unanticipated work on one of the diesel units in the first quarter.

Earning per share for the quarter stood at 24 EC cents, compared to 19 EC cents a year ago.

DOMLEC IN THE SECOND QUARTER OF 2013

Operating Highlights	**2013**	**2012**
Hydro generation (1,000 kWh)	10,750	7,685
Diesel generation (1,000 kWh)	14,454	17,904
Units sold (1,000 kWh)	22,365	22,676
Fuel efficiency(kWh per IG)	17.34	17.03
System losses (MAT)	7.9%	7.9%

(a) **Liquidity**

Trade receivables (excluding unbilled sales) at the end of the second quarter were EC$10.58 million compared to EC$12.21 at June 2012; a decrease of EC$1.63 million. Government and Domestic debt were the main contributors to this decrease; Government debt is current and declined by EC$1.39 million and domestic by EC$0.50 million. The average age of outstanding debt moved from 47 days at June 2012 to 43 days at June 2013.

The Commercial and Domestic sectors continue to represent a large portion of gross receivables at 56.1% and 20.2% respectively. In 2012, these two sectors also accounted for 69% of all outstanding debt. Government's debt represents 10% of all trade receivables compared to 20% at June 2012.

The company remains in a stable liquid position at the end of the second quarter of 2013 and is confident that outstanding debt is unimpaired and collectable.

(b) **Capital Resources**

The company has committed EC$4.21 million during the period to acquire fixed assets and has spent EC$4.0 million to date. This capital expenditure was funded from internal funds.

(c) **Financial Outlook**

In the second quarter, demand for electricity continues to be lower than expected with average negative sales growth across all sectors at 1.37% compared to 1.10% in the first quarter of 2013. The company expects sales growth to mirror that of the second quarter throughout the rest of the year between 1.0% and 1.3% decline given the adverse economic conditions at this time. Further, the company continues to closely monitor fuel prices, as rising prices could further stifle demand for electricity. Even so, the company expects continued profitability in the next quarter and anticipates an EPS of at least EC 82 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 30th 2013.

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

The company and the Independent Regulatory Commission commenced negotiations for a new licence in September 2012. At the end of this quarter, the parties were finalising discussions on the same. It is expected that by September 2013, the Commission will issue two new licences to the company, one for generation and the other for transmission, distribution and supply. The licences are expected to come into effect on January 1st 2014.

Operating Environment

The Government's response on the legislative proposal for self insurance presented by the company is still outstanding. Meanwhile the company continues to maintain the standby facility which was arranged with a financial institution to cover damage to the Transmission and Distribution assets in the event of 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 still pending. Both parties are expected to review their positions on the legal matters after the licence negotiations have been concluded.

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 22nd 2013 39TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

The following directors were elected unopposed to serve for the periods indicated:

Sarah MacDonald	Three Years
Robert Blanchard Jr.	Three Years
Rob Belliveau	Three Years
Peter Williams	Three Years
Alexander Stephenson	Three Years
Frederica James	Three Years

PricewaterhouseCoopers were re-appointed as auditors for the year ending December 31st 2013 on a majority vote by a show of hands.

CLASS	NUMBER
Common	10,417,328

SIGNATURES

Name of Chief Executive Officer (Ag):

Nathaniel George

Signature

July 24th, 2013

Date

Name of Director:

Grayson Stedman

Signature

July 19th 2013.

Date