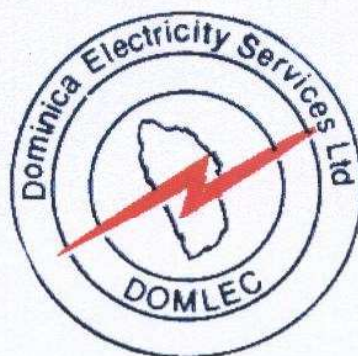


# **DOMINICA ELECTRICITY SERVICES LIMITED**



## **FORM ECSRC - Q**

Quarterly Report  
For the period ended March 31<sup>st</sup>, 2011

**FORM ECSRC - Q**

**QUARTERLY REPORT**

For the period ended March 31<sup>st</sup> 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 MARCH 31, 2011**  
(expressed in Eastern Caribbean Dollars)

	<b>March 2011</b>	<b>March 2010</b>	<b>December 2010</b>
	\$	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	411 200	420 530	506 295
Receivables and prepayments	14 033 037	13 392 261	13 091 428
Inventories	12 944 122	10 349 177	12 335 467
	<u>27 388 359</u>	<u>24 161 968</u>	<u>25 933 190</u>
<b>Capital work in progress</b>	7 382 441	9 768 747	3 314 500
<b>Property, plant and equipment</b>	115 690 614	108 830 771	118 355 298
	<u>150 461 414</u>	<u>142 761 486</u>	<u>147 602 988</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	7 586 117	7 888 689	9 457 507
Accounts payable and accruals	9 889 038	9 621 965	9 537 089
Due to related party	0	0	135 844
Income tax Payable	524 063	236 509	1 218 452
	17 999 218	17 747 163	20 348 892
<b>Borrowings</b>	47 463 133	40 296 635	44 463 133
<b>Deferred tax liability</b>	16 070 906	15 483 627	15 903 066
<b>Other liabilities</b>	10 290 572	8 867 387	9 694 246
<b>Capital grants</b>	929 759	1 125 542	976 576
	<u>92 753 588</u>	<u>83 520 353</u>	<u>91 385 915</u>
<b>Shareholders' Equity</b>			
<b>Share capital</b>	10 417 328	10 417 328	10 417 328
<b>Retained earnings</b>	47 290 500	48 823 804	45 799 748
	<u>57 707 828</u>	<u>59 241 132</u>	<u>56 217 076</u>
	<u>150 461 414</u>	<u>142 761 486</u>	<u>147 602 988</u>

**DOMINICA ELECTRICITY SERVICES LIMITED**  
**UN-AUDITED STATEMENT OF INCOME**  
**FOR THE QUARTER ENDED MARCH 31, 2011**  
**(expressed in Eastern Caribbean Dollars)**

	<b>March 2011 \$</b>	<b>March 2010 \$</b>	<b>December 2010 \$</b>
<b>Revenue</b>			
Energy sales	14 083 413	13 973 177	58 977 216
Fuel surcharge	6 781 836	6 998 164	30 108 305
Other revenue	177 885	142 705	1 733 786
	<u>21 043 133</u>	<u>21 114 046</u>	<u>90 819 308</u>
<b>Direct expenses</b>			
Operating	4 213 366	4 046 338	14 616 451
Maintenance	1 149 159	1 046 692	6 656 089
Depreciation	2 589 489	2 613 283	9 487 723
Fuel	8 218 011	9 150 731	37 545 599
	<u>16 170 025</u>	<u>16 857 044</u>	<u>68 305 862</u>
<b>Gross profit</b>	4 873 108	4 257 002	22 513 446
<b>Administrative expenses</b>	<u>2 036 314</u>	<u>2 090 476</u>	<u>9 717 171</u>
<b>Net operating income</b>	<u>2 836 794</u>	<u>2 166 527</u>	<u>12 796 275</u>
<b>Other expenses/(income)</b>			
Amortization of capital grants	(111 209)	(129 603)	(466 057)
Foreign exchange losses/(gains)	5 087	2 642	79 002
Loss/(Gain) on disposal of plant and equipment	1 852	(29 999)	1 696 487
	<u>(104 270)</u>	<u>(156 960)</u>	<u>1 309 432</u>
<b>Net income before finance</b>	2 941 064	2 323 487	11 486 842
<b>Finance charges</b>	(758 587)	(707 090)	(3 008 257)
<b>Net income before tax</b>	2 182 476	1 616 397	8 478 585
<b>Income tax</b>	<u>(691 725)</u>	<u>(426 240)</u>	<u>(8 749 887)</u>
<b>Net income/(loss) for the period</b>	<u>1 490 751</u>	<u>1 190 157</u>	<u>(271 302)</u>
<b>Earnings/(loss) per share</b>	<u>0.14</u>	<u>0.11</u>	<u>(0.03)</u>

**DOMINICA ELECTRICITY SERVICES LIMITED**  
**UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE QUARTER ENDED MARCH 31, 2011**  
**(expressed in Eastern Caribbean Dollars)**

	<b>March 2011 \$</b>	<b>March 2010 \$</b>	<b>December 2010 \$</b>
<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	45 799 748	47 633 649	47 633 649
Net income/(loss) for the period	1 490 751	1 190 157	(271 302)
Ordinary dividends (declared)			(1 562 599)
At end of period	<u>47 290 500</u>	<u>48 823 806</u>	<u>45 799 748</u>
<b>Shareholders' equity, end of period</b>	<u>57 707 828</u>	<u>59 241 134</u>	<u>56 217 076</u>

**DOMINICA ELECTRICITY SERVICES LIMITED**  
**UN-AUDITED STATEMENT OF CASH FLOW**  
**FOR THE QUARTER ENDED MARCH 31, 2011**  
**(expressed in Eastern Caribbean Dollars)**

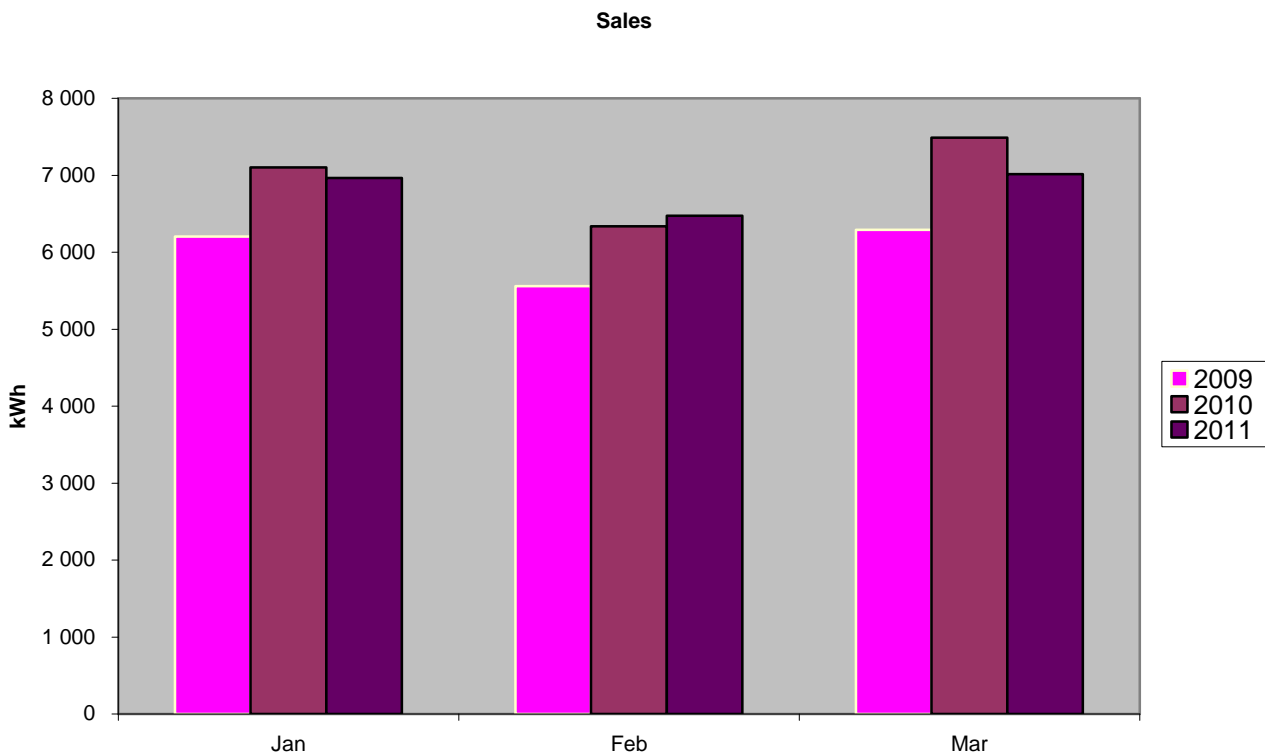
	March 2011 \$	March 2010 \$	December 2010 \$
<b>Cash flows from operating activities</b>			
Net income/(loss) before tax	2 182 476	1 616 397	8 478 585
Adjustments for:			
Depreciation	2 589 489	2 613 283	9 487 723
Loss/(Gain) on disposal of property, plant and equipment	1 852	(29 999)	1 696 487
Exchange (gains)/Loss	0	0	0
Amortization of capital grants	(111 209)	(129 603)	(220 684)
Interest expense	758 587	707 090	3 008 257
	<u>5 421 196</u>	<u>4 777 168</u>	<u>22 450 368</u>
<b>Operating profit before working capital changes</b>			
Decrease (Increase) in receivables and prepayments	(941 610)	251 878	552 711
Decrease/(increase) in inventories	(608 655)	425 642	(1 560 649)
Increase/(decrease) in accounts payable and accruals	351 948	(555 019)	(639 894)
Increase/(decrease) in due to related party	(135 844)	(132 698)	3 146
	<u>4 087 036</u>	<u>4 766 970</u>	<u>20 805 682</u>
<b>Cash generated from operations</b>			
Interest paid	(733 346)	(683 636)	(3 067 087)
Income tax paid	(1 218 274)	(1 896 047)	(8 818 312)
	<u>2 135 416</u>	<u>2 187 287</u>	<u>8 920 283</u>
<b>Net cash from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(3 955 446)	(2 259 916)	(14 002 693)
Proceeds on disposal of property, plant and equipment	0	30 000	54 000
	<u>(3 955 446)</u>	<u>(2 229 916)</u>	<u>(13 948 693)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	3 000 000	0	10 641 663
Repayment of borrowings	(1 670 602)	(1 787 530)	(7 045 800)
Dividends paid	0	0	(1 562 599)
Increase in other liabilities	596 326	402 568	1 229 428
Increase in Capital grants	0	0	0
	<u>1 925 723</u>	<u>(1 384 962)</u>	<u>3 262 692</u>
<b>Net cash generated from/(used in) financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>	105 693	(1 427 591)	(1 765 719)
<b>Cash and cash equivalents, beginning of period</b>	(2 161 664)	(395 944)	(395 945)
	<u>(2 055 971)</u>	<u>(1 823 536)</u>	<u>(2 161 664)</u>
<b>Cash and cash equivalents, end of period</b>			

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

Net profit after tax for the first quarter ending March 31<sup>st</sup> 2011 was EC\$1.491 million, compared to EC\$1.190 million for the comparable period of 2010, an increase of 25% or EC\$0.301 million.

While total revenue for the quarter has decreased marginally from the first quarter of 2010 to EC\$21.04 million, revenue from electricity sales grew 1% to EC\$14.08 million in 2011. The decrease in total revenue is due in the main to a 3% decrease in revenue from fuel surcharge; from EC\$7.0 million in the first quarter of 2010 to EC\$6.78 million in 2011. This reduction in fuel surcharge is contributed by negative sales growth and increased hydro generation. A corresponding decrease can be seen in the volume and cost of fuel used in the generation of electricity, despite a significant increase in the unit price of fuel.

Unit sales of electricity fell 2.3% in the first quarter of 2011, compared to growth of 15.9% growth in the first quarter of 2010. This slowdown in demand was experienced in all customer sectors, save the Commercial sector where demand expanded by 1.1%. Demand within the hotel and industrial sectors contracted by 32% and 12% respectively while sales to Domestic customers declined 1.2% from the first quarter of 2010. Climatic conditions on the island of Dominica in the first quarter of 2011 contributed to this decline in demand for power as cooler temperatures prevailed in 2011 versus 2010, when hot, drought-like conditions were experienced.

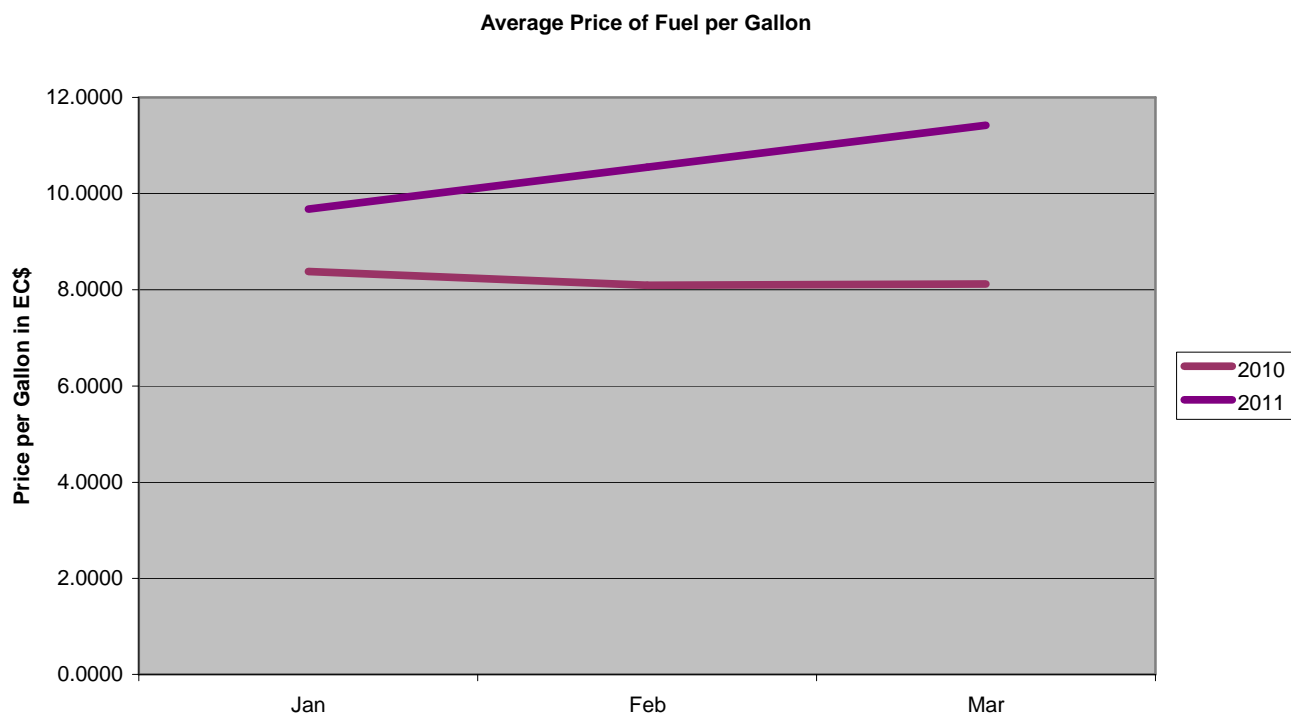


During the first quarter of this year, 859,119 imperial gallons of diesel was used in the generation of electricity, a decrease of 24.5% from 2010.

Energy production was primarily by diesel generation in the first quarter, with 63% of all energy generated coming from this means. Even so, there was lesser reliance on diesel generation compared to 2010, when 86% of total energy generated was through diesel generation.

The decrease in diesel generation this quarter was due to an increase in generation from hydro plant. Output from hydro generation rose 62% to 8,683,654 kWh as two hydro units at Padu were returned to operation, coupled with significantly higher rainfall in the earlier part of the quarter compared to 2010. Output from hydro generation in 2010 of 3,277,285 kWh was 13.8% of total generation.

At March 31<sup>st</sup> 2011, system losses (Moving Annual Total) stood at 9.7% compared to 9.5% a year ago. The company continues to work assiduously towards the reduction of system losses.



Direct Expenses totalled EC\$16.170 million; a decrease of EC\$0.687 million or 4.9%. This was driven by a 10% reduction in the cost of fuel. While the average price per imperial gallon of diesel rose significantly in the first quarter, greater production by the hydro generators has resulted in lower fuel usage and an overall reduction in the cost of diesel used to generate electricity.

Earning per share for the quarter stood at 14 cents, a 27% increase from EPS of 11 cents per share from the first quarter of 2010.



## DOMLEC IN THE FIRST QUARTER OF 2011

<b>Operating Highlights</b>	<b>2011</b>	<b>2010</b>
Hydro generation (1,000 kWh)	8,684	3,277
Diesel generation (1,000 kWh)	14,801	20,436
Units sold (1,000 kWh)	20,455	20,930
Fuel efficiency(kWh per IG)	17.2	17.9
System losses	9.7%	9.5%

### (a) **Liquidity**

Compared to the same period of 2010, there has been an increase in outstanding debt in the first quarter of 2011. Trade receivables (excluding unbilled sales) stood at EC\$8.135 million at the end of this quarter compared to EC\$7.872 million a year ago.

For the quarter just ended, debt within the Commercial sector represented the major portion of collectibles, amounting to 47% of gross receivables, while Domestic debt accounted for 29% of all debt receivable. Throughout the period Government debt remained current and represents for only 10.6% of receivable at the end of the first quarter compared to 12% in 2010. At the end of the quarter 77% of all outstanding debt was current compared to 88% at in 2010.

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

### (b) **Capital Resources**

The company has committed \$4.5 million during the period to acquire fixed assets and has spent EC\$4.1 million to date. This capital commitment was partly funded by loans of EC\$3.0 million, with the balance from internal funds. The company is currently evaluating competing bids from financial institutions for the medium and long term financing of its capital programme.

### (c) **Financial Outlook**

Demand for electricity is expected to be stronger throughout the year with overall sales growth for the year anticipated at about 3%. The company remains concerned about the increase in the price of diesel, which if sustained could dampen the anticipated growth in demand in the coming periods. However, it is expected that with modest sales growth in the coming quarters along with improved efficiency and cost controls in key areas, that an EPS of above 40 EC cents per share will be achieved in this financial 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 31<sup>st</sup> 2011.

The most significant risk to which the company is exposed is the continuing uncertainty in the Company's regulatory environment. Thus, for more than a year 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 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 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.**

None

CLASS	NUMBER
Common	10,417,328

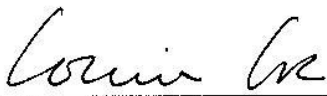

**SIGNATURES**

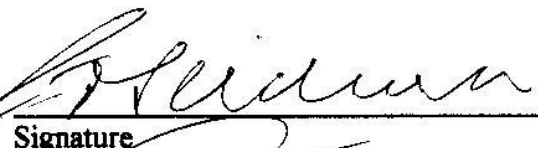
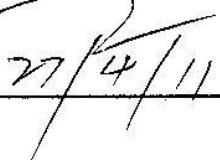
Name of Chief Executive Officer:

Name of Director:

Collin Cover

Grayson Stedman

  
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