

FORM ECSRC - Q

QUARTERLY REPORT

For the period ended June 30th, 2009

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@domleconline.com

1. Financial Statements

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED BALANCE SHEET
AS AT JUNE 30, 2009
(expressed in Eastern Caribbean Dollars)

	June 2009 \$	June 2008 \$	December 2008 \$
Assets			
Current assets			
Cash and cash equivalents	632,221	167,787	2,325,808
Receivables and prepayments	12,758,557	18,601,695	17,691,802
Inventories	10,602,263	11,865,567	12,089,878
	<u>23,993,042</u>	<u>30,635,049</u>	<u>32,107,488</u>
Capital work in progress	27,219,032	14,127,754	21,383,638
Property, plant and equipment	85,806,932	84,076,734	90,355,644
	<u>137,019,006</u>	<u>128,839,539</u>	<u>143,846,770</u>
Liabilities			
Current liabilities			
Borrowings	3,581,334	3,703,204	7,890,284
Accounts payable and accruals	8,067,135	12,391,266	14,106,263
Due to related party	0	0	295,279
Income tax Payable	761,718	682,524	1,508,967
	<u>12,410,187</u>	<u>16,776,994</u>	<u>23,800,794</u>
Borrowings	45,822,807	40,183,687	43,327,622
Deferred tax liability	15,099,443	14,933,760	14,501,636
Other liabilities	7,570,937	6,782,645	7,270,453
Capital grants	1,340,695	1,631,582	1,484,131
	<u>82,244,069</u>	<u>80,308,668</u>	<u>90,384,636</u>
Shareholders' Equity			
Share capital	10,417,328	10,417,328	10,417,328
Retained earnings	44,357,608	38,113,544	43,044,805
	<u>54,774,936</u>	<u>48,530,871</u>	<u>53,462,133</u>
	<u>137,019,006</u>	<u>128,839,539</u>	<u>143,846,770</u>

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED JUNE 30, 2009
(expressed in Eastern Caribbean Dollars)

	June 2009 \$	June 2008 \$	December 2008 \$
Revenue			
Energy sales	25,880,571	24,020,674	50,265,339
Fuel surcharge	8,228,909	18,502,213	40,600,738
Other revenue	1,104,915	351,226	658,534
	<u>35,214,395</u>	<u>42,874,112</u>	<u>91,524,611</u>
Direct expenses			
Operating	6,535,794	6,284,862	13,601,257
Maintenance	2,594,366	2,805,384	4,787,848
Depreciation	4,199,961	4,213,831	7,295,113
Fuel	11,280,959	20,853,452	47,254,920
	<u>24,611,080</u>	<u>34,157,528</u>	<u>72,939,138</u>
Gross profit	10,603,315	8,716,584	18,585,473
Administrative expenses	<u>5,809,782</u>	<u>4,955,779</u>	<u>9,213,438</u>
Net operating income	<u>4,793,533</u>	<u>3,760,805</u>	<u>9,372,035</u>
Other expenses/(income)			
Amortization of capital grants	(230,256)	(215,554)	(439,432)
Foreign exchange losses/(gains)	(11,733)	14,484	(67,134)
Loss/(Gain) on disposal of plant and equipment	(49,557)	0	(1,934,127)
	<u>(291,546)</u>	<u>(201,070)</u>	<u>(2,440,692)</u>
Net income before finance	5,085,079	3,961,875	11,812,728
Finance charges	<u>(1,496,638)</u>	<u>(1,070,022)</u>	<u>(2,434,739)</u>
Net income before tax	3,588,441	2,891,853	9,377,988
Income tax	<u>(1,494,340)</u>	<u>(1,000,157)</u>	<u>(1,773,731)</u>
Net income/(loss) for the period	<u>2,094,101</u>	<u>1,891,696</u>	<u>7,604,257</u>
Earnings/(loss) per share	<u>0.20</u>	<u>0.18</u>	<u>0.73</u>

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE QUARTER ENDED JUNE 30, 2009
(expressed in Eastern Caribbean Dollars)

	June 2009 \$	June 2008 \$	December 2008 \$
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	43,044,805	37,003,147	37,003,147
Net income/(loss) for the period	2,094,101	1,891,696	7,604,257
Ordinary dividends (declared)	<u>(781,300)</u>	<u>(781,300)</u>	<u>(1,562,599)</u>
At end of period	<u>44,357,608</u>	<u>38,113,543</u>	<u>43,044,805</u>
Shareholders' equity, end of period	<u>54,774,936</u>	<u>48,530,871</u>	<u>53,462,133</u>

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED JUNE 30, 2009
(expressed in Eastern Caribbean Dollars)

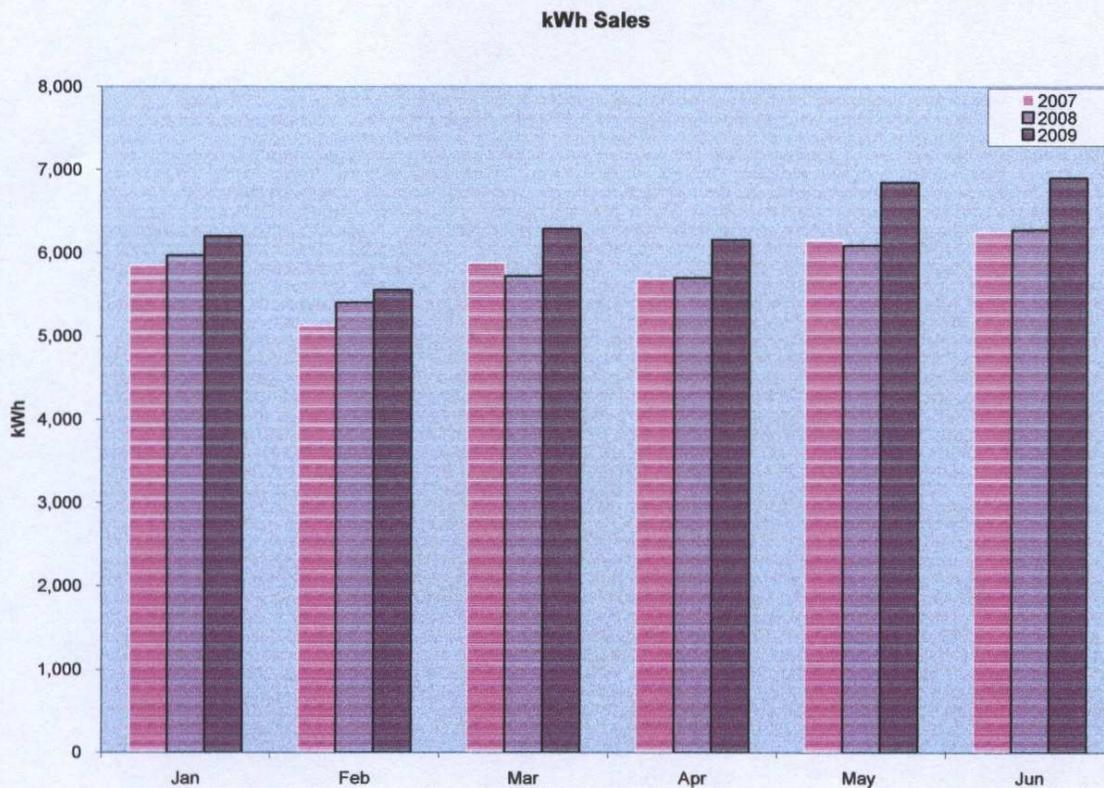
	June 2009 \$	June 2008 \$	December 2008 \$
Cash flows from operating activities			
Net income/(loss) before tax	3,588,441	2,891,853	9,377,988
Adjustments for:			
Depreciation	4,199,961	4,213,831	7,295,113
Loss/(Gain) on disposal of property, plant and equipment	(49,557)	0	(1,934,127)
Exchange (gains)/Loss	(22,776)	17,138	(59,469)
Amortization of capital grants	(230,256)	(215,554)	(294,902)
Interest expense	1,496,638	1,070,022	2,434,739
Operating profit before working capital changes	8,982,451	7,977,290	16,819,342
Decrease (Increase) in receivables and prepayments	4,933,245	(3,584,442)	(2,674,549)
Decrease/(increase) in inventories	1,487,614	(3,254,623)	(3,478,932)
Increase/(decrease) in accounts payable and accruals	(6,039,128)	5,364,477	7,079,474
Increase/(decrease) in due to related party	(295,279)	(171,747)	123,532
Cash generated from operations	9,068,903	6,330,955	17,868,867
Interest paid	(1,416,695)	(984,401)	(2,522,120)
Income tax paid	(1,643,782)	(939,799)	(1,319,054)
Net cash from operating activities	6,008,426	4,406,755	14,027,693
Cash flows from investing activities			
Purchase of property, plant and equipment	(5,450,410)	(13,272,988)	(31,891,071)
Proceeds on disposal of property, plant and equipment	56,850	0	3,938,320
Net cash used in investing activities	(5,393,560)	(13,272,988)	(27,952,751)
Cash flows from financing activities			
Proceeds from borrowings	2,500,000	12,024,228	21,804,827
Repayment of borrowings	(3,332,931)	(1,865,477)	(3,352,905)
Dividends paid	(781,300)	(781,300)	(1,562,599)
Increase in other liabilities	300,484	52,393	540,204
Increase in Capital grants	0	0	0
Net cash generated from/(used in) financing activities	(1,313,747)	9,429,844	17,429,527
Net increase/(decrease) in cash and cash equivalents	(698,881)	563,611	3,504,469
Cash and cash equivalents, beginning of period	1,175,321	(2,329,148)	(2,329,148)
Net cash and cash equivalents, end of period	476,441	(1,765,537)	1,175,321

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

Net profit at the end of the second quarter was EC\$2.094 million, compared with EC\$1.892 million for the comparable period of 2008, an increase of EC\$0.207 million or 10.7%

While total revenue for the period has decreased EC\$7.660 million from the same period in 2008, this is due to the significant reduction in fuel cost and hence a reduction in the surcharge from EC\$18.502 million a year ago to EC\$8.229 million at the end of the second quarter this year. Revenue from electricity sales has grown 7.7% to EC\$25.881 million.

The revenue from electricity sales has increase by 7.9% over the same period in 2008. Most of the increased revenue has been driven by growth in the Industrial, Commercial and Domestic sectors. Compared to 2008 these sectors have seen a 32.3%, 6% and 4.8% respectively. The Hotel sector has also shown a 22.2% increase in revenue over the same period last year, but because this is a relatively small sector its effect on the revenue is not as significant. The increase in sales has been driven mainly by lower energy costs brought on by lower fuel prices coupled with an improvement in reliability which allowed the company to serve existing demand. Additionally a few large commercial and hotel customers who self generated last year, purchased power from Domlec during the first half of 2009.

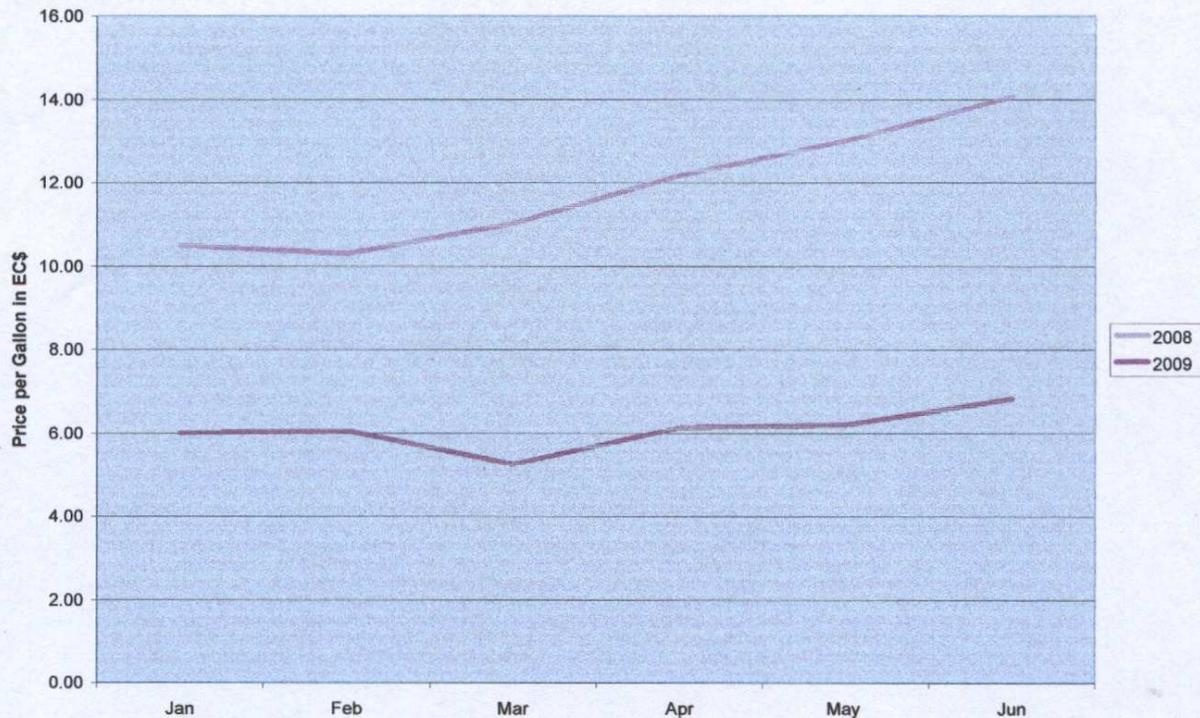


To June 2009, 1,852,863 imperial gallons of diesel was used in the generation of electricity, a decrease of 4.4% from 2008. This reduction in the number of gallons used, coupled with an average price of diesel that is 43% lower than last year's at EC\$6.09, have combined to result in total fuel costs falling 46% to EC\$11.280 million.

Generation of energy was primarily by diesel generation, with 73% of all energy generated coming from this means. This however represents a reduction from 2008, when 78% of total energy generated was through diesel generation.

The reduction in diesel generation was possible year to date, even with increased sales, for two reasons. Firstly, energy produced from Hydro increased 24% to 11,757,103 kWh at the end of the second quarter. This is mainly because of increased rainfall in the first half of the year compared to 2008. Secondly, system losses have continued to improve and currently stand at 11.3% compared to 13.3% a year ago. The company has instituted a rigorous program of loss reduction and it continues to bear fruit.

Average Price of Fuel per Gallon



Direct Expenses decreased EC\$9.546 million mainly as a result of the dramatic fall in the cost of fuel. Direct expense net of fuel costs was virtually on par with last year, higher by just EC\$0.026 million (0.2%) and currently stands at EC\$13.330 million.

DOMLEC IN THE FIRST QUARTER OF 2009

Operating Highlights	2009	2008
Hydro generation (1,000 kWh)	11,757	9,466
Diesel generation (1,000 kWh)	32,353	32,857
Units sold (1,000 kWh)	37,954	35,171
Fuel efficiency(kWh per IG)	17.46	16.95
System losses	11.3%	13.3%

(a) **Liquidity**

The company has significant improvement in the collection of receivables to date as compared to the same period of 2008. Trade receivables (excluding unbilled sales) stood at EC\$9.134 million at June 30th 2009, compared to EC\$13.444 million a year ago. The lower receivables balance is in part because of an improvement in collections, with the average age of outstanding debt at 55 days compared to 63 days a year ago. This is partially due to lower average debt per customer because of the reduced fuel surcharge costs this year.

For the quarter just ended, debt within the Commercial sector represented the major portion of collectibles, amounting to 41% of gross receivables, while government debts accounts for 26% of all debt receivable, just slightly lower than 27% at the end of June 2008.

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 \$7.2 million during the period to acquire fixed assets and has spent EC\$5.5 million to date. This capital expenditure was partly funded from internal funds and from a previously negotiated loan facility from a local financial institution.

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 2009.

The Independent Regulatory Commission (IRC) which was set up to regulate the supply of electricity in the Commonwealth of Dominica has had several consultation meetings with the Company about tariff, licensing and quality of service standards. To date no regulations have been sent by the IRC to parliament for passage into law and there continues to be fluidity in the regulatory environment as no regulations have yet been approved. The Company and the IRC continue to work in good faith in the establishment of a framework that will provide a stable and viable supply of electricity to Dominica.

Secondly, the company continues to explore options for self insurance of its Transmission and Distribution (T&D) assets against hurricane damage. The risk of a storm and the wind or sea surge related damage to T&D assets is relatively high in this region. While details of the self insurance scheme are being finalised, Domlec has made arrangements with a local commercial bank for an emergency facility if it is ever needed. However, the company has not transferred the risk of loss on T & D assets and appropriate insurance coverage is a priority for this fiscal year.

4. LEGAL PROCEEDINGS.

None

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 15th 2009 35TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

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

Murray Skeete	One Year
Yvor Nassief	One Year
Geoffrey Guye	One Year

PricewaterhouseCoopers were appointed as auditors for the year ending December 31st 2009 on a majority vote by a show of hands.

CLASS	NUMBER
Common	10,417,328

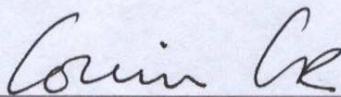
SIGNATURES

Name of Chief Executive Officer:

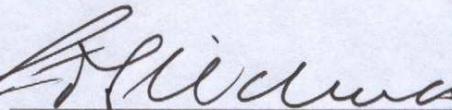
Name of Director:

Collin Cover

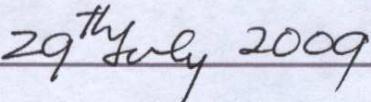
Grayson Stedman



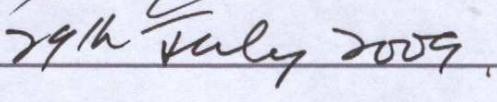
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