FORM ECSRC - Q

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

	September 2013 $	September 2012 $	December 2012 $
Assets			
Current assets			
Cash and cash equivalents	5,350,686	1,812,227	1,948,772
Receivables and prepayments	16,208,322	17,913,279	19,227,193
Inventories	14,800,416	15,070,863	15,519,065
	36,359,423	34,796,369	36,695,030
Capital work in progress	5,389,106	8,899,109	460,879
Property, plant and equipment	116,095,453	114,416,249	121,439,574
	157,843,984	158,111,727	158,595,483
Liabilities			
Current liabilities			
Borrowings	4,502,141	2,825,633	5,359,107
Accounts payable and accruals	11,463,156	12,585,648	13,568,049
Due to related party	0		90,120
Income tax Payable	658,232	886,755	873,162
	16,623,530	16,298,037	19,890,438
Borrowings	37,619,615	45,335,189	41,038,732
Deferred tax liability	17,897,829	16,888,582	17,313,615
Other liabilities	12,247,830	11,479,612	11,436,796
Capital grants	555,154	688,958	655,507
	84,943,957	90,690,378	90,335,088
Shareholders' Equity			
Share capital	10,417,328	10,417,328	10,417,328
Retained earnings	62,482,699	57,004,019	57,843,068
	72,900,027	67,421,347	68,260,396
	157,843,984	158,111,727	158,595,484

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

	September 2013 $	September 2012 $	December 2012 $
Revenue			
Energy sales	15,611,841	15,981,351	61,593,011
Fuel surcharge	8,727,308	10,935,242	44,260,626
Other revenue	163,910	999,799	1,500,882
	24,503,060	27,916,391	107,354,520
Direct expenses			
Operating	3,610,329	3,860,037	13,107,007
Maintenance	2,853,815	2,389,671	8,262,621
Depreciation	2,340,704	2,642,729	10,821,809
Fuel	10,163,693	12,852,629	51,660,677
	18,968,541	21,745,067	83,852,114
Gross profit	5,534,519	6,171,324	23,502,406
Administrative expenses	1,917,416	1,973,176	7,949,385
Net operating income	3,617,103	4,198,148	15,553,021
Other expenses/(income)			
Amortization of capital grants	(125,095)	(104,280)	(531,106)
Foreign exchange losses/(gains)	(15,847)	(2,267)	(5,305)
Loss/(Gain) on disposal of plant and equipment	0	576,204	1,334,138
	(140,942)	469,657	797,727
Net income before finance charges,	3,758,045	3,728,491	14,755,294
Finance charges	(648,558)	(733,499)	(2,944,975)
Net income before tax	3,109,487	2,994,992	11,810,318
Income tax	(859,502)	(697,362)	(3,607,522)
Net income/(loss) for the period	2,249,985	2,297,630	8,202,796
Earnings/(loss) per share	0.22	0.22	0.79

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

	September 2013 $	September 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	60,232,714	54,706,390	51,723,738
Net income/(loss) for the year	2,249,985	2,297,630	8,202,796
Ordinary dividends (declared)	0	0	(2,083,466)
At end of period	62,482,699	57,004,019	57,843,068
Shareholders' equity, end of period	72,900,027	67,421,347	68,260,396

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

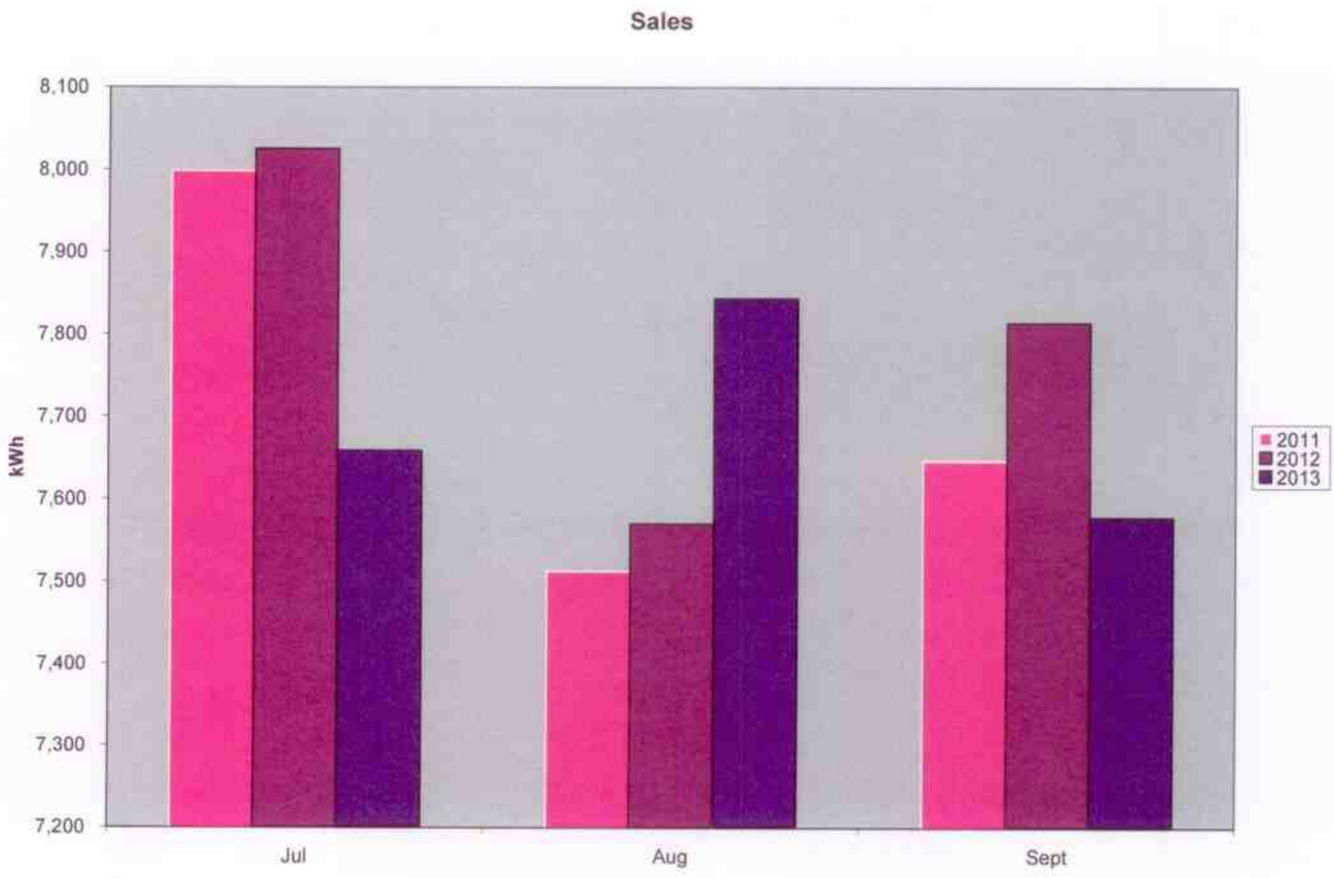
	September 2013 $	September 2012 $	December 2012 $
Cash flows from operating activities			
Net income/(loss) before tax	3,109,487	2,994,992	11,810,318
Adjustments for:			
Depreciation	2,340,704	2,642,729	10,821,809
Loss/(Gain) on disposal of property, plant and equipment	0	576,204	1,334,138
Amortization of capital grants	(33,451)	(33,450)	(133,801)
Interest expense	648,558	733,499	2,944,975
Operating profit before working capital changes	6,065,298	6,913,974	26,777,439
Decrease (Increase) in receivables and prepayments	(847,863)	(154,607)	(3,458,831)
Decrease/(increase) in inventories	(564,001)	1,316,915	1,039,088
Increase/(decrease) in accounts payable and accruals	2,946,138	1,238,901	1,722,378
Increase/(decrease) in due to related party	0	0	(58,432)
Cash generated from operations	7,599,571	9,315,184	26,021,641
Interest paid	(648,557)	(733,499)	(2,944,975)
Income tax paid	(555,540)	(631,563)	(3,277,053)
Net cash from operating activities	6,595,474	7,950,122	19,799,612
Cash flows from investing activities			
Purchase of property, plant and equipment	(3,773,465)	(3,455,490)	(10,258,347)
Proceeds on disposal of property, plant and equipment	0	0	12,500
Net cash used in investing activities	(3,773,465)	(3,455,490)	(10,245,847)
Cash flows from financing activities			
Proceeds from borrowings	0	0	2,000,000
Repayment of borrowings	(1,074,274)	(1,730,379)	(6,940,625)
Dividends paid	0	0	(2,083,466)
Increase in other liabilities	380,455	157,033	464,391
Net cash generated from/(used in) financing activities	(693,819)	(1,573,346)	(6,559,700)
Net increase/(decrease) in cash and cash equivalents	2,128,191	2,921,285	2,994,068
Cash and cash equivalents, beginning of period	3,222,495	(1,109,061)	(1,045,296)
Net cash and cash equivalents, end of period	5,350,685	1,812,227	1,948,772

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

This quarter the Company recorded a net income before taxes of EC$3.109 million, compared to EC$2.995 million for the same period of 2012; an increase of EC$0.114 million or 3.8%.

Total revenue was EC$24.5 million, a decrease of 12% from the EC$27.9 million in gross revenue earned in 2012. This quarter there was a reduction in all sources of revenue. Electricity sales decreased by EC$0.37 million (2.3%) and fuel surcharge revenue lower by EC$2.2 million (20%) to EC$8.7 million.

Total unit sales were down by 1.4% from the same period last year to 23.1 GWh. The Commercial and Hotel sectors were mostly responsible for this result. Commercial decreased by 2.6%, while Hotel continues to underperform contracting by 22.3%. The Domestic and Industrial sectors remained on par with 2012 third quarter result of 10.5 GWh and 2.0 GWh respectively.



Fuel costs for this quarter totalled EC$10.16 million, a decrease of EC$2.69 million (20.9%) from the comparable period of 2012. The average price paid per imperial gallon of diesel moved from EC$12.34 in the third quarter of 2012 to EC$11.90 this quarter. There was also a notable decrease in the consumption of diesel; 203,824 less imperial gallons of diesel were used in the generation of electricity. During this quarter 61% of energy produced was from diesel generation, compared to 74% in 2012. Meanwhile, output from hydro generation increased by 52% from a year ago to 10.2 GWh. The increased hydro production resulted from increased rainfall coupled with the return of one of the hydro units which was out of service during the third quarter of 2012.

Direct expenses in the third quarter totalled EC$18.97 million, a decrease of EC$2.7 million, due mainly to the decrease in fuel expenses. Direct expenses net of fuel costs decreased 1% or EC$0.09 million to EC$8.8 million. Maintenance expenses for the quarter increased by 19% or EC$464,144. This was attributed to increased engine maintenance compared to a year ago.

Earning per share for the quarter remained at 22 EC cents.

DOMLEC IN THE THIRD QUARTER OF 2013

Operating Highlights	**2013**	**2012**
Hydro generation (MWh)	10,221	6,722
Diesel generation (MWh)	16,111	19,589
Units sold (MWh)	23,080	23,409
Fuel efficiency(kWh per IG)	17.40	17.31
System losses (MAT)	8.1%	8.0%

(a) **Liquidity**

Trade receivables (excluding unbilled sales) at the end of the third quarter were EC$11.542 million compared to EC$12.965 at September 2012, a decrease of EC$1.443 million. Commercial and Domestic debt were the main contributors to this decrease, falling by EC$0.800 million and EC$0.544 million respectively. The average age of outstanding debt moved from 49 days at September 2012 to 47 days at September 2013.

The Commercial and Domestic sectors continue to represent a large portion of gross receivables at 49% and 20% respectively. In 2012, these two sectors also accounted for 71% of all outstanding debt. Government's debt represents 21% of all trade receivables, 3% increase from September 2012 results.

The company remains in a stable liquid position at the end of the third quarter of 2013. Cash at the bank was EC$5.35 million.

(b) **Capital Resources**

The company has spent EC$3.7 million for the quarter to acquire fixed assets. This capital expenditure was funded from internal funds.

(c) **Financial Outlook**

As was the case in 2012 the demand for electricity steadily increased over the first 3 quarters. Sales in the 3rd quarter this year were 3.1% higher than sales in the 2nd quarter, but this is expected as the 3rd quarter has one more day than the 2nd quarter and it is typically a period with higher temperatures. Sales for the 3rd quarter were 1.5% lower than for the same period last year, and sales year to date to the end of the 3rd quarter were 1.3% lower than last year. Given the trend in rising fuel prices and the stagnant local economy the company expects that these factors could stifle demand for electricity as additional strain is put on customers' budgets.

Despite this contraction in year on year sales which the company expects to continue into the 4th quarter the company still anticipates continued profitability in the next quarter and anticipates an EPS of at least EC 63 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 September 30th 2013 , with the exception of one commercial customer which has executed a promissory note in favour of the company.

Regulatory Environment and Tariff Mechanism

The uncertainty in the regulatory environment was drastically reduced as the Independent Regulatory Commission and the company successfully concluded negotiations which resulted in the issuance of two new licences to the company on 30th September 2013. The new licences which come into effect on January 1st 2014 are both of 25 years duration and grant to the company a non-exclusive licence to generate electricity and an exclusive licence to transmit, distribute and supply electricity on the island. The licences bring much certainty and stability to the operating and regulatory environment of the company and place it in a better position to respond to the demands of the evolving energy sector on the island.

One condition specified in the licences requires the company to file an application for a tariff review by September 30th 2014. This quite likely will result in a change in tariff at the end of the process.

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.

With the recent approval of new licences for the company the Government and the company are jointly seeking to discontinue the legal proceedings brought by both parties in relation to the matter.

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.

CHANGE IN AUDITOR OF REPORTING ISSUER

September 13th 2013 SPECIAL SHAREHOLDERS' MEETING

The following resolution was passed as an ordinary resolution on a majority vote by a show of hands

BE IT RESOLVED THAT PricewaterhouseCoopers is hereby removed as auditors of the company and BE IT FURTHER RESOLVED THAT Ernst and Young be appointed as auditors of the company in their place and stead for the remainder of their term at such remuneration as may be fixed by the directors and the directors are hereby authorised to fix such remuneration.

CLASS	NUMBER
Common	10,417,328

SIGNATURES

Name of Chief Executive Officer:

Collin Cover

Signature

18th Oct 2013

Date

Name of Director:

Grayson Stedman

Signature

18/10/13.

Date