DOMINICA ELECTRICITY SERVICES LIMITED

FORM ECSRC-Q

QUARTERLY REPORT

For the Period Ended September 30th, 2012

FORM ECSRC - Q

QUARTERLY REPORT
For the period ended September 30th 2012

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, 2012
(expressed in Eastern Caribbean Dollars)

	September 2012 $	September 2011 $	December 2011 $
Assets			
Current assets			
Cash and cash equivalents	1 812 227	857 412	603 201
Receivables and prepayments	17 913 279	13 275 265	15 768 362
Inventories	15 070 863	15 616 723	16 558 152
	34 796 369	29 749 400	32 929 716
Capital work in progress	8 899 109	14 452 883	1 089 232
Property, plant and equipment	114 416 249	109 422 267	122 721 322
	158 111 727	153 624 550	156 740 271
Liabilities			
Current liabilities			
Borrowings	2 825 633	3 675 231	7 651 772
Accounts payable and accruals	12 585 648	11 458 617	11 994 221
Due to related party	0		0
Income tax Payable	886 755	1 101 405	1 259 612
	16 298 037	16 235 253	20 905 606
Borrowings	45 335 189	48 201 362	45 335 189
Deferred tax liability	16 888 582	16 406 586	16 596 696
Other liabilities	11 479 612	10 864 344	10 972 404
Capital grants	688 958	836 126	789 308
	90 690 378	92 543 671	94 599 203
Shareholders' Equity			
Share capital	10 417 328	10 417 328	10 417 328
Retained earnings	57 004 019	50 663 552	51 723 738
	67 421 347	61 080 880	62 141 066
	158 111 727	153 624 550	156 740 270

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

	September 2012 $	September 2011 $	December 2011 $
Revenue			
Energy sales	15 981 351	15 800 525	60 856 464
Fuel surcharge	10 935 242	10 463 972	36 660 982
Other revenue	999 799	197 820	799 349
	27 916 391	26 462 317	98 316 796
Direct expenses			
Operating	4 221 309	3 701 526	14 595 312
Maintenance	2 045 354	1 669 900	5 724 361
Depreciation	2 642 729	2 589 489	10 335 421
Fuel	12 852 629	12 161 994	42 927 824
	21 762 022	20 122 909	73 582 918
Gross profit	6 154 370	6 339 408	24 733 878
Administrative expenses	1 956 221	1 928 717	9 845 503
Net operating income	4 198 148	4 410 691	14 888 374
Other expenses/(income)			
Amortization of capital grants	(104 280)	(111 209)	(492 086)
Foreign exchange losses/(gains)	(2 267)	(9 498)	(90 377)
Loss/(Gain) on disposal of plant and equipment	576 204	1 162 712	1 267 548
	469 657	1 042 005	685 086
Net income before finance charges,	3 728 491	3 368 686	14 203 289
Finance charges	(733 499)	(804 035)	(3 113 597)
Net income before tax	2 994 992	2 564 652	11 089 691
Income tax	(697 362)	(781 018)	(3 342 666)
Net income/(loss) for the period	2 297 630	1 783 633	7 747 025
Earnings/(loss) per share	0.22	0.17	0.74

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

	September 2012 $	September 2011 $	December 2011 $
Share capital			
Ordinary shares, beginning and end of period	10 417 328	10 417 328	10 417 328
Retained earnings			
At beginning of period	51 723 738	45 799 745	45 799 745
Net income/(loss) for the year	6 322 016	5 645 106	7 747 025
Ordinary dividends (declared)	(1 041 733)	(781 300)	(1 823 032)
At end of period	57 004 019	50 663 552	51 723 738
Shareholders' equity, end of period	67 421 347	61 080 880	62 141 066

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

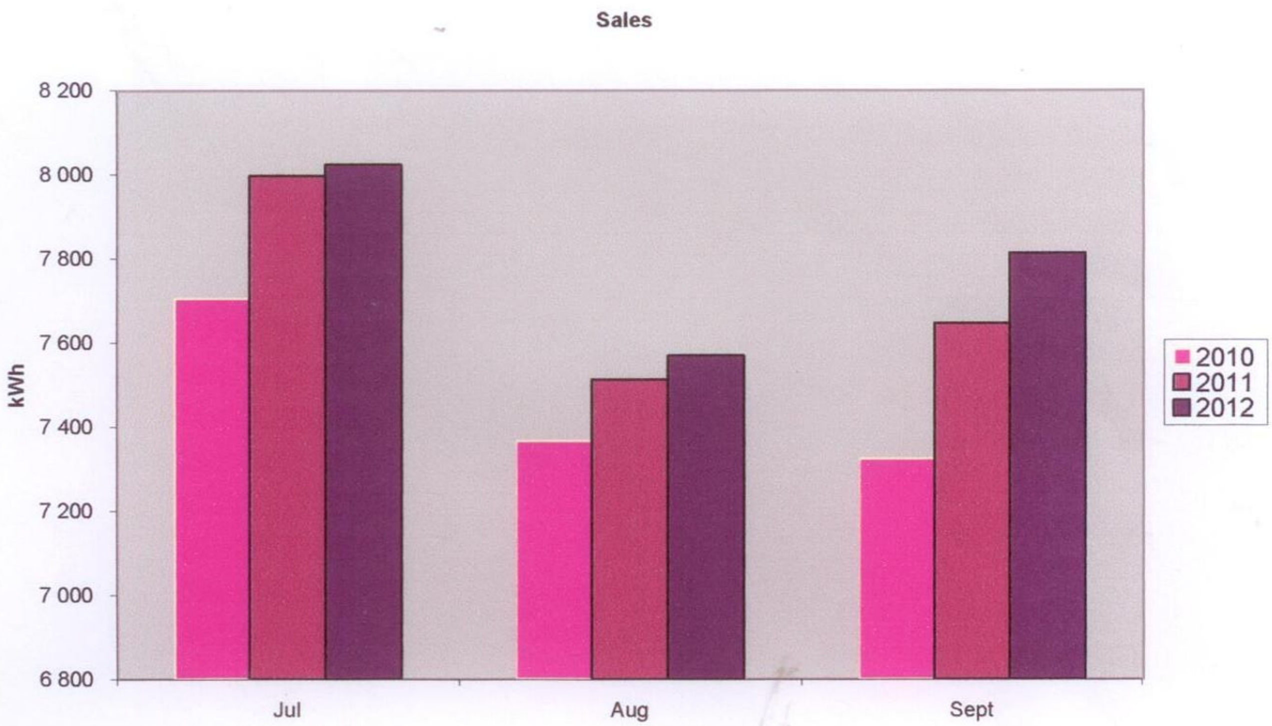
	September 2012 $	September 2011 $	December 2011 $
Cash flows from operating activities			
Net income/(loss) before tax	2 994 992	2 564 652	11 089 691
Adjustments for:			
Depreciation	2 642 729	2 589 489	10 335 421
Loss/(Gain) on disposal of property, plant and equipment	576 204	1 162 712	1 267 548
Exchange (gains)/Loss	0	0	0
Amortization of capital grants	(33 450)	(46 820)	(187 264)
Interest expense	733 499	804 035	3 113 597
Operating profit before working capital changes	6 913 974	7 074 068	25 618 994
Decrease (Increase) in receivables and prepayments	(154 607)	3 839 472	(2 676 935)
Decrease/(increase) in inventories	1 316 915	(2 528 440)	(4 222 686)
Increase/(decrease) in accounts payable and accruals	1 238 901	(2 727 458)	2 453 986
Increase/(decrease) in due to related party	0	0	(132 698)
Cash generated from operations	9 315 184	5 657 641	21 040 662
Interest paid	(733 499)	(804 035)	(3 113 594)
Income tax paid	(631 563)	(833 761)	(2 607 876)
Net cash from operating activities	7 950 122	4 019 845	15 319 192
Cash flows from investing activities			
Purchase of property, plant and equipment	(3 455 490)	(1 204 288)	(13 743 835)
Proceeds on disposal of property, plant and equipment		0	100
Net cash used in investing activities	(3 455 490)	(1 204 288)	(13 743 735)
Cash flows from financing activities			
Proceeds from borrowings	0	0	6 738 229
Repayment of borrowings	(1 730 379)	(1 629 616)	(6 652 446)
Dividends paid	0	0	(1 823 032)
Increase in other liabilities	157 033	142 631	1 278 158
Net cash generated from/(used in) financing activities	(1 573 346)	(1 486 985)	(459 091)
Net increase/(decrease) in cash and cash	2 921 285	1 328 573	1 116 366
Cash and cash equivalents, beginning of period	(1 109 061)	(4 086 595)	(2 161 664)
Net cash and cash equivalents, end of period	1 812 227	(2 758 022)	(1 045 298)

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

The third quarter ending September 30, 2012 showed net profit before taxes of EC$2.995 million, compared with EC$2.565 million for the comparable period of 2011, a decrease of EC$0.430 million or 17%.

This quarter, revenue totalled EC$27.9 million, an increase of 5% from the EC$26.5 million in gross revenue earned in 2011. All sources of revenue contributed to the growth in total revenue. Electricity sales grew by EC$0.18 million (1.1%) and fuel surcharge revenue higher by EC$0.47 million (4.5%) to EC$10.93 million.

Total unit sales of electricity in the third quarter grew 1.1% from the same period last year to 23.4 GWh. The Domestic and Industrial sectors were most responsible for this result, growing by 1.5% and 8.1% respectively. The Commercial remained on par with 2011 third quarter result of 10.1 GWh. The hotel sector continues to underperform. Sales in this sector contracted 20% in this quarter after contracting 38% in the second quarter of this year.



Fuel costs for this quarter totalled EC$12.85 million, an increase of EC$0.69 million (6%) from the comparable period of 2011. The average price paid per imperial gallon of diesel moved from EC$12.24 in the third quarter of 2011 to EC$11.36 this quarter. However, there was a notable increase in the consumption of diesel. 181,831 more imperial gallons of diesel were used in the generation of electricity, driven by a greater reliance on diesel generation in this quarter due to poor rainfall and unavailability of one hydro unit (NT2).

Diesel generation continues to be the primary sources of electricity generation. 74% of all energy produced was from diesel generation, compared to 63% in 2011. During this quarter, output from Hydro generation fell 29% from the historic highs from a year ago to 6.7 GWH. The breakdown of a generator at the Trafalgar power plant coupled with lower rainfall in this quarter attributed to the lower output from hydro.

Direct expenses in the third quarter totalled EC$21.8 million, an increase of EC$1.6 million, due mainly to the increase in fuel and operating expenses. Direct expenses net of fuel costs increased 12% or EC$0.948 million to EC$8.9 million. The increase in operating expenses accounts for 54% of the total increase in net direct expenses.

Earning per share for the quarter stood at 22 EC cents, compared to 17 EC cents a year ago.

DOMLEC IN THE THIRD QUARTER OF 2012

Operating Highlights	**2012**	**2011**
Hydro generation (1,000 kWh)	6,722	9,481
Diesel generation (1,000 kWh)	19,589	16,265
Units sold (1,000 kWh)	23,409	23,157
Fuel efficiency(kWh per IG)	17.31	17.13
System losses (MAT)	8.0%	9.4%

(a) **Liquidity**

Trade receivables (excluding unbilled sales) at the end of the third quarter were EC$ 12.985 million compared to EC$9.678 at September 2011, an increase of EC$3.307 million. Commercial and Government debt were the main contributors to this increase, rising by EC$1.573 million and EC$1.275 million respectively. The average age of outstanding debt moved from 41 days at September 2011 to 49 days at September 2012.

The Commercial and Domestic sectors continue to represent a large portion of gross receivables at 50% and 22% respectively. In 2011, these two sectors also accounted for 78% of all outstanding debt. Government's debt represents 18% of all trade receivables, a 6% increase from September 2011 results.

The company remains in a stable liquid position at the end of the third quarter of 2012.

(b) Capital Resources

The company has spent EC$3.4 million for the quarter to acquire fixed assets. This capital expenditure was funded from internal funds.

(c) Financial Outlook

Demand for electricity is comparable to that of the second quarter, with average growth across all sectors at 1.1% compared to an average of 1.2% in the second quarter of 2012. The company expects sales growth throughout the rest of the year to mirror the third quarter performance of between 1.0% and 1.5%. Given the trend in rising fuel prices, the company will continue to closely monitor this, as this increase could stifle demand for electricity and putting additional strain on household budgets. However, the company still anticipates continued profitability in the next quarter and anticipates an EPS of at least EC 70 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 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.

<u>License</u>
The company has started face to face negotiations for new licence with the IRC. The terms and conditions of the new licence will not come into effect this year and so will not affect the operations of the company in the short term.

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.

None

CLASS	NUMBER
Common	10,417,328

SIGNATURES

Name of Chief Executive Officer:

Collin Cover

Signature

24th Oct. 2012

Date

Name of Director:

Grayson Stedman

Signature

24/10/12

Date