DOMINICA ELECTRICITY SERVICES LIMITED

FORM ECSRC - Q

Quarterly Report
For the period ended September 30th, 2011

FORM ECSRC - Q

QUARTERLY REPORT
For the period ended September 30th 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 SEPTEMBER 31, 2011
(expressed in Eastern Caribbean Dollars)

	September 2011 $	September 2010 $	December 2010 $
Assets			
Current assets			
Cash and cash equivalents	857 412	358 791	506 295
Receivables and prepayments	13 275 265	11 927 940	13 091 427
Inventories	15 616 723	13 705 563	12 335 467
	29 749 400	25 992 295	25 933 189
Capital work in progress	14 452 883	16 253 801	3 314 500
Property, plant and equipment	109 422 267	103 900 957	118 355 298
	153 624 550	146 147 053	147 602 987
Liabilities			
Current liabilities			
Borrowings	3 675 231	3 501 410	9 457 507
Accounts payable and accruals	11 458 617	9 466 335	9 537 089
Due to related party	0		135 844
Income tax Payable	1 101 405	1 076 130	1 218 452
	16 235 253	14 043 875	20 348 892
Borrowings	48 201 362	50 938 298	44 463 133
Deferred tax liability	16 406 586	15 844 659	15 903 066
Other liabilities	10 864 344	9 233 751	9 694 247
Capital grants	836 126	1 023 474	976 576
	92 543 671	91 084 056	91 385 914
Shareholders' Equity			
Share capital	10 417 328	10 417 328	10 417 328
Retained earnings	50 663 552	44 645 670	45 799 745
	61 080 880	55 062 998	56 217 073
	153 624 550	146 147 053	147 602 987

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2011
(expressed in Eastern Caribbean Dollars)

	September 2011 $	September 2010 $	December 2010 $
Revenue			
Energy sales	15 800 525	15 222 957	58 977 216
Fuel surcharge	10 463 972	7 906 797	30 108 305
Other revenue	197 820	556 937	1 733 786
	26 462 317	23 686 692	90 819 307
Direct expenses			
Operating	3 701 526	4 310 566	14 616 451
Maintenance	1 669 900	1 899 190	6 656 089
Depreciation	2 589 489	2 225 763	9 487 723
Fuel	12 161 994	9 790 859	37 545 599
	20 122 909	18 226 378	68 305 862
Gross profit	6 339 408	5 460 314	22 513 445
Administrative expenses	1 928 717	2 593 232	9 717 169
Net operating income	4 410 691	2 867 082	12 796 276
Other expenses/(income)			
Amortization of capital grants	(111 209)	(88 235)	(466 057)
Foreign exchange losses/(gains)	(9 498)	(70 452)	79 003
Loss/(Gain) on disposal of plant and equipment	1 162 712	(20 496)	1 696 487
	1 042 005	(179 183)	1 309 433
Net income before finance charges,	3 368 686	3 046 265	11 486 843
Finance charges	(804 035)	(825 741)	(3 008 258)
Net income before tax	2 564 652	2 220 524	8 478 585
Income tax	(781 018)	(615 228)	(8 749 887)
Net income/(loss) for the period	1 783 633	1 605 296	(271 302)
Earnings/(loss) per share	0.17	0.15	(0.03)

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
AS AT SEPTEMBER 30, 2011
(expressed in Eastern Caribbean Dollars)

	September 2011 $	September 2010 $	December 2010 $
Share capital			
Ordinary shares, beginning and end of period	10 417 328	10 417 328	10 417 328
Retained earnings			
At beginning of period	45 799 745	47 633 646	47 633 646
Net income/(loss) for the year	5 645 106	(2 206 677)	(271 302)
Ordinary dividends (declared)	(781 300)	(781 300)	(1 562 599)
At end of period	50 663 552	44 645 670	45 799 745
Shareholders' equity, end of period	61 080 880	55 062 998	56 217 073

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CASH FLOW
AS AT SEPTEMBER 30, 2011
(expressed in Eastern Caribbean Dollars)

	September 2011 $	September 2010 $	December 2010 $
Cash flows from operating activities			
Net income/(loss) before tax	2 564 652	2 220 524	8 478 585
Adjustments for:			
Depreciation	2 589 489	2 225 763	9 487 723
Loss/(Gain) on disposal of property, plant and equipment	1 162 712	(20 499)	1 696 487
Exchange (gains)/Loss	0	0	0
Amortization of capital grants	(46 820)	(30 350)	(220 684)
Interest expense	804 035	825 741	3 008 258
Operating profit before working capital changes	7 074 068	5 221 179	22 450 369
Decrease (Increase) in receivables and prepayments	3 839 472	850 975	552 712
Decrease/(increase) in inventories	(2 528 440)	(1 273 792)	(1 560 649)
Increase/(decrease) in accounts payable and accruals	(2 727 458)	896 549	(639 895)
Increase/(decrease) in due to related party	0	0	3 146
Cash generated from operations	5 657 641	5 694 910	20 805 683
Interest paid	(804 035)	(892 875)	(3 067 087)
Income tax paid	(833 761)	0	(8 818 312)
Net cash from operating activities	4 019 845	4 802 035	8 920 284
Cash flows from investing activities			
Purchase of property, plant and equipment	(1 204 288)	(3 036 028)	(14 002 694)
Proceeds on disposal of property, plant and equipment	0	20 500	54 000
Net cash used in investing activities	(1 204 288)	(3 015 528)	(13 948 694)
Cash flows from financing activities			
Proceeds from borrowings	0	0	10 641 663
Repayment of borrowings	(1 629 616)	(1 606 081)	(7 045 802)
Dividends paid	0		(1 562 599)
Increase in other liabilities	142 631	191 022	1 229 429
Net cash generated from/(used in) financing activities	(1 486 985)	(1 415 059)	3 262 691
Net increase/(decrease) in cash and cash	1 328 573	371 448	(1 765 719)
Cash and cash equivalents, beginning of period	(4 086 595)	(1 553 849)	(395 945)

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

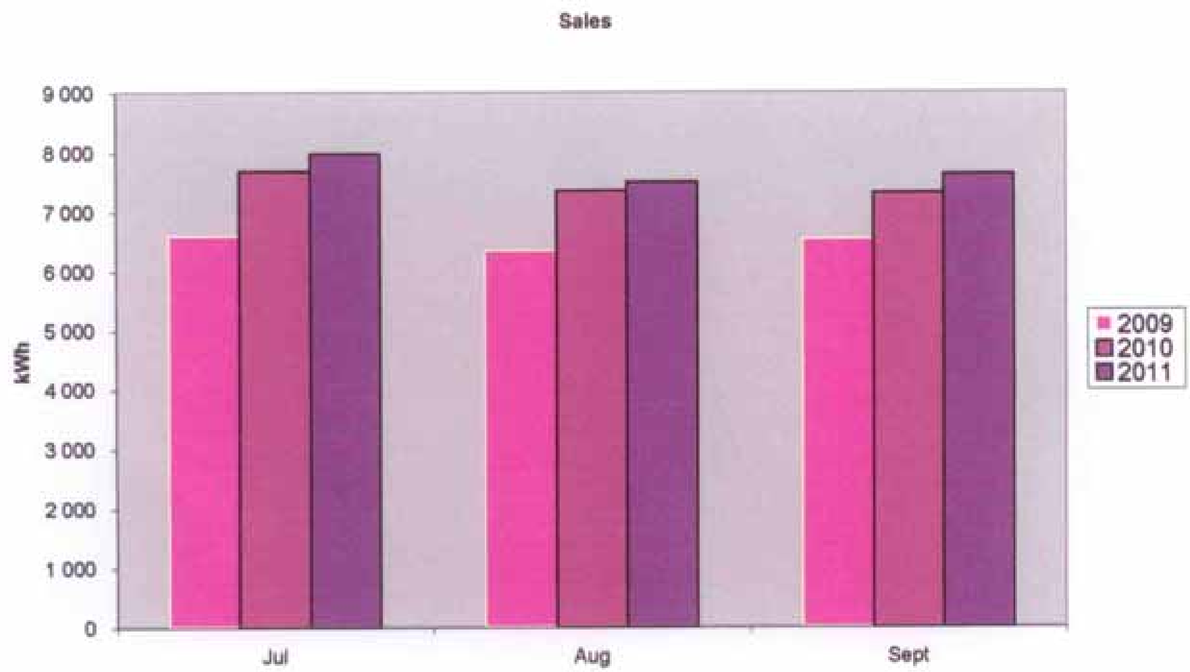
Net profit after taxes for the third quarter was EC$1.784 million, an increase of EC$0.179 million or 11% from net profits earned in the third quarter of 2010.

Total Revenue for the quarter was EC$26.462 million of which EC$15.801 million represented electricity sales net of fuel surcharge. Both total revenue and revenue net of fuel surcharge have grown from the comparable period of 2010. Total revenue was higher by EC$2.8 million or 12%, while third quarter revenue from electricity sales was 4% higher this year.

Revenue from fuel surcharge was 32% higher in this quarter than in the third quarter of 2010 due to higher fuel prices. An increase in the fuel cost was recorded even as the number of gallons of fuel used in the generation of electricity decreased in this quarter when compared to the 3rd quarter last year.

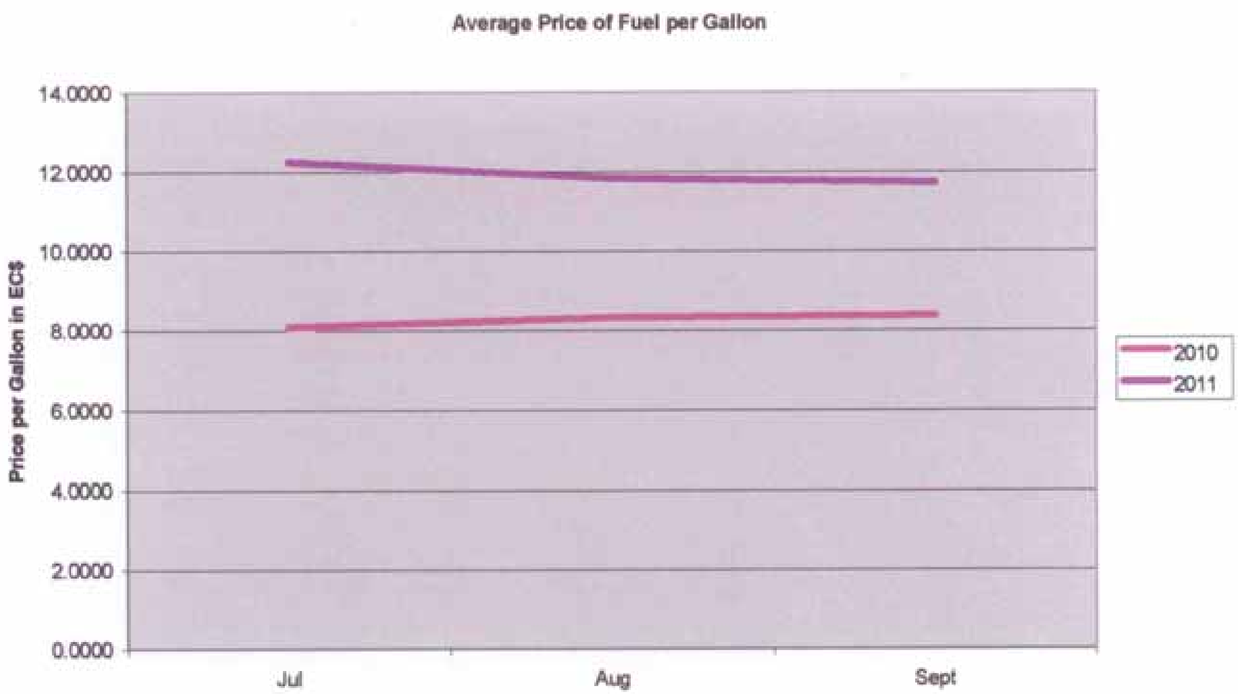
Unit sales of electricity in the third quarter totaled 23.2 GWh, 3.4% higher than unit sales from the third quarter of 2010. The Commercial and Domestic sectors reported growth of 9.3% and 2.7% respectively from the third quarter of 2011, while the Hotel sector contracted 52.8% compared to the same period last year. Sales in the Industrial sector have remained relatively even, higher by 0.6% from the third quarter of 2010.

The sales performance in this quarter was helped by improvements in customer hours lost throughout the period.



Fuel costs for the quarter totalled EC$12.162 million, 24% or EC$2.4 million higher than the quarter ended September 2010. The average price paid for diesel used in the production of electricity has increased steadily, moving from EC$8.20 in the third quarter of 2010 to EC$12.81 this quarter. In the third quarter, 949,530 imperial gallons of diesel were used in the generation of electricity, 20.5% or 244,286 fewer gallons than the same period in 2010.

Diesel generation represented 63% of total generation, down from 78% a year ago. This is as a direct result of the increased output from Hydro generation in this quarter. The full restoration of the Padu plant coupled with higher rainfall this year compared to last has resulted in output from hydro rising 67% from 2010 to 9,480,631 kWh in the third quarter of 2011.



Direct Expenses in this quarter totalled EC$20.12 million, an increase of EC$1.9 million, due in the main to increases in fuel expenses. Direct expenses net of fuel costs decreased by 5.6% due to significantly lower operating expenses. Throughout 2011, emphasis has been made on identifying and reducing inefficiencies throughout the company and this has resulted in significant reductions in operating expenses.

During the quarter the company recorded a loss on disposal of fixed assets of EC$1.2 million. This is primarily due to the modernisation of the metering infrastructure; old meters on the distribution network are being replaced with the new AMI meters.

Earning per share for the quarter stood at 17 EC cents, an increase of 2 EC cents from a year ago.

DOMLEC IN THE THIRD QUARTER OF 2011

Operating Highlights	**2011**	**2010**
Hydro generation (MWh)	9,481	5,691
Diesel generation (MWh)	16,265	20,041
Units sold (MWh)	23,157	22,397
Fuel efficiency(kWh per IG)	17.13	16.79
System losses (MAT)	9.4%	9.0%

(a) **Liquidity**

Trade receivables (excluding unbilled sales) at the end of the third quarter were EC$9.678 million compared to EC$8.610 million at September 2010, a 12% increase. The average age of outstanding debt moved from 39 days at September 2010 to 41 days at September 2011.

The Commercial and Domestic sectors (which together constitute 88% of the company's sales) continue to represent a large portion of gross receivables at 27% and 50% respectively. During this quarter Government's outstanding debt accounted for 12% of the total debt, compared to 11% a year ago.

The company remains in a stable liquid position at the end of the third quarter of 2011 and is confident that outstanding debt is not impaired and remains collectable.

(b) **Capital Resources**

The company has committed EC$12.03 million during the period to acquire fixed assets and has spent EC$11.3 million to date. This capital expenditure was partly funded from internal funds and from a now expired loan facility from a local financial institution.

(c) **Financial Outlook**

The company has revised its outlook for 2011 and now expects sales growth of no more than 1% for the rest of 2011 as signs of economic slow down on island take hold. We remained concerned about any increase in oil prices, which would further stifle sales while placing competing pressure on consumer budgets. In anticipation of the slow down in real electricity demand, several revisions have been made in discretionary spending areas. These have already resulted in significant cost savings in the third quarter and have helped dampen the effect of flat sales growth. With prudent management of resources we expect continued profitability in the final quarter of the 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 2011.

Regulatory Environment

The most significant risk to which the company is exposed is the continuing uncertainty in the Company's regulatory environment.

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 has reviewed these documents and have informed the IRC of the areas of concern.The IRC has responded to management's letter acknowledging that the company has a licence to generate, transmit and distribute electricity until 31st December 2015 but in that letter gave the company notice of its intent to issue further regulations.

Operating Environment

The T&D assets remain uninsured. The Government has approved the establishment of a self-insurance fund by the company. The conditions of the fund are to be finalized prior to the creation of the fund. Meanwhile the terms for a facility for storm and hurricane emergencies has been agreed with a local bank.

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.

None

CLASS	NUMBER
Common	10,417,328

SIGNATURES

Name of Chief Executive Officer:

Collin Cover

Signature

25th Oct 2011

Date

Name of Director:

Grayson Stedman

Signature

Oct 25th 2011

Date