

DOMINICA ELECTRICITY SERVICES LIMITED



FORM ECSRC-Q

QUARTERLY REPORT

For the Period Ended June 30th, 2015

FORM ECSRC - Q

QUARTERLY REPORT
For the period ended June 30th 2015

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

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED BALANCE SHEET
AS AT JUNE 30, 2015
(expressed in Eastern Caribbean Dollars)

	June 2015 \$	June 2014 \$	December 2014 \$
Assets			
Current assets			
Cash and cash equivalents	17,458,949	9,388,302	13,066,410
Receivables and prepayments	15,537,154	18,371,661	17,139,207
Inventories	10,682,960	10,126,726	10,571,694
	<u>43,679,063</u>	<u>37,886,689</u>	<u>40,777,311</u>
Capital work in progress	4,099,556	3,564,463	1,327,876
Property, plant and equipment	<u>122,713,181</u>	<u>123,050,487</u>	<u>125,741,576</u>
	<u>170,491,800</u>	<u>164,501,640</u>	<u>167,846,764</u>
Liabilities			
Current liabilities			
Borrowings	4,098,830	4,671,389	4,807,897
Accounts payable and accruals	14,599,629	14,471,628	12,609,942
Due to related party	0	0	38,889
Income tax Payable	582,951	-11,038	1,664,232
	<u>19,281,410</u>	<u>19,131,980</u>	<u>19,120,961</u>
Borrowings	30,015,098	34,113,719	31,678,123
Deferred tax liability	18,385,172	20,024,311	17,394,576
Other liabilities	12,619,338	12,438,444	12,653,723
Capital grants	<u>321,001</u>	<u>454,802</u>	<u>387,901</u>
	<u>80,622,019</u>	<u>86,163,256</u>	<u>81,235,284</u>
Shareholders' Equity			
Share capital	10,417,328	10,417,328	10,417,328
Retained earnings	<u>79,452,453</u>	<u>67,921,056</u>	<u>76,194,152</u>
	<u>89,869,781</u>	<u>78,338,384</u>	<u>86,611,480</u>
	<u>170,491,800</u>	<u>164,501,640</u>	<u>167,846,764</u>

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED JUNE 30, 2015
(expressed in Eastern Caribbean Dollars)

	June 2015 \$	June 2014 \$	December 2014 \$
Revenue			
Energy sales	16,365,515	15,619,149	62,119,547
Fuel surcharge	7,192,572	10,086,568	38,084,651
Other revenue	128,555	691,878	1,706,465
	<u>23,686,642</u>	<u>26,397,596</u>	<u>101,910,663</u>
Direct expenses			
Operating	4,571,649	3,814,917	13,754,245
Maintenance	2,083,313	1,620,271	6,969,628
Depreciation	2,309,058	2,267,651	8,842,281
Fuel	9,020,055	11,786,552	45,062,560
	<u>17,984,075</u>	<u>19,489,391</u>	<u>74,628,714</u>
Gross profit	5,702,567	6,908,205	27,281,949
Administrative expenses	<u>2,271,616</u>	<u>1,779,684</u>	<u>7,979,442</u>
Net operating income	<u>3,430,951</u>	<u>5,128,521</u>	<u>19,302,507</u>
Other expenses/(income)			
Amortization of capital grants	(133,972)	(136,038)	(632,710)
Foreign exchange losses/(gains)	16,955	(790)	(21,787)
Loss/(Gain) on disposal of plant and equipment	226,133	0	1,094,020
	<u>109,116</u>	<u>(136,829)</u>	<u>439,523</u>
Net income before finance charges,	3,321,835	5,265,350	18,862,984
Finance charges	<u>(533,590)</u>	<u>(601,290)</u>	<u>(2,343,722)</u>
Net income before tax	2,788,245	4,664,059	16,519,262
Income tax	<u>(714,669)</u>	<u>(1,396,133)</u>	<u>(1,697,707)</u>
Net income/(loss) for the period	<u>2,073,577</u>	<u>3,267,926</u>	<u>14,821,555</u>
Earnings/(loss) per share	<u>0.20</u>	<u>0.31</u>	<u>1.42</u>

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE QUARTER ENDED JUNE 30, 2015
(expressed in Eastern Caribbean Dollars)

	June 2015 \$	June 2014 \$	December 2014 \$
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	78,941,476	65,694,865	64,601,969
Net income/(loss) for the year	2,073,577	3,267,926	14,821,555
Ordinary dividends (declared)	<u>(1,562,599)</u>	<u>(1,041,733)</u>	<u>(3,229,372)</u>
At end of period	<u>79,452,453</u>	<u>67,921,057</u>	<u>76,194,151</u>
Shareholders' equity, end of period	<u>89,869,781</u>	<u>78,338,384</u>	<u>86,611,480</u>

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED JUNE 30, 2015
(expressed in Eastern Caribbean Dollars)

	June 2015 \$	June 2014 \$	December 2014 \$
Cash flows from operating activities			
Net income/(loss) before tax	2,788,246	4,664,059	16,519,262
Adjustments for:			
Depreciation	2,309,058	2,267,651	8,842,281
Loss/(Gain) on disposal of property, plant and equipment	226,133	0	1,094,020
Foreign exchange (gains)/Loss		0	(17,022)
Provision for inventory obsolescence			140,000
Amortization of deferred revenue	(102,585)	(102,585)	(498,909)
Amortization of capital grants	(33,450)	(33,450)	(133,801)
Interest expense	533,590	601,290	2,343,722
Operating profit before working capital changes	5,720,993	7,396,966	28,289,553
Decrease (Increase) in receivables and prepayments	(834,984)	(1,541,383)	(555,704)
Decrease/(increase) in inventories	(169,678)	129,672	102,187
Increase/(decrease) in accounts payable and accruals	3,240,916	2,559,694	455,995
Increase/(decrease) in due to related party	0	0	38,889
Cash generated from operations	7,957,245	8,544,948	28,330,920
Interest paid	(533,590)	(601,290)	(2,343,722)
Income tax paid	(0)	(662,453)	(2,793,949)
Net cash from operating activities	7,423,655	7,281,205	23,193,249
Cash flows from investing activities			
Purchase of property, plant and equipment	(2,458,677)	(2,410,964)	(10,044,535)
Proceeds on disposal of property, plant and equipment	0	0	29,500
Net cash used in investing activities	(2,458,677)	(2,410,964)	(10,015,035)
Cash flows from financing activities			
Proceeds from borrowings	0	0	0
Repayment of borrowings	(1,189,079)	(1,122,025)	(4,539,355)
Dividends paid	(1,562,599)	(1,041,733)	(3,229,372)
Increase in other non-current liabilities	100,787	253,902	1,076,976
Net cash generated from/(used in) financing activities	(2,650,891)	(1,909,856)	(6,691,751)
Net increase/(decrease) in cash and cash equivalents	2,314,087	2,960,385	6,486,463
Cash and cash equivalents, beginning of period	15,144,864	6,427,917	6,579,947
Net cash and cash equivalents, end of period	17,458,948	9,388,303	13,066,410

Notes to the Financial Statement for the Quarter ending June 30, 2015

General Information

Dominica Electricity Services Limited (the Company) was incorporated as a public limited liability company on April 30, 1975 and is domiciled in the Commonwealth of Dominica. The Company operates in a fully liberalised sector under the Electricity Supply Act of 2006. Under the Act an Independent Regulatory Commission is vested with broad regulatory oversight over all aspects of the energy sector. The Company's operations are regulated by this Commission. The principal activity of the Company includes the generation, distribution and transmission and supply of electricity.

The Company is listed on the Eastern Caribbean Securities Exchange and falls under the jurisdiction of the Eastern Caribbean Regulatory Commission.

Dominica Power Holdings Limited a subsidiary of Emera (Caribbean) Incorporated owns 52% of the ordinary share capital of the Company. In 2014 Light & Power Holdings Ltd changed its name to Emera (Caribbean) Incorporated. The Ultimate parent of the Company is Emera Inc., an energy and services company registered in Canada.

The Dominica Social Security owns 21% of the ordinary share capital while 27% is held by the general public.

The registered office and principal place of business of the Company is located at 18 Castle Street, Roseau, Commonwealth of Dominica.

Basis of preparation

The financial statements of Dominica Electricity Services Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are the same as those disclosed in Note 4 of the Financial Statement as at and for the year ended December 31, 2014.

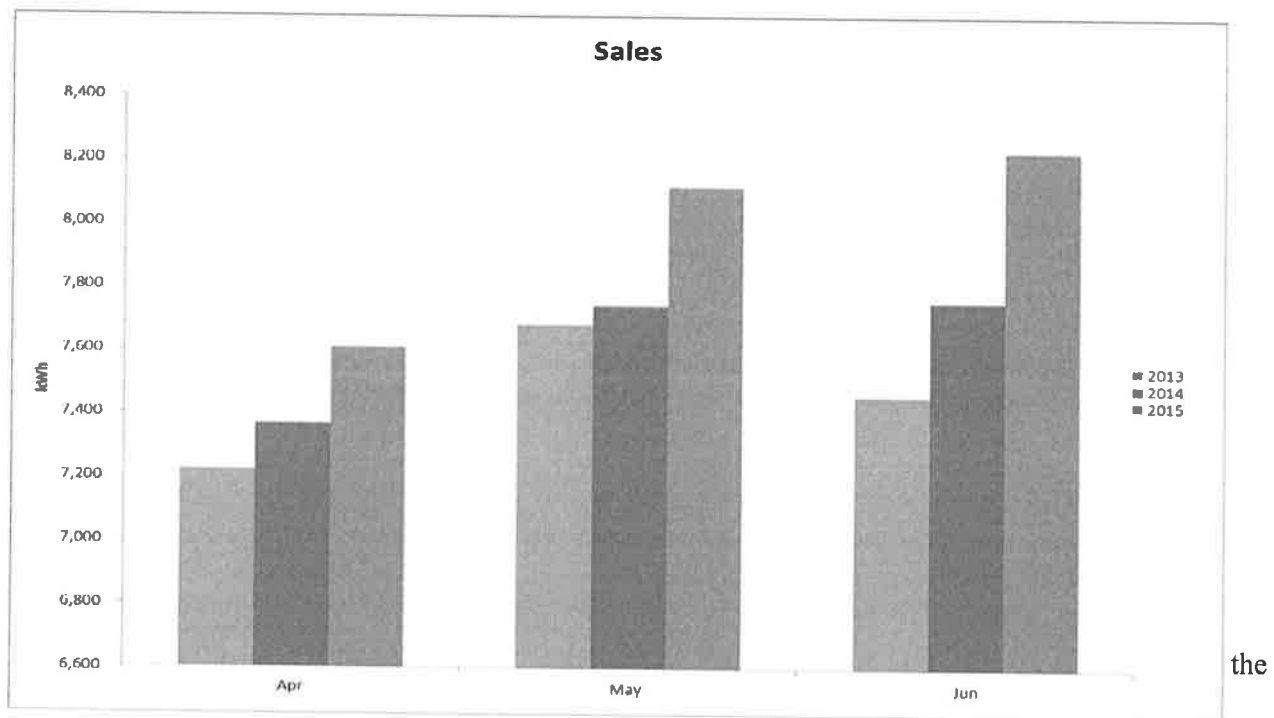
1. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net profit before taxes for the second quarter ending June 30th, 2015 was EC\$2.79 million, a decline of EC\$1.87 million or 40.1%, over the comparable period of 2014.

Total revenue for the quarter was EC\$23.69 million. This was EC\$2.71 million or 10.3% lower than the similar period in 2014.

Revenue from electricity sales was higher by EC\$0.75 million or 4.8% and totalled EC\$16.37 million. Revenue from fuel surcharge decreased by 28.7% moving from EC\$10.09 million in the second quarter last year to EC\$7.19 million. In this quarter, there was a steady increase in the fuel surcharge rate from 26.42 cents per kWh in April to 35.10 cents per kWh in June due to an increase in fuel prices and diesel consumption. Similarly, in the same period of 2014, the rate moved from 43.95 cents to 48.09 cents per kWh. In addition, there was a decrease of EC\$0.56 million in miscellaneous revenue, which was due to proceeds received in 2014 for settlement of a claim filed for the breakdown of one of the major diesel generating units.

Unit sales of electricity totalled 23.96 GWh, exceeding last year's result by 4.8%. In comparison to the second quarter of 2014, sales increased within all the sectors. The Hotel sector recorded the largest increase in demand of 7.9%, whereas the Domestic sector grew by 3.97% and accounted for 44.7% of total sales. Additionally, sales demand in both the Commercial and Industrial sectors increased by 5.26%.



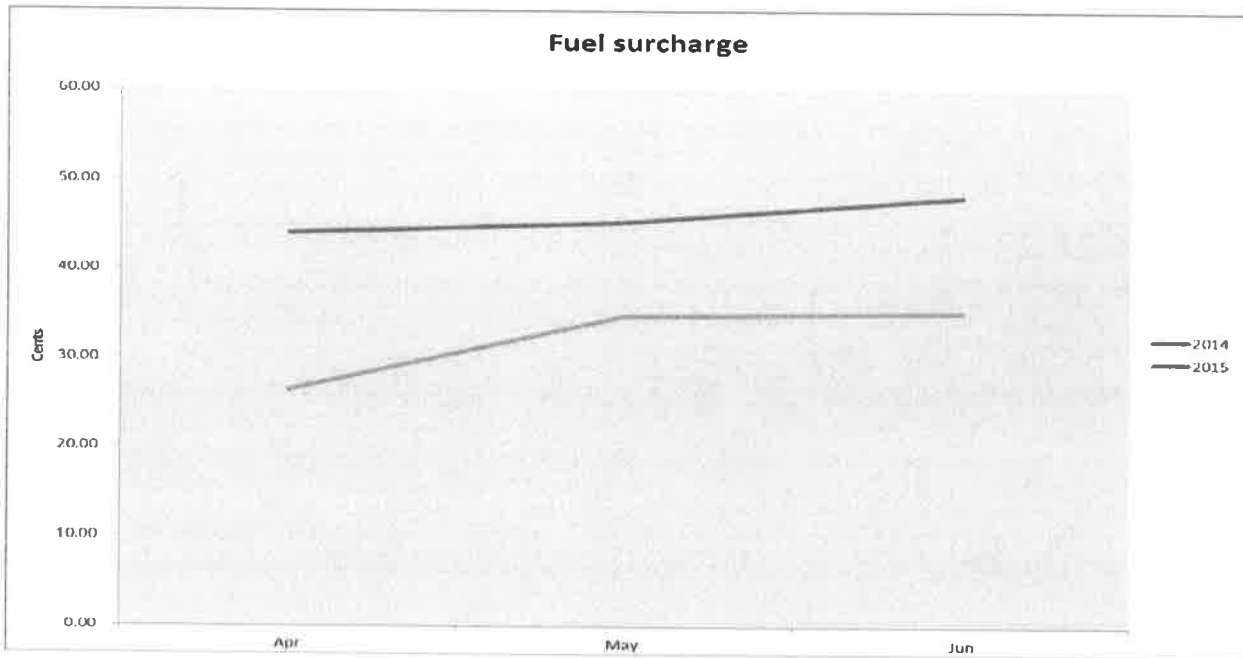
EC\$11.64 in the second quarter of 2014 to EC\$8.16 this quarter. Similarly, fuel consumption increased by 102,314 imperial gallons. This increase in diesel used for the generation of electricity was mainly attributed to lower hydro production.

Total energy produced for the second quarter was 27.09 GWh, an increase of 1.31 GWh or 5.1% from the comparable period last year.

Diesel generation continues to be the primary means of electricity generation, thus accounting for 76.6% of total energy generated compared to 73.0% last year and 57.3% in 2013. As a result, diesel consumption increased by 26.5% to 1.05 million imperial gallons.

Total hydro production declined by 9.1% to 6.33 GWh this quarter compared to 6.97 GWh in 2014. Hydro generation represented 23.4% of total energy generated, moving from 27% of total production a year ago and 42.7% in 2013.

System losses (Moving Annual Total) stood at 7.8% compared to 8.5% in 2014.



Direct expenses for this quarter totalled EC\$17.98 million, a decrease of EC\$1.52 million or 7.8%. This decline was primarily due to a decrease in fuel cost of EC\$2.78 million (23.5%). The decline in fuel cost was mainly attributed to a decrease of 2.9% in the average price of fuel. On the other hand, there was an increase of 22.4% (EC\$1.22 million) in operating and maintenance expenses. Direct expenses net of fuel cost increased by 16.4% to EC\$8.96 million from EC\$7.70 million in 2014.

Earning per share for the quarter stood at 20 EC cents, compared to 31 EC cents a year ago.

DOMLEC IN THE SECOND QUARTER OF 2015

Operating Highlights	2015	2014
Hydro generation (1,000 kWh)	6,333	6,968
Diesel generation (1,000 kWh)	20,757	18,807
Units sold (1,000 kWh)	23,960	22,871
Fuel efficiency(kWh per IG)	18.04	17.81
System losses (MAT)	7.8%	8.5%

(a) Liquidity

Trade receivables (excluding unbilled sales) at the end of the second quarter were EC\$10.02 million compared to EC\$12.83 at June 2014, a decrease of EC\$2.81 million. Government debt was the main contributor with outstanding debt decreasing by EC\$1.63 million. The Commercial sector and Government represented the largest portion of gross receivables at 44.7% and 21.5% respectively. In 2014, Government accounted for 29.5% of the outstanding debts. The average age of outstanding debt moved from 53 days at June 2014 to 45 days at June 2015.

The company remains in a stable liquid position at the end of the second quarter of 2015.

(b) Capital Resources

The company has committed EC\$6.55 million to acquire fixed assets and has spent EC\$4.95 million to date. This capital expenditure was funded from internal funds.

(c) Financial Outlook

Electricity sales in the second quarter increased over the same period last year by 4.8%. At year end, sales growth is expected at 2.9 % over 2014. The company continues to closely monitor fuel prices as there was an increase in the price of fuel in the month of June 2015. Rising prices could reduce demand for electricity. The Company will also continue to manage its spending for both operating and capital expenses. The Company expects continued profitability in the next two quarters and anticipates an EPS of at least EC 72 cents for this fiscal year.

2. DISCLOSURE OF RISK FACTORS

Financial Risks

The Company's activities expose it to a variety of financial risks: market risks, credit risk, liquidity risk and underinsured risks. The Company's overall risk management policy is to minimize potential adverse effects on its financial performance and to optimize shareholders' value within an acceptable level of risk. There exists a Risk Management Plan in which all

risks are identified and categorized according to level of impact and probability of occurrence. Actions to be taken to mitigate these risks are also contained within the Plan.

Market Risk

(i) Foreign exchange risk - This is the potential adverse impact on the Company's earnings and economic value due to movements in exchange rates. Management has established a policy requiring the Company to manage its foreign exchange risk against their functional currency. To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Company attempts to enter into transactions that are based largely in United States dollars.

(ii) Cash flow interest rate risk - As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's interest rate risk arises from long-term borrowings and consumer deposits. Borrowings and deposits issued at variable rates expose the Company to cash flow interest rate risk. Similarly, such facilities issued at fixed rates expose the Company to fair value interest rate risk.

(iii) Price risk - Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity (copper, aluminum). Prices for these commodities are impacted by world economic events that dictate the levels of supply and demand. Management perceives that the risk is low as fluctuations in the past have been rare.

Credit Risk

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 provision for impairment of receivables. Credit risk with respect to trade receivables is limited due to the large 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 2015.

Liquidity Risk

The Company currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Company collecting its accounts receivable in a timely manner and maintaining sufficient cash and cash equivalents in excess of anticipated financial obligations. To support the cash flow position, the Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating and capital requirements. Management monitors the Company's liquidity reserve which comprises of an undrawn borrowing facility to meet operational needs so that the Company does not break covenants (where applicable) on its borrowing facilities. Management

monitors cash and cash equivalents, on the basis of expected cash flows and is of the view that the Company holds adequate cash and credit facilities to meet its short-term obligations.

Competition from Geothermal Production

The Government of Dominica has commenced exploration of the island's geothermal resource and has identified a French Consortium to build a geothermal power plant in the Roseau Valley. Discussions on the pertinent technical specifications and the development of a Power Purchase Agreement are currently ongoing. DOMLEC could potentially lose a major portion of its generation production to this project as Geothermal is expected to replace energy provided by the diesel power plants. To be able to accept this geothermal energy onto the grid, a 33kV transmission line must be constructed. As per its exclusive transmission, distribution and supply licence, DOMLEC is making the necessary preparations in that regard. The company is amenable to exploring partnerships with other stakeholders in the geothermal sector to ensure that Domlec and its customers benefit from the project.

Regulatory Environment

The company is currently engaged in a tariff review process which will determine the electricity rates for the next three years. The final decision on the company's proposal by the Independent Regulatory Commission may impact the company's level of profitability and shareholders' return.

3. **LEGAL PROCEEDINGS.**

None

4. **CHANGES IN SECURITIES AND USE OF PROCEEDS.**

None

5. **DEFAULTS UPON SENIOR SECURITIES.**

There have been no defaults on the payment of securities during the period under review.

6. **SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

As reported in ECSRC-MC dated May 18th 2015.

CLASS	NUMBER
Common	10,417,328

SIGNATURES

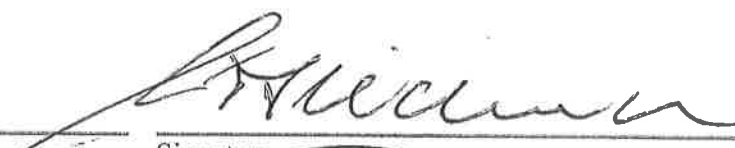
Name of General Manager:

Name of Director:

Bertilia LeBlanc McKenzie

Grayson Stedman


Signature



Signature

July 31, 2015
Date

July 31, 2015
Date

Name of Financial Controller

Marvelin Etienne


Signature

July 31, 2015
Date