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
	43,679,063	37,886,689	40,777,311
Capital work in progress	4,099,556	3,564,463	1,327,876
Property, plant and equipment	122,713,181	123,050,487	125,741,576
	170,491,800	164,501,639	167,846,763
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	-	-	38,889
Income tax Payable	582,951	(11,038)	1,664,232
	19,281,410	19,131,979	19,120,960
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	321,001	454,802	387,901
	80,622,019	86,163,255	81,235,283
Shareholders' Equity			
Share capital	10,417,328	10,417,328	10,417,328
Retained earnings	79,452,453	67,921,056	76,194,152
	89,869,781	78,338,384	86,611,480
	170,491,800	164,501,639	167,846,763

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

	June 2015 $	June 2014 $	December 2014 $
Revenue			
Energy sales	31,454,998	29,892,287	62,119,547
Fuel surcharge	13,412,114	17,911,443	38,084,651
Other revenue	338,831	860,725	1,706,465
	45,205,943	48,664,455	101,910,663
Direct expenses			
Operating	9,318,890	9,051,258	13,754,245
Maintenance	2,477,419	2,725,892	6,969,628
Depreciation	4,708,863	4,681,034	8,842,281
Fuel	16,835,752	21,070,418	45,062,560
	33,340,924	37,528,602	74,628,714
Gross profit	11,865,019	11,135,853	27,281,949
Administrative expenses	3,955,535	3,967,562	7,979,442
Net operating income	7,909,484	7,168,291	19,302,507
Other expenses/(income)			
Amortization of capital grants	(206,978)	(205,176)	(133,801)
Amortization of deferred expenses	(66,900)	(66,900)	(498,909)
Foreign exchange losses/(gains)	14,217	4,524	(21,787)
Loss/(Gain) on disposal of plant and equipment	491,879	-	1,094,020
	232,217	(267,552)	439,523
Net income before finance charges,	7,677,267	7,435,843	18,862,984
Finance charges	(1,073,291)	(1,206,101)	(2,343,722)
Net income before tax	6,603,976	6,229,742	16,519,262
Income tax	(1,783,074)	(1,868,922)	(1,697,707)
Net income/(loss) for the period	4,820,902	4,360,820	14,821,555
Earnings/(loss) per share	0.46	0.42	1.42

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

	June 2015 $	June 2014 $	December 2014 $
Share capital			
Ordinary shares, beginning and end of period	10,417,328	10,417,328	10,417,328
Retained earnings			
At beginning of period	76,194,152	64,601,969	64,601,969
Net income/(loss) for the year	4,820,902	4,360,820	14,821,555
Ordinary dividends (declared)	(1,562,599)	(1,041,733)	(3,229,372)
At end of period	79,452,455	67,921,056	76,194,152
Shareholders' equity, end of period	89,869,783	78,338,384	86,611,480

DOMINICA ELECTRICITY SERVICES LIMITED

UN-AUDITED STATEMENT OF CASH FLOW
FOR THE PERIOD 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	6,603,976	6,229,742	16,519,262
Adjustments for:			
Depreciation	4,708,863	4,681,034	8,842,281
Loss/(Gain) on disposal of property, plant and equipment	491,879	-	1,094,020
Foreign exchange (gains)/Loss	-	-	(17,022)
Provision for inventory obsolescence			140,000
Amortization of deferred revenue	(206,978)	(205,176)	(498,909)
Amortization of capital grants	(66,900)	(66,900)	(133,801)
Interest expense	1,073,291	1,206,101	2,343,722
Operating profit before working capital changes	12,604,131	11,844,801	28,289,553
Decrease (Increase) in receivables and prepayments	1,563,164	(1,788,158)	(555,704)
Decrease/(increase) in inventories	(111,266)	687,155	102,187
Increase/(decrease) in accounts payable and accruals	1,989,684	2,300,660	455,995
Increase/(decrease) in due to related party	-	-	38,889
Cash generated from operations	16,045,713	13,044,458	28,330,920
Interest paid	(1,073,291)	(1,206,101)	(2,343,722)
Income tax paid	(1,873,760)	(2,010,697)	(2,793,949)
Net cash from operating activities	13,098,662	9,827,660	23,193,249
Cash flows from investing activities			
Additions to capital work-in-progress	(3,029,723)	(2,939,725)	(1,174,901)
Purchase of property, plant and equipment	(1,919,304)	(1,365,542)	(8,869,634)
Proceeds on disposal of property, plant and equipment	5,000	-	29,500
Net cash used in investing activities	(4,944,027)	(4,305,267)	(10,015,035)
Cash flows from financing activities			
Repayment of borrowings	(2,372,091)	(2,240,266)	(4,539,355)
Dividends paid	(1,562,599)	(1,041,733)	(3,229,372)
Increase in other non-current liabilities	172,593	567,961	1,076,976
Net cash generated from/(used in) financing activities	(3,762,097)	(2,714,038)	(6,691,751)
Net increase/(decrease) in cash and cash equivalents	4,392,538	2,808,355	6,486,463
Cash and cash equivalents, beginning of period	13,066,410	6,579,947	6,579,947
Net cash and cash equivalents, end of period	17,458,948	9,388,302	13,066,410

DOMINICA ELECTRICITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 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.

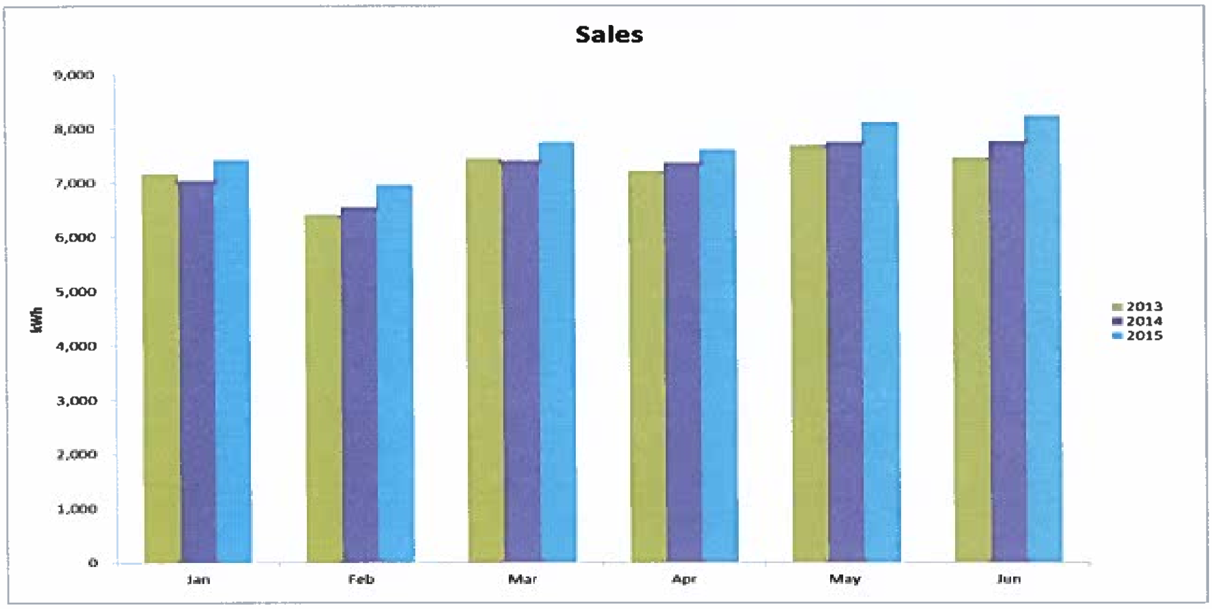
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity 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 after taxes as at June 30th, 2015 was EC$4.82 million, an increase of EC$0.46 million or 10.6%, over the comparable period of 2014.

Total revenue for the first six months of 2015 was EC$45.20 million. This was EC$3.46 million or 7.1% lower than the similar period in 2014. In comparison to June 2014, revenue from electricity sales was higher by EC$1.56 million or 5.2% and totalled EC$31.45 million. Revenue from fuel surcharge decreased by 25.1% moving from EC$17.91 million in the comparative period last year to EC$13.41 million. During this period, there was a steady decrease in the fuel surcharge rate from 48.09 cents per kWh in June 2014 to 35.10 cents per kWh in June 2015. This was due to a decrease in fuel prices. In addition, there was a decrease of EC$0.52 million in miscellaneous revenue, owing to proceeds received in June 2014 for settlement of a claim filed for the breakdown of one of the major diesel generating units.

Unit sales of electricity totalled 46.09 GWh, exceeding last year's result by 5.1%. In comparison to the six months ending June 2014, sales increased within all the sectors. Streetlights sales recorded the largest increase in demand at 8.2%. Also, the Commercial sector grew by 5.8%, and the Domestic sector by 4.1% and these sectors accounted for 46.4% and 37.2% of total sales respectively. Additionally, sales demand in both the Hotel and Industrial sectors increased by 3.5% and 6.5% respectively.



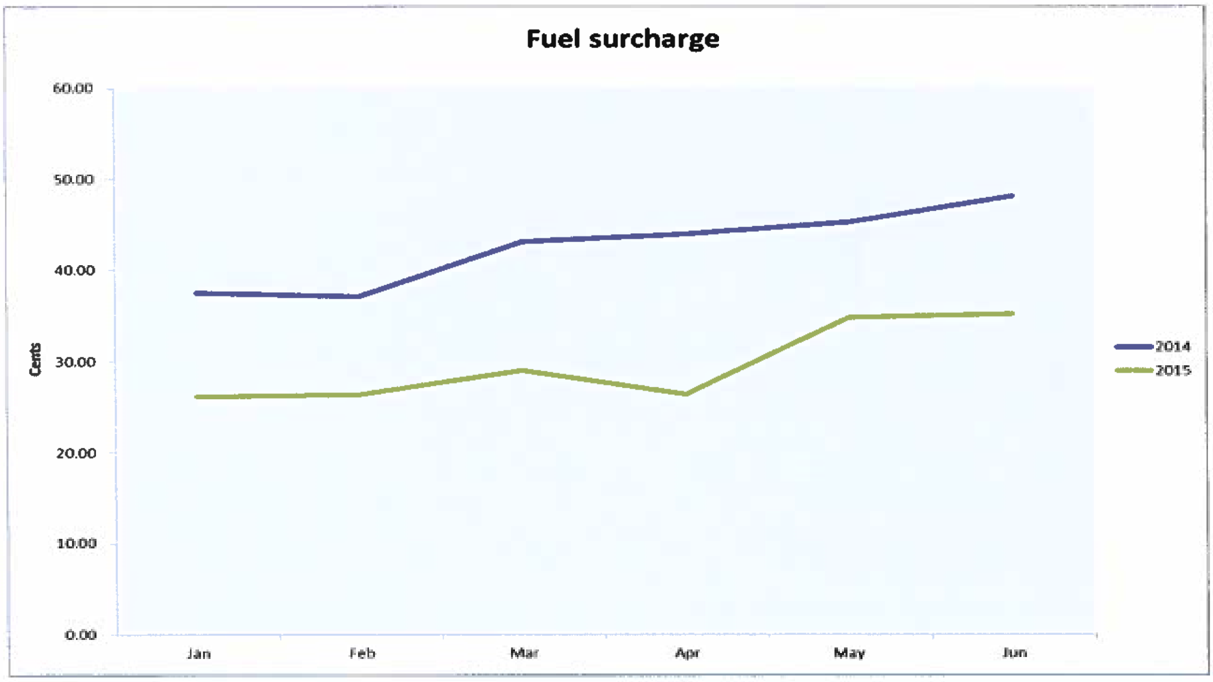
Fuel costs as at June 30 2015 was EC$16.8 million, a decrease of EC$4.2 million (20.1%) from the comparable period of 2014. The average price paid per imperial gallon of diesel moved from EC$11.64 at June 2014 to EC$8.16 at the end of June 2015. Fuel consumption however, increased by 224,525 imperial gallons compared to 2014. This increase in diesel used for the generation of electricity was mainly attributed to lower hydro production.

Total energy produced at June 2015 was 52.04 GWh, an increase of 2.49 GWh or 5.0% from the comparable period last year.

Diesel generation continues to be the primary means of electricity generation, thus accounting for 73.9% of total energy generated up to June 2015, compared to 68.6% for the comparative period last year and 65.4% in 2013. As a result, diesel consumption increased by 11.7% to 2.13 million imperial gallons.

Total hydro production declined by 12.08% to 13.58 GWh for the six months ended June 2015, compared to 15.58 GWh for the comparative period in 2014.
Hydro generation represented 26.1% of total energy generated, moving from 31.4% of total production in 2014 and 46.4% in 2013.

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



Direct expenses as at June 2015 totalled EC$33.34 million, a decrease of EC$4.19 million or 11.2%. This decline was primarily due to a decrease in fuel cost of EC$4.23 million (20.1%) resulting from a decrease of 29.9% in the average price of fuel compared with June 2014. On the other hand, operating and maintenance expenses increased by less than 1%. Direct expenses net of fuel cost also increased by less than 1% to EC$16.51 million from EC$16.46 million in 2014.

Earning per share for the quarter stood at 46 EC cents, compared to 42 EC cents a year ago.

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(c) Financial Outlook

Electricity sales at the end of the second quarter increased by 5.23% over the same period last year. 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 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 18^{th} 2015

Number of Outstanding Shares

CLASS	NUMBER
Common	10,417,328

SIGNATURES

Name of General Manager:

Bertilia LeBlanc McKenzie

SIGNED AND CERTIFIED

Signature

December 11, 2015

Date

Name of Director:

Grayson Stedman

SIGNED AND CERTIFIED

Signature

11/12/2015

Date

Name of Financial Controller

Marvelin Etienne

SIGNED AND CERTIFIED

Signature

December 11, 2015

Date