

FORM ECSRC - Q

QUARTERLY REPORT

For the period ended September 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

1. FINANCIAL STATEMENTS

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

	September 2015 \$	September 2014 \$	December 2014 \$
Assets			
Current assets			
Cash and cash equivalents	15,509,337	12,540,040	13,066,410
Receivables and prepayments	15,498,423	17,171,423	17,139,207
Inventories	10,716,913	10,080,181	10,571,694
	<u>41,724,672</u>	<u>39,791,644</u>	<u>40,777,311</u>
Capital work in progress	5,544,681	4,421,574	1,327,876
Property, plant and equipment	<u>121,659,455</u>	<u>122,745,261</u>	<u>125,741,576</u>
	<u>168,928,808</u>	<u>166,958,479</u>	<u>167,846,763</u>
Liabilities			
Current liabilities			
Borrowings	5,014,231	4,739,420	4,807,897
Accounts payable and accruals	11,207,024	14,020,797	12,609,942
Due to related party	0	0	38,889
Income tax Payable	70,376	37,787	1,664,232
	<u>16,291,631</u>	<u>18,798,004</u>	<u>19,120,960</u>
Borrowings	<u>27,893,226</u>	<u>32,907,234</u>	<u>31,678,123</u>
Deferred tax liability	<u>19,283,505</u>	<u>20,631,627</u>	<u>17,394,576</u>
Other liabilities	<u>12,767,130</u>	<u>12,503,297</u>	<u>12,653,723</u>
Capital grants	<u>287,551</u>	<u>421,352</u>	<u>387,901</u>
	<u>76,523,043</u>	<u>85,261,514</u>	<u>81,235,283</u>
Shareholders' Equity			
Share capital	10,417,328	10,417,328	10,417,328
Retained earnings	<u>81,988,437</u>	<u>71,279,637</u>	<u>76,194,152</u>
	<u>92,405,765</u>	<u>81,696,965</u>	<u>86,611,480</u>
	<u>168,928,808</u>	<u>166,958,479</u>	<u>167,846,763</u>

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

	September 2015 \$	September 2014 \$	December 2014 \$
Revenue			
Energy sales	48,076,610	46,124,972	62,119,547
Fuel surcharge	21,159,885	28,656,100	38,084,651
Other revenue	450,828	1,557,573	1,706,465
	<u>69,687,323</u>	<u>76,338,645</u>	<u>101,910,663</u>
Direct expenses			
Operating	12,394,110	12,094,846	13,754,245
Maintenance	5,949,156	5,213,006	6,969,628
Depreciation	6,907,861	6,859,929	8,842,281
Fuel	26,741,029	33,633,569	45,062,560
	<u>51,992,156</u>	<u>57,801,350</u>	<u>74,628,714</u>
Gross profit	17,695,167	18,537,295	27,281,949
Administrative expenses	<u>5,791,868</u>	<u>5,740,553</u>	<u>7,979,442</u>
Net operating income	<u>11,903,299</u>	<u>12,796,742</u>	<u>19,302,507</u>
Other expenses/(income)			
Amortization of capital grants	(308,105)	(307,764)	(498,909)
Amortization of deferred revenue	(100,351)	(100,351)	(133,801)
Foreign exchange losses/(gains)	7,492	(6,363)	(21,787)
Loss/(Gain) on disposal of plant and equipment	773,202	392,352	1,094,020
	<u>372,238</u>	<u>(22,126)</u>	<u>439,523</u>
Net income before finance charges,	11,531,061	12,818,868	18,862,984
Finance charges	<u>(1,589,325)</u>	<u>(1,791,152)</u>	<u>(2,343,722)</u>
Net income before tax	9,941,735	11,027,716	16,519,262
Income tax	<u>(2,584,852)</u>	<u>(3,308,314)</u>	<u>(1,697,707)</u>
Net income/(loss) for the period	<u>7,356,884</u>	<u>7,719,402</u>	<u>14,821,555</u>
Earnings/(loss) per share	<u>0.71</u>	<u>0.74</u>	<u>1.42</u>

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

	September 2015 \$	September 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	76,194,152	64,601,969	64,601,969
Net income/(loss) for the year	7,356,884	7,719,402	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>81,988,438</u>	<u>71,279,639</u>	<u>76,194,152</u>
Shareholders' equity, end of period	<u>92,405,766</u>	<u>81,696,967</u>	<u>86,611,481</u>

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

	September 2015 \$	September 2014 \$	December 2014 \$
Cash flows from operating activities			
Net income/(loss) before tax	9,941,735	11,027,716	16,519,262
Adjustments for:			
Depreciation	6,907,861	6,859,929	8,842,281
Loss/(Gain) on disposal of property, plant and equipment	773,202	392,352	1,094,020
Foreign exchange (gains)/Loss	-	-	(17,022)
Provision for inventory obsolescence			140,000
Amortization of deferred revenue	(308,105)	(307,764)	(498,909)
Amortization of capital grants	(100,351)	(100,351)	(133,801)
Interest expense	1,589,325	1,791,152	2,343,722
Operating profit before working capital	18,803,667	19,663,034	28,289,553
Decrease (Increase) in receivables and	1,601,895	(587,919)	(555,704)
Decrease/(increase) in inventories	(145,218)	733,700	102,187
Increase/(decrease) in accounts payable and	(1,402,916)	1,849,829	455,995
Increase/(decrease) in due to related party	-	-	38,889
Cash generated from operations	18,857,428	21,658,644	28,330,920
Interest paid	(1,589,325)	(1,791,152)	(2,343,722)
Income tax paid	(2,289,778)	(2,793,949)	(2,793,949)
Net cash from operating activities	14,978,325	17,073,543	23,193,249
Cash flows from investing activities			
Additions to capital work-in-progress	(5,007,748)	(3,774,440)	(1,174,901)
Purchase of property, plant and equipment	(2,812,999)	(3,653,959)	(8,869,634)
equipment	5,000	-	29,500
Net cash used in investing activities	(7,815,747)	(7,428,399)	(10,015,035)
Cash flows from financing activities			
Repayment of borrowings	(3,578,563)	(3,378,721)	(4,539,355)
Dividends paid	(1,562,599)	(1,041,733)	(3,229,372)
Increase in other non-current liabilities	421,512	735,402	1,076,976
Net cash generated from/(used in) financing activities	(4,719,650)	(3,685,052)	(6,691,751)
Net increase/(decrease) in cash and cash period	2,442,927	5,960,093	6,486,463
	13,066,410	6,579,947	6,579,947
Net cash and cash equivalents, end of period	15,509,337	12,540,040	13,066,410

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

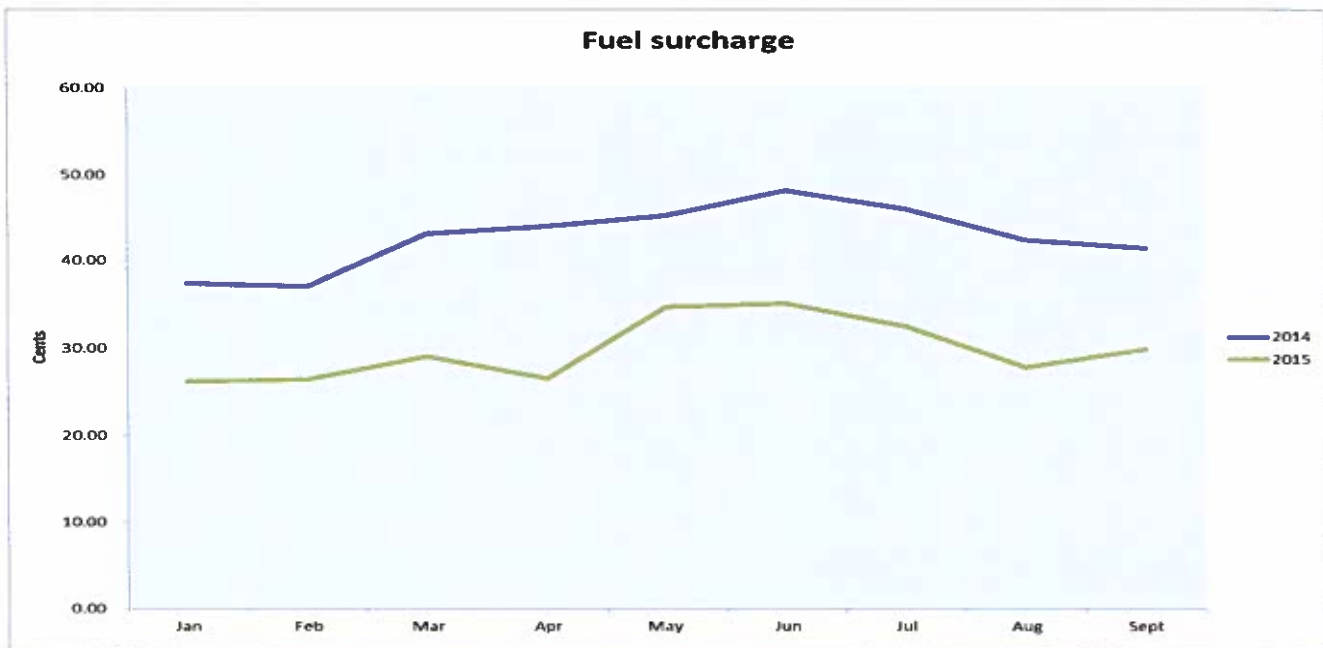
The financial statements of Dominica Electricity Services Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and under the historical cost convention.

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.

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

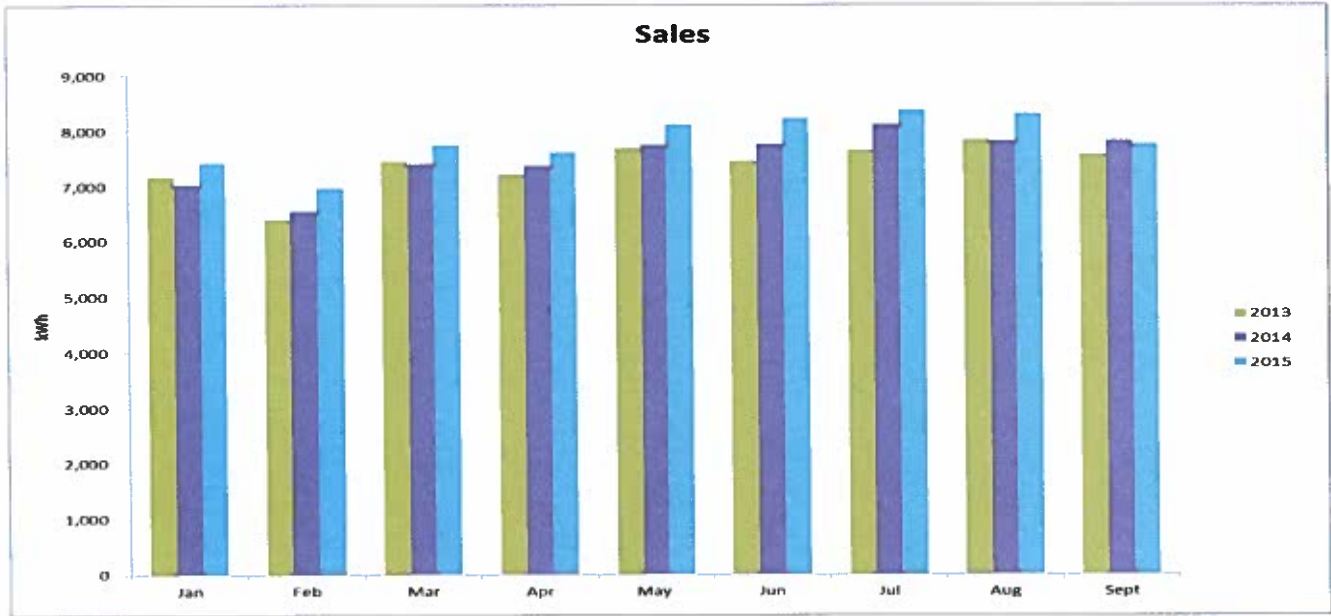
At September 30, 2015, the Company recorded net profit before taxes of EC\$9.94 million compared with EC\$11.03 million for the comparable period of 2014, a decrease of EC\$1.09 million or 9.9%.

Total revenue for the period was EC\$69.69 million, decreasing by 8.7% from EC\$76.34 million in gross revenue earned in 2014. Revenue from electricity sales for the period grew by 4.2% to \$48.08 million. However, there was a decline in revenue from fuel surcharge of EC\$7.50 million (26.16%). The fuel surcharge rate for the quarter relative to the same period of 2014 moved from 41.49 cents to 29.82 cents per kWh due to the steady decrease in fuel prices.

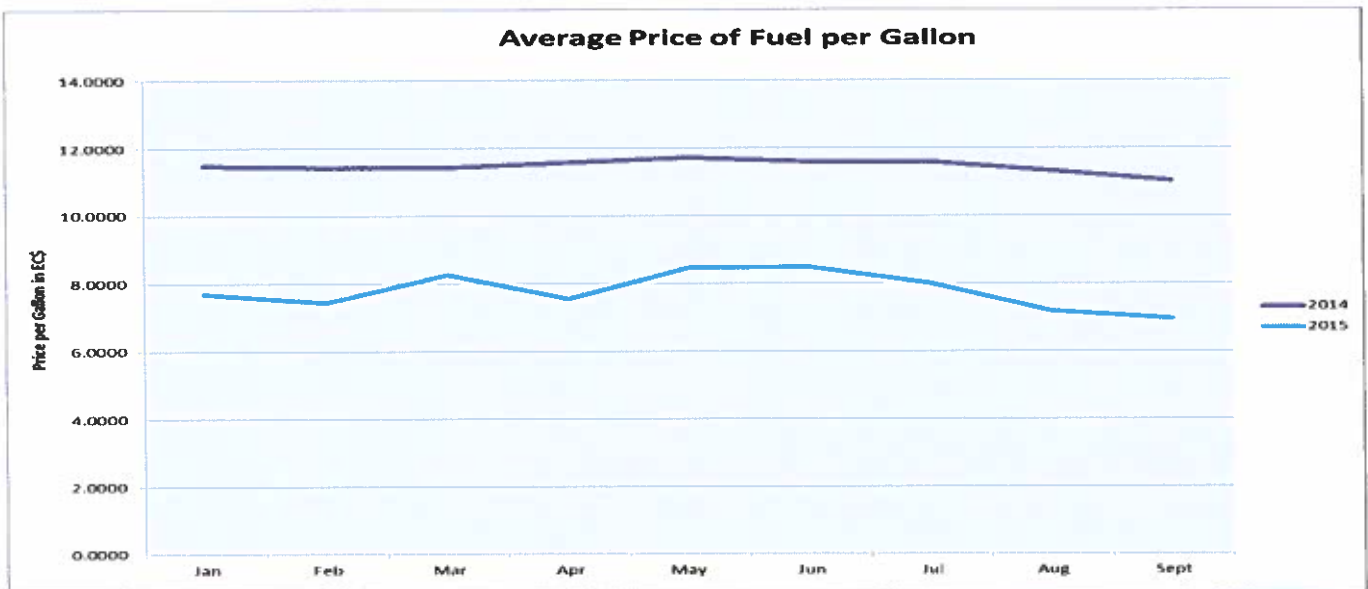


Total unit sales were up by 4.2% to 70.53 GWh from the same period last year. The increase in revenue from electricity sales has been driven by positive growth recorded in the key sectors. The Industrial and Street Light sectors recorded the most significant increases, growing by 6.87% and 7.05% respectively. Further, electricity sales in the Domestic sector grew by 3.4% over last year, while the Domestic sector showed growth of 4.7%. Growth in the Hotel sector was less than 1%. Overall, sales growth at the end of this quarter was driven mainly by lower energy costs brought on by lower fuel prices and less self-generation by key customers.

Conversely, miscellaneous revenue recorded a decrease of EC\$1.11 million (71.1%), which was due to the payment received last year from the insurance company as settlement for the breakdown of one of the major diesel generating units.



Fuel costs for period ended September 2015 totalled EC\$26.74 million, a decrease of EC\$6.89 million (20.5%) from the comparable period of 2014. This is due largely to the decline in the price of fuel. There was an increase in diesel consumption; however the average price per imperial gallon moved from \$11.05 to \$6.97 at September 2015. A total of 3,374,865 imperial gallons of diesel was used in the generation of electricity, an increase of 409,194 Imperial Gallons or 13.8 % over 2014.



Total energy produced was 79.49 GWh, an increase of 3.28 GWh or 4.3% from the comparable period last year. For the period, 76.4% of energy produced was from diesel generation, compared to 69.4%

in 2014. Meanwhile, output from hydro generation declined by 19.4% to 18.80 GWh. The decreased hydro production resulted from lower rainfall when compared to the similar period of 2014 coupled with unavailability of the units at the Padu power station following the passage of TS Erika.

Direct expenses totalled EC\$51.99 million, a decrease of EC\$5.81 million compared to last year. Fuel cost decreased by EC\$6.89 million, while maintenance expenses and operating expense increased by EC\$0.736 and EC\$0.299 million respectively.

The decline in fuel cost was mainly attributed to decrease in the price of fuel. The increase in maintenance cost is a result of increased planned and unplanned major maintenance activities compared to the previous year. Also included in 2015 maintenance cost was the cost of restoring the Transmission & Distribution lines due to damage caused by TS Erika.

DOMLEC IN THE THIRD QUARTER OF 2015

Operating Highlights	2015	2014
Hydro generation (MWh)	18,799	23,321
Diesel generation (MWh)	60,695	52,888
Units sold (MWh)	70,530	67,609
Fuel efficiency(kWh per IG)	17.97	17.84
System losses (MAT)	7.7%	8.1%

(a) Liquidity

Trade receivables (excluding unbilled sales) at the end of the third quarter stood at EC\$10.79 million compared to EC\$12.29 million at September 2014, a decrease of EC\$1.5 million. The main contributor to the decline was Government debt which totalled EC\$2.87 million, lower than last year by EC\$1.06 million. Government debts accounted for 26.6% of the total debt outstanding. The Commercial sector also represented a large portion of gross receivables at 42.7% and recorded a reduction of EC\$0.11 million when compared to last year. The average age of outstanding debt moved from 49 days at September 2014 to 47 days at the end of this quarter.

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

(b) Capital Resources

The company has committed EC\$9.78 million to acquire fixed assets and has spent EC\$7.82 million to date. This capital expenditure was funded from internal sources.

(c) **Financial Outlook**

Electricity sales for the period increased over the same period last year by 4.2%. At year end, sales growth is expected at 2.3% over 2014. The company continues to closely monitor fuel prices despite the decrease over the past three months. The Company will also continue to manage its spending for both operating and capital expenses. The Company expects continued profitability in the last quarter of the year and anticipates an EPS of at least EC\$0.62 cents for this fiscal year.

3. **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 September 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 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.

4. LEGAL PROCEEDINGS.

THE EASTERN CARIBBEAN SUPREME COURT
IN THE HIGH COURT OF JUSTICE
COMMONWEALTH OF DOMINICA
DOM HCV 165 of 2015

In the Matter of the Electricity Supply Act 10 of 2006

AND

In the Matter of the Transmission, Distribution and Supply Licence issued by the Independent Regulatory Commission to Dominica Electricity Services Limited

AND

In the Matter of the Petition of the Dominica Electricity Services Limited for reconsideration of the decision of the Independent Regulatory Commission identified in Decision Documents Weighted Average Cost of Capital for Dominica Electricity Services Limited (Document Reference 2015/001/D)

BETWEEN:
DOMINICA ELECTRICITY SERVICES LIMITED
Claimant
AND

INDEPENDENT REGULATORY COMMISSION
Defendant

The Claimant, Dominica Electricity Services Limited, pursuant to condition 17.2 of the Transmission, Distribution and Supply Licence Document Reference number 2012/003/D, sections 23,40, 41 and 43 of the Electricity Supply Act 2006 No. 10 of 2006 and Rule 8.2 of the Rules of Practice and Procedure Document Reference No. 2008/004/D as amended by the Amendment to Miscellaneous Rules Consequent on the Grant of New Licences to DOMLEC Document Reference No. 2013/001/D, appealed the decision of the Defendant, the Independent Regulatory Commission, on the reconsideration of its 8 part decision regarding the Weighted Average Cost of Capital to be applied to DOMLEC's regulated asset base at the ensuing tariff review.

The matter came up for hearing on September 24th and was adjourned to October 15th 2015 for report by the parties.

5. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None

6. DEFAULTS UPON SENIOR SECURITIES.

There has been no default on the payment of securities during the period under review.

7. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

Number of Outstanding Shares

CLASS	NUMBER
Common	10,417,328

SIGNATURES

Name of Chief Executive Officer:

Name of Director:

Be

SIGNED AND CERTIFIED

C

SIGNED AND CERTIFIED

Signature

Signature

December 11, 2015
Date

11/15/2015
Date

Name of Financial Controller:

Marvelin Etienne

Si

SIGNED AND CERTIFIED

December 11, 2015
Date