

FORM ECSRC - Q

QUARTERLY REPORT

For the period ended March 31st 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 MARCH 31, 2015
(expressed in Eastern Caribbean Dollars)

	March 2015 \$	March 2014 \$	December 2014 \$
Assets			
Current assets			
Cash and cash equivalents	15,144,864	6,427,917	13,066,410 ✓
Receivables and prepayments	14,702,169	16,830,278	17,139,207 ✓
Inventories	10,513,281	10,256,398	10,571,694 ✓
	<u>40,360,314</u>	<u>33,514,593</u>	<u>40,777,311 ✓</u>
Capital work in progress	3,804,028	1,480,658	1,327,876 ✓
Property, plant and equipment	123,085,223	124,990,979	125,741,576 ✓
	<u>167,249,565</u>	<u>159,986,230</u>	<u>167,846,763 ✓</u>
Liabilities			
Current liabilities			
Borrowings	3,624,884	3,421,426	4,807,897 ✓
Accounts payable and accruals	11,358,713	11,911,934	12,609,942 ✓
Due to related party	0	0	38,889 ✓
Income tax Payable	95,732	(218,525)	1,664,232 ✓
	<u>15,079,329</u>	<u>15,114,835</u>	<u>19,120,960 ✓</u>
Borrowings	31,678,123	36,485,707	31,678,123 ✓
Deferred tax liability	18,157,722	19,498,118	17,394,576 ✓
Other Non-current liabilities	12,621,136	12,287,127	12,653,723 ✓
Capital grants	354,451	488,252	387,901 ✓
	<u>77,890,761</u>	<u>83,874,039</u>	<u>81,235,283</u>
Shareholders' Equity			
Share capital	10,417,328	10,417,328	10,417,328 ✓
Retained earnings	78,941,476	65,694,865	76,194,152 ✓
	<u>89,358,804</u>	<u>76,112,193</u>	<u>86,611,480 ✓</u>
	<u>167,249,565</u>	<u>159,986,230</u>	<u>167,846,763 ✓</u>

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED MARCH 31, 2015
(expressed in Eastern Caribbean Dollars)

	March 2015 \$	March 2014 \$	December 2014 \$
Revenue			
Energy sales	15,089,483	14,273,138	62,119,547 ✓
Fuel surcharge	6,219,542	7,824,875	38,084,651 ✓
Other revenue	210,275	168,846	1,706,465 ✓
	<u>21,519,300</u>	<u>22,266,859</u>	<u>101,910,663</u> ✓
Direct expenses			
Operating	3,769,009	4,353,897	13,754,245 ✓
Maintenance	1,216,700	1,900,804	6,969,628 ✓
Depreciation	2,399,805	2,413,383	8,842,281 ✓
Fuel	7,815,696	9,283,867	45,062,560 ✓
	<u>15,201,211</u>	<u>17,951,951</u>	<u>74,628,714</u> ✓
Gross profit	6,318,089	4,314,908	27,281,949 ✓
Administrative expenses (schedule)	<u>1,839,558</u>	<u>2,275,138</u>	<u>7,979,442</u> ✓
Net operating income	<u>4,478,531</u>	<u>2,039,769</u>	<u>19,302,507</u>
Other expenses/(income)			
Amortization of capital grants/deferred revenue	(139,906)	(136,038)	(632,710)
Foreign exchange losses/(gains)	(2,738)	5,315	(21,787)
Loss/(Gain) on disposal of plant and equipment	<u>265,746</u>	<u>0</u>	<u>1,094,020</u>
	<u>123,102</u>	<u>(130,723)</u>	<u>439,523</u> ✓
Net income before finance charges,	4,355,429	2,170,493	18,862,984 ✓
Finance charges	(539,701)	(604,810)	(2,343,722) ✓
Net income before tax	3,815,729	1,565,683	16,519,262 ✓
Income tax	<u>(1,068,405)</u>	<u>(472,789)</u>	<u>(1,697,707)</u> ✓
Net income/(loss) for the period	<u>2,747,324</u>	<u>1,092,894</u>	<u>14,821,555</u> ✓
Earnings/(loss) per share	<u>0.26</u>	<u>0.10</u>	<u>1.42</u> ✓

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE QUARTER ENDED MARCH 31, 2015
(expressed in Eastern Caribbean Dollars)

	March 2015 \$	March 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 period	2,747,324	1,092,894	14,821,555 /
Ordinary dividends (declared)	<u> </u>	<u> 0</u>	<u>(3,229,372)</u> /
At end of period	<u>78,941,476</u>	<u>65,694,865</u>	<u>76,194,152</u> /
Shareholders' equity, end of period	<u>89,358,804</u>	<u>76,112,193</u>	<u>86,611,480</u> /

DOMINICA ELECTRICITY SERVICES LIMITED
UN-AUDITED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED MARCH 31, 2015
(expressed in Eastern Caribbean Dollars)

	March 2015 \$	March 2014 \$	December 2014 \$
Cash flows from operating activities			
Net income/(loss) before tax	3,815,729	1,565,683	16,519,262 ✓
Adjustments for:			
Depreciation	2,399,805	2,413,383	8,842,281 ✓
Loss/(Gain) on disposal of property, plant and equipment	265,746	0	1,094,020 ✓
Foreign exchange (gains)/Loss	0	0	(17,022) ✓
Provision for inventory obsolescence	37,500	(120,760)	140,000 ✓
Amortization of deferred revenue	(106,456)	(102,585)	(498,909) ✓
Amortization of capital grants	(33,450)	(33,450)	(133,801) ✓
Interest expense	539,701	604,810	2,343,722 ✓
Operating profit before working capital changes	6,918,574	4,327,081	28,289,553 ✓
Decrease (Increase) in receivables and prepayments	2,437,038	(246,773)	(555,704) ✓
Decrease/(increase) in inventories	20,912	678,243	102,187 ✓
Increase/(decrease) in accounts payable and accruals	(1,251,229)	(259,034)	455,995 ✓
Increase/(decrease) in due to related party	(38,889)	0	38,889 ✓
Cash generated from operations	8,086,407	4,499,515	28,330,920 ✓
Interest paid	(539,701)	(604,810)	(2,343,722) ✓
Income tax paid	(1,873,759)	(1,348,244)	(2,793,949) ✓
Net cash from operating activities	5,672,947	2,546,461	23,193,248 ✓
Cash flows from investing activities			
Purchase of property, plant and equipment	(2,490,350)	(1,894,301)	(10,044,535) ✓
Proceeds on disposal of property, plant and equipment	5,000	0	29,500 ✓
Net cash used in investing activities	(2,485,350)	(1,894,301)	(10,015,035) ✓
Cash flows from financing activities			
Proceeds from borrowings	0	0	0
Repayment of borrowings	(1,183,013)	(1,118,241)	(4,539,355) ✓
Dividends paid	0	0	(3,229,372) ✓
Increase in other liabilities	73,869	314,051	1,076,976 ✓
Net cash generated from/(used in) financing activities	(1,109,144)	(804,190)	(6,691,751) ✓
Net increase/(decrease) in cash and cash equivalents	2,078,453	(152,031)	6,486,463 ✓
Cash and cash equivalents, beginning of period	13,066,410	6,579,947	6,579,947 ✓
Cash and cash equivalents, end of period	15,144,864	6,427,917	13,066,410 ✓

Notes to the Financial Statement for the Quarter ending March 31, 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 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.

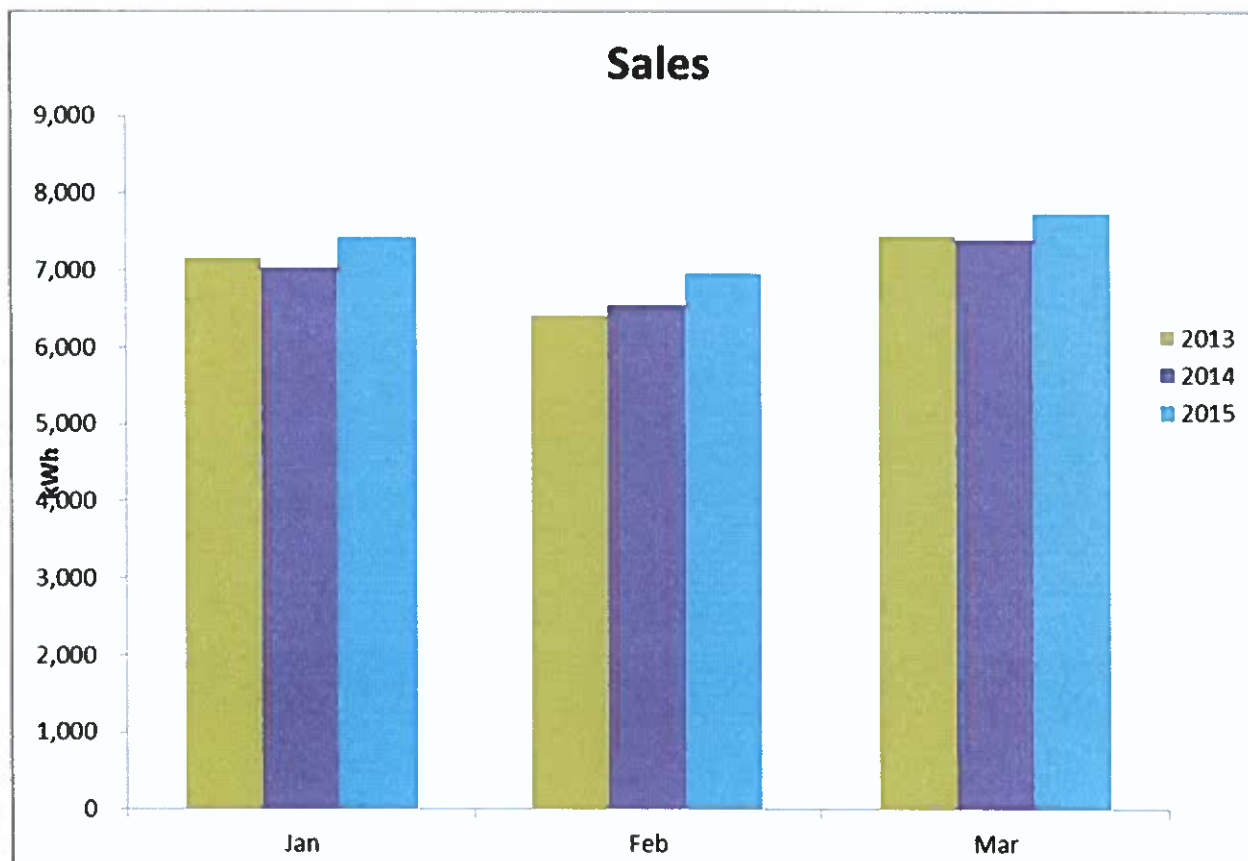
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity 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

Net profit after tax for the first quarter ending March 31st 2015 was EC\$2.75 million compared with EC\$1.09 million for the same period of 2014, an increase of EC\$1.66 million.

Total revenue for the quarter was EC\$21.52 million; decreasing by 3% from 2014. Similarly, revenue from fuel surcharge declined from EC\$7.82 million in 2014 to EC\$6.23 million this quarter. However, revenue from electricity sales increased by 5.7% or EC\$0.82 million to EC\$15.09 million.

The increase in revenue from electricity sales has been driven by an overall growth in unit sales. Unit sales totalled 22.13 GWh compared to 20.98 GWh in 2014, an increase of 5.5%. Electricity sales from industrial, commercial and residential consumers grew by 7.9%, 6.3% and 4.3% respectively. Sales to hotel consumers however recorded decline of 1.4%.

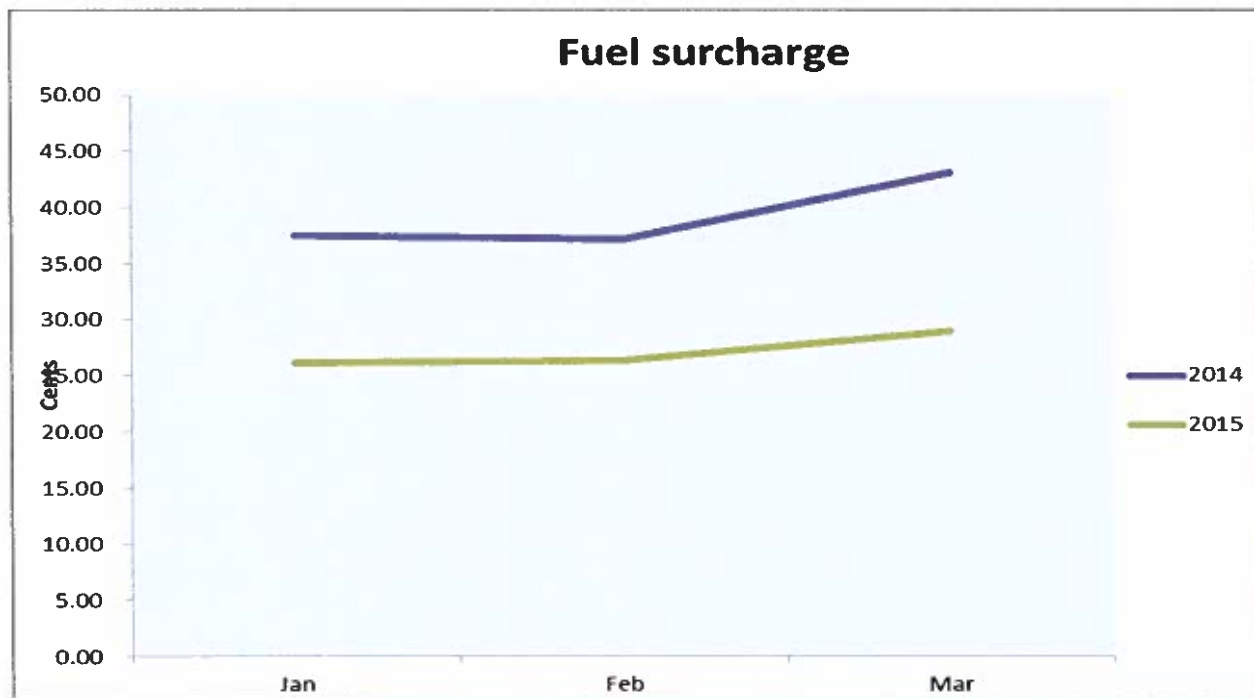


Total energy generated in the first quarter increased by 4.9% to 24.98 GWh. There was greater production from diesel generation, which accounted for 71% of total energy generated compared to 63.8% in 2014. However, energy produced from hydro decreased by 15.8% to 7.25 GWh. Output from hydro generation accounted for 29% of total generation at the end of this quarter.

Fuel costs for the quarter totalled EC\$7.82 million, a decline of EC\$1.47 million (15.8%) from the comparable period of 2014. The average price paid per imperial gallon of diesel moved from EC\$11.44 in the first quarter of 2014 to EC\$8.25 this quarter. Similarly, fuel consumption increased by 120,211 imperial gallons. This increase in diesel used for the generation of electricity was mainly attributed to lower level of rainfall during this quarter and unavailability of unit NT1 for the most part of the quarter. The unit was returned to operation in March.

System losses (Moving Annual Total) stood at 7.8% compared to 8.5% in 2014. The company remains committed to the reduction of system losses.

Revenue from fuel surcharge totalled EC\$6.21 million. Fuel surcharge rate moved from 26.17 cents per kWh in January to 28.97 cents per kWh in March. In the same period of 2014, there was a steady increase in the rate from 37.52 cents to 43.12 cents.



Direct expenses totalled EC\$15.20 million; a decrease of EC\$2.75 million or 15%. The decrease was primarily attributed to a reduction in maintenance and operation expenses and fuel costs of 35.9%, 13.4% and 15.8% respectively. The decrease in fuel costs was due to a decline in the price of fuel; 27.8% reduction in the average price paid from EC\$11.44 to EC\$8.25 per gallon. The maintenance expenses were higher at March 2014, as a number of overhauls were completed, whereas to date none has been undertaken. Additionally, these expenses were further reduced by credits valued at about EC\$0.15 million relating to work done in 2014 but only applied this year.

DOMLEC IN THE FIRST QUARTER OF 2015

Operating Highlights	2015	2014
Hydro generation (1,000 kWh)	7,246	8,606
Diesel generation (1,000 kWh)	17,702	15,163
Purchased generation (1,000 kWh)	28.03	45.81
Units sold (1,000 kWh)	22,134	20,983
Fuel efficiency(kWh per IG)	18.19	17.8
System losses	7.8%	8.5%

(a) **Liquidity**

Total outstanding debt in the first quarter declined when compared with the same period last year. Trade receivables (excluding unbilled sales) stood at EC\$9.31 million at the end of this quarter compared to EC\$11.72 million in 2014.

Debt within the Commercial sector represented the major portion of collectibles, accounting for 43% of gross receivables, while Domestic debt represented 16.8% of all debt receivables and Government debt accounts for 27%. At the end of the quarter, 76% of all outstanding debt was current compared to 61% in 2014.

The company remains in a stable liquid position at the end of the first quarter of the year.

(b) **Capital Resources**

The company has committed \$2.98 million during the period to acquire fixed assets and the funding of major capital projects. To date EC\$2.49 has been spent for capital projects. These were funded from internally generated funds.

(c) **Financial Outlook**

Electricity sales in the first quarter increased over the same period last year by 5.5% and 4.1% higher than the budgeted sales. At year end, sales growth is expected at 0.9% over 2014. The company continues to closely monitor fuel prices as there was an increase in the price of fuel in the month of March 2015. Rising prices could stifle 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 quarter and anticipates an EPS of at least EC 72 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 minimise potential adverse effects on its financial performance and to optimise 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 its foreign exchange risk arising from future commercial transactions and recognised 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 March 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. Additionally, 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.

Operating Environment

The T&D assets remain uninsured. The company continues to explore options for self-insurance of its T & D assets against hurricane and other damage caused by natural disasters. The company has proposed a self-insurance scheme to the government which enables it to set up a fund from which capital would be readily available for financing restoration after a catastrophic event. The details of the self-insurance scheme have been finalised with the government. However, parliament has not yet enacted into law the regulation that will enable the company to set up the self-insurance as a tax free entity.

Meanwhile a standby facility was arranged with a financial institution to cover any catastrophic events on the Transmission and Distribution assets.

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.

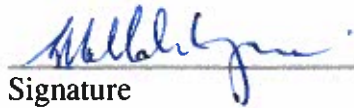
None

CLASS	NUMBER
Common	10,417,328

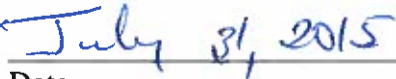
SIGNATURES

Name of General Manager:

Bertilia LeBlanc McKenzie



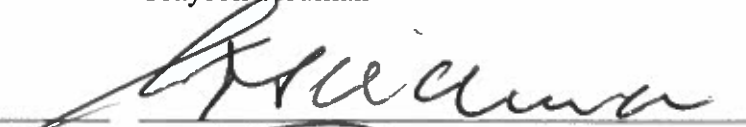
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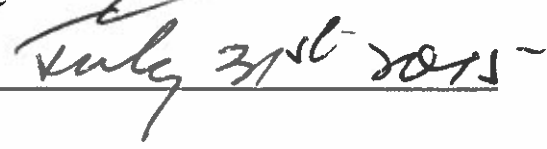
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Name of Director:

Grayson Stedman



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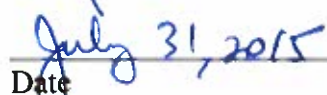
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Name of Financial Controller

Marvelin Etienne



Signature



Date