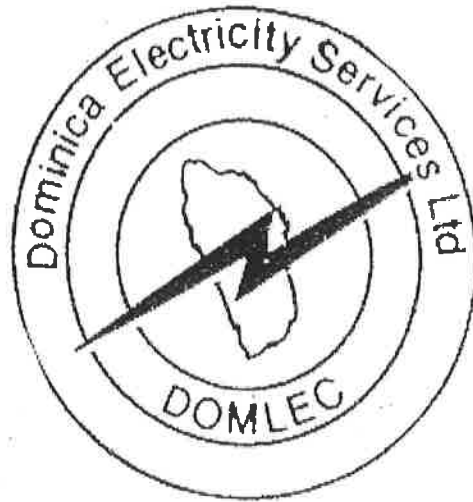


DOMINICA ELECTRICITY SERVICES LIMITED



FORM ECSRC – Q2

QUARTERLY REPORT

For the period ended July 31st, 2016

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended June 30, 2016
Pursuant to Section 98(2) of the Securities Act, 2001

OR

TRANSITION REPORT
for the transition period from _____ to _____
Pursuant to Section 98(2) of the Securities Act, 2001
(Applicable where there is a change in reporting issuer's financial year)

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

N/A

(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report. _____

CLASS	NUMBER
Common	10,417,328

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Dave Stamp

Dave W. Stamp Digitally signed by Dave W. Stamp
Date: 2016.07.29 15:06:04 -04'00'

Signature

29/07/2016

Date

Name of Director:

Grayson Stedman

Grayson Stedman Digitally signed by Grayson Stedman
Date: 2016.07.29 16:08:11 -04'00'

Signature

29/07/2016

Date

Name of Chief Financial Officer:

Marvelin Etienne

Marvelin Etienne Digitally signed by Marvelin Etienne
DN: cn=Marvelin Etienne, o=Dominica Electricity Services
Limited, ou, email=marvelin.etienne@domlec.dm, c=DM
Date: 2016.07.29 11:39:03 -04'00'

Signature

29/07/2016

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-OR

1. Financial Statements

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
- (b) Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

- 1. The quality of earnings;
- 2. The likelihood that past performance is indicative of future performance; and
- 3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures

taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

At June 30, net profit after tax was EC\$4.92 million compared with EC\$4.82 million for the same period of 2015, an increase of EC\$0.10 million.

Total revenue to date was EC\$42.29 million; decreasing by 6.4% from 2015. Revenue from fuel surcharge declined from EC\$13.41 million in 2015 to EC\$9.06 million this quarter. However, revenue from electricity sales increased by 4.7% or EC\$1.49 million to EC\$32.94 million.

The increase in revenue from electricity sales has been driven by an overall growth in unit sales. Unit sales totalled 48.28 GWh compared to 46.27 GWh in 2015, an increase of 4.4%. Revenue from electricity sales in the domestic, commercial and industrial sectors grew by 6.2%, 3.1% and 4.0% respectively, whereas the hotel sector declined by 11.6%.

Total energy generated in the second quarter of 2016 was 54.67 GWh, an increase of 4.9% over the same period in 2015. Production from diesel generation accounted for 66.3% of total output at June 2016, compared to 73.8% in 2015, Energy produced from hydro was 18.37 GWh, an increase of 35.3% over June 2015 levels.

Fuel costs totalled EC\$12.17 million, a decline of EC\$4.66 million (27.7%) from the comparable

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

(a) Liquidity

Total outstanding debt in the second quarter declined when compared with the same period last year. Trade receivables (excluding unbilled sales) stood at EC\$8.8 million at the end of this quarter compared to EC\$10.6 million in 2015.

Debt within the Commercial sector represented the major portion of collectibles, accounting for 43.8% of gross receivables, while Government debt represented 24.6% and the Domestic customers' debt 17.5%. At June 30, 66% of outstanding debt was current compared to 68% in 2015 and 7.2% was due for over sixty days.

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 \$10.64 million during the period to acquire fixed assets and the funding of major capital projects. To date EC\$7.20 million has been spent for capital projects. These were funded from internally generated funds.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

No Off Balance Sheet Arrangements exist

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls.

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- ix) Performance goals, systems and, controls.

4. Legal Proceedings.

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

THE EASTERN CARIBBEAN SUPREME COURT
IN THE HIGH COURT OF JUSTICE
COMMONWEALTH OF DOMINICA
DOMHCV 52 OF 2016

BETWEEN:

Dominica Electricity Services Ltd.
Applicant

AND

The Independent Regulatory Commission
Respondent

An application for judicial review was filed in the High Court on December 30th 2015. The IRC filed a notice of objection to the application and the matter was scheduled to be heard on

5. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

No securities held

6. Defaults upon Senior Securities.

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

No Senior Securities held

- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

None

7. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

MAY 26th 42ND ANNUAL GENERAL MEETING OF SHAREHOLDERS

8. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report.

No other information to be reported.

Exhibit A
Quarterly Financial Statement
for the periods ended July 31st,2016

Dominica Electricity Services Limited**UN-AUDITED BALANCE SHEET****AS AT JUNE 30, 2016***(expressed in Eastern Caribbean Dollars)*

	June 2016	June 2015	December 2015
Assets			
Non-current assets			
Property, plant and equipment	131,148,216	126,812,737	129,399,055
	131,148,216	126,812,737	129,399,055
Current assets			
Cash and cash equivalents	12,822,195	17,458,949	14,275,264
Trade and other receivables	15,309,698	15,537,154	16,725,947
Inventories	10,984,743	10,682,960	9,895,106
	39,116,636	43,679,063	40,896,317
	170,264,852	170,491,800	170,295,372
Equity			
Share capital	10,417,328	10,417,328	10,417,328
Retained earnings	87,153,154	82,750,700	84,313,836
	97,570,482	93,168,028	94,731,164
Non-current liabilities			
Borrowings	25,012,418	30,015,098	26,591,893
Customers' deposit	3,662,459	3,679,913	3,655,778
Deferred credit	9,469,450	8,934,488	9,127,816
Deferred tax liability	19,326,192	15,086,925	18,866,726
Capital Grant	187,200	321,001	254,100
	57,657,720	58,037,425	58,496,313
Current liabilities			
Trade and other payables	10,803,901	14,307,729	9,731,759
Due to related party	109,997	296,837	328,127
Corporation tax	58,662	582,951	1,921,552
Current portion of borrowings	4,064,089	4,098,830	5,086,457
	15,036,650	19,286,346	17,067,895
	170,264,852	170,491,800	170,295,372

Dominica Electricity Services Limited

UN-AUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED JUNE 30, 2016
(expressed in Eastern Caribbean dollars)

	June 2016 \$	June 2015 \$	December 2015 \$
Revenue			
Energy sales	42,296,828	45,205,944	93,536,745
Operating Expenses			
Fuel	12,172,801	16,835,752	35,733,967
Generation	4,962,295	4,306,219	10,526,807
General	5,773,252	5,265,972	11,986,857
Distribution	4,838,192	4,385,789	7,391,540
Insurance	1,996,391	1,793,864	1,572,547
Depreciation	5,447,996	4,708,863	9,409,452
	<u>35,190,926</u>	<u>37,296,460</u>	<u>76,621,170</u>
Operating income	7,105,902	7,909,484	16,915,575
Finance and other income	272,752	273,878	2,052,497
Finance and other costs	(814,917)	(1,579,387)	(2,127,482)
Income before taxation	6,563,737	6,603,975	16,840,590
Taxation	(1,640,954)	(1,783,073)	(4,553,975)
Net income being comprehensive income for the year	4,922,783	4,820,902	12,286,615
Basic and diluted earnings per share (cents)	0.47	0.46	1.18

DOMINICA ELECTRICITY SERVICES LIMITED

UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE QUARTER ENDED JUNE 30, 2016

(expressed in Eastern Caribbean Dollars)

Share capital	June 2016	June 2015	December 2015
Ordinary shares, beginning and end of period	10,417,328	10,417,328	10,417,328
Retained earnings			
At beginning of period	84,313,836	76,194,152	76,194,152
Net income/(loss) for the period	4,922,783	4,820,901	12,286,615
Ordinary dividends (declared)	(2,083,465)	(1,562,599)	(4,166,931)
At end of period	87,153,154	79,452,455	84,313,836
Shareholders' equity, end of period	97,570,482	89,869,783	94,731,164

Dominica Electricity Services Limited

UN-AUDITED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED JUNE 30, 2016

(expressed in Eastern Caribbean Dollars)

	June 2016 \$	June 2015	December 2015
Cash flows from operating activities			
Net income/(loss) before tax	6,563,737	6,603,974	16,840,590
Adjustments for:			
Depreciation	5,447,996	4,708,863	9,409,452
Loss/(Gain) on foreign exchange	(12,165)	14,217	12,616
Loss/(Gain) on disposal of property, plant and	(16,005)	491,879	74,702
Provision for inventory obsolescence	75,000	75,000	374,479
Finance costs	843,087	1,073,291	2,040,164
Amortization of deferred revenue	(205,851)	(206,978)	(495,649)
Amortization of capital grants	(66,900)	(66,900)	(133,801)
Net change in provision for other liabilities and charges	775,075	1,040,012	(118,584)
Operating income before working capital changes	13,403,972	13,733,357	28,003,969
Decrease/(increase) in receivables and prepayments	1,416,250	1,563,164	374,371
Decrease/(increase) in inventories	(1,164,637)	(186,265)	302,110
Increase/(decrease) in accounts payable and accruals	309,236	677,513	(2,738,262)
Increase in due from related party	(218,130)	257,949	289,238
Cash generated from operations	13,746,691	16,045,717	26,231,425
Finance cost paid	(843,087)	(1,073,291)	(2,040,164)
Income tax paid	(3,044,377)	(1,873,759)	(2,824,505)
Net cash from operating activities	9,859,226	13,098,667	21,366,757
Cash flows from investing activities			
Purchase of property, plant and equipment	(7,197,159)	(4,949,027)	(11,818,757)
Proceeds on disposal of property, plant and equipment	16,007	5,000	5,000
Net cash used in investing activities	(7,181,152)	(4,944,027)	(11,813,757)
Cash flows from financing activities			
Proceeds from borrowings	-	-	-
Dividends paid	(2,083,465)	(1,562,599)	(4,166,931)
Repayment of borrowings	(2,601,843)	(2,372,091)	(4,807,669)
Customers' contribution	547,485	170,516	669,211
Customers' deposits	6,681	2,074	(38,756)
Net cash generated from/(used in) financing activities	(4,131,141)	(3,762,101)	(8,344,145)
Net increase/(decrease) in cash and cash equivalents	(1,453,069)	4,392,539	1,208,854
Cash and cash equivalents, beginning of period	14,275,264	13,066,410	13,066,410
Cash and cash equivalents, end of period	12,822,195	17,458,949	14,275,264