

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended June 30, 2020
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. 10,417,328

CLASS	NUMBER
Ordinary	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:

Lemuel Lavinier

SIGNED AND CERTIFIED

31/8/2020

Date

Name of Director:

Joseph Peltier

SIGNED AND CERTIFIED

31/08/2020

Date

Name of Chief Financial Officer:

Clyde A. Edwards

SIGNED AND CERTIFIED

31/08/2020

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

The Covid-19 pandemic had the largest impact on DOMLEC's operations and finances during the quarter. The Company's Pandemic Plan and Business Continuity Plan were actioned at the start of the pandemic, and remained in effect throughout the quarter, to mitigate its effect on operations and finances. A government imposed curfew, restricted hours for essential services and closure of non-essential services, negatively affected the commercial sector and positively affected the domestic sector. The curfew reduced earnings of some customers in every sector, requiring increased debt management efforts to mitigate its impact.

DOMLEC's net profit before tax was EC\$1.82 million at June 30, 2020 moving from EC\$1.60 million in the second quarter of 2019. The Company has completed its network rebuild and reconnection of the majority of its customers to the grid. Approximately 93.0% of DOMLEC's pre-Hurricane Maria customers have been reconnected.

At June 30, total revenue was EC\$40.09 million, an increase of EC\$0.38 million from 2019. Revenue from electricity sales increased by EC\$2.65 million to EC\$28.31 million. However, fuel surcharge decreased by EC\$2.22 million from EC\$13.84 million in 2019 to EC\$11.62 million.

Total unit sales was 40.96 GWh compared to 37.77 GWh in 2019, an increase of 3.19 GWh. The

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 accounts receivable increased at the end of this quarter in comparison to the same period last year. Trade receivables (excluding unbilled sales) stood at EC\$9.97 million at the end of this quarter compared to EC\$7.15 million in 2019; an increase of 39.4%.

The major portion of collectibles was within the Commercial sector and Government, accounting for 36.3% and 33.9% of gross receivables respectively. The Domestic sector represented 16.4%. The average age of receivables moved from 35 days at June 2019 to 48 days this period due in part to the deferral of disconnections from March 2020 due to COVID-19.

The Company is continuing its debt management plan to effectively recover outstanding debt. The company also monitors its liquidity requirements on a continuous basis to ensure it has sufficient cash to meet its short-term obligations.

(b) Capital Resources

During the period, the Company committed EC\$7.50 million for acquiring fixed assets including the building resiliency into the electricity network. These were funded from internally generated funds as well as external financing from our credit facilities. The Company continues to utilize funds drawn from the Caribbean Development Bank loan facility to improve its resilience to climate change.

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.

Overview of Results of Operations

The operations of the Company have returned to normal with the majority of its customers returning to the grid. At the end of the quarter revenue from electricity sales was 10.3% or EC\$2.65 million more than the same period in 2019 and 1.5% less than forecast. The negative economic impact of COVID-19 is a key contributor to the decrease in revenue compared to forecast.

The Company continues to pursue value for money in its operations by effectively managing spending on both operating and capital expenditure in an effort to minimize the negative impact on the bottom line. The Company's revenues and operations have been adversely impacted by the Covid-19 pandemic and further impact is anticipated. Management is cognizant of these facts and continues developing plans to minimize further potential impact on the Company's operations.

The company projects a profit before tax at year end.

3. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

Financial Risk

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange, cash flow and interest rate risk), liquidity, credit risk and underinsurance 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.

Risk management is carried out by the Company's management under direction from the Board of Directors.

The Company's exposure and approach to its key risks are as follows:

(a) Market risk

(i) Foreign currency risk

This is the potential adverse impact on the Company's earnings and economic value due to movements in exchange rates.

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising primarily from foreign currency borrowings and purchases of plant, equipment and spares from foreign suppliers. The exchange rate of the Eastern Caribbean dollar (EC \$) and the United States dollar (US\$) has been formally pegged at EC\$ 2.70=US\$ 1.00 since July 1976. At 30 June 2020 borrowings of \$42,670,800 million (2019 - \$42,670,800 million) are designated in United States dollars.

Management has established a policy requiring the Company to manage its foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transaction and recognized assets and liabilities, the Company attempts to enter into transactions that are based largely in United States dollars.

The Company has not entered into forward exchange contracts to reduce its exposure to fluctuations in foreign currency exchange rates.

(ii) Cash flow and fair value interest rate risk

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.

Not Applicable

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.

There have been no changes in the rights of holders of any class of securities issued by the Company.

(a) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

N/A

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

N/A

- Name and address of underwriter(s)

N/A

- Amount of expenses incurred in connection with the offer

N/A

- Net proceeds of the issue and a schedule of its use

N/A

- Payments to associated persons and the purpose for such payments

N/A

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

None

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.

Not Applicable

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

Not Applicable

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

Not Applicable

- (d) A description of the terms of any settlement between the registrant and any other participant.

Not Applicable

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

Not Applicable

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.

Not Applicable

1. Financial Statements

Dominica Electricity Services Limited

UN-AUDITED BALANCE SHEET

AS AT JUNE 30, 2020

(expressed in Eastern Caribbean Dollars)

	June 2020	June 2019	December 2019
Assets			
Non-current assets			
Property, plant and equipment	179,323,851	175,728,593	178,903,445
Operating Lease	310,214	482,512	390,057
	<u>179,634,065</u>	<u>176,211,105</u>	<u>179,293,502</u>
Current assets			
Cash and cash equivalents	5,332,932	16,383,033	14,347,250
Trade and other receivables	18,167,220	15,566,543	15,653,504
Inventories	21,416,890	21,297,075	20,084,493
Corporate tax recovery	1,233,056	1,233,055	1,233,056
	<u>46,150,099</u>	<u>54,479,706</u>	<u>51,318,303</u>
	<u>225,784,164</u>	<u>230,690,811</u>	<u>230,611,806</u>
Equity			
Share capital	10,417,328	10,417,328	10,417,328
Retained earnings	81,067,175	79,241,123	79,700,778
	<u>91,484,503</u>	<u>89,658,451</u>	<u>90,118,106</u>
Non-current liabilities			
Borrowings	72,893,135	80,755,403	76,908,883
Customers' deposit	3,662,637	3,789,725	3,662,094
Lease liability	149,063	319,946	232,601
Deferred credit	13,522,453	12,627,577	13,373,248
Deferred tax liability	16,477,439	15,845,391	16,021,974
	<u>106,704,727</u>	<u>113,338,044</u>	<u>110,198,799</u>
Current liabilities			
Trade and other payables	14,262,371	16,763,412	17,587,807
Lease liability	163,553	162,566	158,057
Due to related party	5,170,860	4,297,423	4,753,198
Demand promissory note	-	2,716,900	-
Current portion of borrowings	7,998,150	3,754,015	7,795,840
	<u>27,594,933</u>	<u>27,694,316</u>	<u>30,294,902</u>
	<u>225,784,164</u>	<u>230,690,811</u>	<u>230,611,806</u>

Dominica Electricity Services Limited

UN-AUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED JUNE 30, 2020
(expressed in Eastern Caribbean dollars)

	June 2020 \$	June 2019 \$	December 2019 \$
Revenue			
Operating Revenue	40,086,783	39,705,773	85,333,639
Operating Expenses			
Fuel	15,192,687	16,761,010	35,778,491
Generation	3,189,361	2,817,062	7,676,388
General	5,420,265	4,675,479	11,941,881
Distribution	4,053,490	3,570,140	7,895,047
Insurance	2,166,667	1,811,839	3,376,938
Depreciation	6,676,163	6,916,009	13,313,035
	36,698,633	36,551,539	79,981,780
Operating income	3,388,150	3,154,234	5,351,859
Finance and other income	295,982	280,606	838,217
Finance and other costs	(1,862,268)	(1,830,426)	(3,949,425)
Income before taxation	1,821,863	1,604,414	2,240,651
Taxation	(455,466)	(401,103)	(577,685)
Net income being comprehensive income for the year	1,366,397	1,203,311	1,662,966
Basic and diluted earnings per share (cents)	0.13	0.12	0.16

DOMINICA ELECTRICITY SERVICES LIMITED

UN-AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE QUARTER ENDED JUNE 30, 2020

(expressed in Eastern Caribbean Dollars)

Share capital	June 2020	June 2019	December 2019
Ordinary shares, beginning and end of period	10,417,328	10,417,328	10,417,328
Retained earnings			
At beginning of period	79,700,778	78,037,812	78,037,812
Net income/(loss) for the period	1,366,397	1,203,311	1,662,966
Ordinary dividends (declared)			
At end of period	81,067,175	79,241,123	79,700,778
Shareholders' equity, end of period	91,484,503	89,658,451	90,118,106

Dominica Electricity Services Limited

UN-AUDITED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED JUNE 30, 2020

(expressed in Eastern Caribbean Dollars)

	June 2020 \$	June 2019 \$	December 2019 \$
Cash flows from operating activities			
Net income/(loss) before tax	1,821,863	1,604,414	2,240,651
Adjustments for:			
Depreciation	6,676,163	6,916,009	13,313,035
Loss/(Gain) on foreign exchange	7,062	715	(32,247)
Loss/(Gain) on disposal of property, plant and	(7,964)	(95,087)	55,100
Provision for inventory obsolescence	120,000	(148,477)	226,177
Finance costs	1,834,442	1,925,513	3,894,325
Amortization of deferred revenue	(288,920)	(255,548)	(805,971)
Net change in provision for other liabilities and charges	160,451	(1,264,270)	(769,295)
Operating income before working capital changes	10,323,097	8,683,269	18,121,775
Decrease/(increase) in receivables and prepayments	(2,626,172)	1,281,265	2,817,103
Decrease/(increase) in inventories	(1,452,398)	40,851	878,779
Increase/(decrease) in accounts payable and accruals	(3,380,493)	(691,991)	(2,418,791)
Increase in due from related party	417,662	551,871	1,007,646
Cash generated from operations	3,281,697	9,865,265	20,406,512
Finance cost paid	(1,834,442)	(1,925,513)	(3,427,944)
Income tax paid	-	-	-
Net cash from operating activities	1,447,255	7,939,752	16,978,568
Cash flows from investing activities			
Purchase of property, plant and equipment	(7,016,726)	(7,174,598)	(16,830,481)
Increase in right of use assets	-	(560,804)	(543,990)
Proceeds on disposal of property, plant and equipment	7,964	101,115	110,574
Net cash used in investing activities	(7,008,762)	(7,634,287)	(17,263,897)
Cash flows from financing activities			
Proceeds from borrowings	-	13,409,830	17,337,950
Dividends paid	-	-	-
Repayment of borrowings	(3,813,437)	(3,690,373)	(10,140,090)
Increase in lease liability	(78,043)	482,512	390,658
Customers' contribution	438,125	1,449,251	2,745,344
Customers' deposits	544	41,148	(86,483)
Net cash generated from/(used in) financing activities	(3,452,811)	11,692,368	10,247,379
Net increase/(decrease) in cash and cash equivalents	(9,014,318)	11,997,833	9,962,050
Cash and cash equivalents, beginning of period	14,347,250	4,385,200	4,385,200
Cash and cash equivalents, end of period	5,332,932	16,383,033	14,347,250

Notes to the Financial Statement for the Quarter ending June 30, 2020

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 (the commission) is vested with broad regulatory oversight over all aspects of the energy sector. The Company's operations are regulated by the Commission. The principle activity of the Company includes the generation, distribution and transmission of electricity.

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

Dominica Power Holding Limited, a subsidiary of Emera (Caribbean) Incorporated, owns 52% of the ordinary share capital of the Company. 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 the Company 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 disclosed in Note 4 of the Financial Statement as at and for the year ended December 31, 2019.