DOMINICA ELECTRICITY SERVICES LTD
18 CASTLE STREET
P.O. BOX 1593, ROSEAU
COMMONWEALTH OF DOMINICA,
WEST INDIES
T. 767.255.6000 OR 767.448.2681
F. 767.448.5397
WEBSITE: WWW.DOMLEC.DM
EMAIL: DOMLEC@DOMLECONLINE.COM

Bankers: **National Bank of Dominica**
Auditors: **PriceWaterhouseCoopers**
Solicitors: **Defreitas & Johnson**

THE POWER OF MORE

Dominica Electricity Services Ltd
DOMLEC

ANNUAL REPORT AND ACCOUNTS 2008

THE POWER OF MORE...

Dominica Electricity Services Limited has for nearly sixty years been a principal element in the development and progress of Dominica.

We at DOMLEC are keenly aware that we provide more than electricity...we provide the energy that drives Dominica forward.

We are committed to remaining relevant to that process. We are committed to strengthening the relationship between ourselves, our businesses and our people.

As we journey through this new era of change and challenges we recommit ourselves to our stakeholders - shareholders, staff and customers - to provide MORE. This year's Annual Report is dedicated to this message and has been themed "The Power of More".

CONTENTS

ROBERT BLANCHARD JR.
Chairman

CHAIRMAN'S REPORT

2008 proved to be the most challenging year for your company since I became your Chairman in 2004. In November we were confronted with the tragic and untimely loss of our Managing Director, Joel Huggins who had been at the company's helm for over four years. Joel was considered one of the leaders in the electric utilities industry in the Caribbean, and he provided valuable guidance, expertise and oversight during his tenure at Domlec. These contributions will be missed by our employees and the Board of Directors. More importantly, however, was the loss of a good man and a good friend. Our heartfelt condolences go out to Joel's widow and extended family.

The financial results for the year show that with energy sales 3.2% greater than 2007 your company earned a profit before income tax of $9,377,988 compared to $8,694,539 in the previous year. The 2008 results include a gain on disposal of the PADU hydro system of $1,934,127 due to the accounting treatment of the insurance proceeds resulting from Hurricane Dean. This anomaly plus the favorable tax treatment afforded to the insurance proceeds resulted in earnings per share of 73 cents as opposed to 58 cents in 2007. My more objective view is that Domlec fared slightly less well financially than in previous years as it faced three significant challenges in addition to continuing to make progress on its operational inefficiencies and improvements.

First and foremost of these challenges was the tremendous fluctuation in the price of fuel and the corresponding effect this had on customer rates. In January 2008, the price of oil to the company was EC$10.50 per imperial gallon, resulting in fuel cost adjustments on customers' bills of 48.8 cents per kWh. Then by July 2008 the price of fuel oil had skyrocketed to EC$14.21 per imperial gallon, the highest ever recorded . It unfortunately led to an increased fuel cost adjustment of 67.9 cents per kWh. This put further pressure on our customers, as well as your company's cash flow and collections. Fortunately fuel prices began to decline to sustainable levels in August 2008 and, in fact, by year end had fallen to EC$6.83 per imperial gallon, the lowest level in four and half years. This meant the fuel cost adjustment was now 25.6 cents per kWh providing some much needed relief to our customers.

The second major challenge the company faced was the formation of the Independent Regulatory Commission (IRC) by the Government of Dominica and the ongoing interaction between the company and the IRC. We will continue to work in good faith with the IRC toward reaching an acceptable agreement regarding the company's operations and tariffs. However, the IRC made several decisions with which we do not agree, and the company has reserved the right to continue negotiations with regard to those decisions. Of particular concern is the IRC's determination not to entertain the company's outstanding tariff adjustment request until it has been determined that all outstanding issues regarding a new tariff structure have been resolved.
This decision is contrary to accepted norms of tariff negotiations and puts the company at a significant hardship during 2009, as well as in future years if not addressed. Further, there are several areas in which we have strong differences with the IRC and grave concerns about the applicability of some of the requirements to a nation the size of Dominica. We hope to be able to amicably resolve these issues with the IRC, but will reserve the rights to pursue all options necessary to protect Domlec, its customers, and shareholder investments.

We attempted to mitigate the loss of our Managing Director by appointing Mr. Murray Skeete of WRB Enterprises Inc, as interim Manager. The permanent replacement, Mr. Collin Cover, has recently taken up his position as General Manager and we look forward to a long and successful relationship.

In spite of these challenges, the company continued to make progress in improving its operational performance and efficiencies, and line losses declined from 14.1% in 2007 to 12.5% in 2008. This is the lowest level in company history. Rest assured, however, that we are not content with these numbers and continue to work diligently to bring losses down even more. We started the installation of three MAN generator sets at the Fond Colé power station. These generator sets should be on line in early 2009 and will have a very positive effect on the company's fuel efficiency. In addition, after a lengthy delay due to the insurance company's intransigence, we expect to rehabilitate the Padu hydro-electric station in 2009.

During 2008 two directors, Trevor Burton and Hubert (Mickey) Joseph retired, and I would like to thank them for their hard work and support during the years. On behalf of all of our Directors, I would like to express appreciation to the management and staff of Domlec during a very trying year.

Robert Blanchard, Jr.

ROBERT BLANCHARD JR.
Chairman

BOARD OF DIRECTORS

01 G. ROBERT BLANCHARD JR.
CHAIRMAN

2002 To Date	President	WRB Enterprises, Inc.
1991 To 2002	Executive Vice President	WRB Enterprises, Inc.

Emery University- Bachelor of Arts in Political Science 1986
BA - Philosophy

02 NIGEL D. WARDLE
CHAIRMAN - AUDIT COMMITTEE

1995 To 2002	General Manager	Grenada Electricity Services Ltd
2002 To Date	Vice President	WRB Enterprises, Inc.

South Bank University – BA Business
Member Institute of Chartered Accountants 1981

03 JOEL FITZGERALD HUGGINS
MANAGING DIRECTOR

2003 to 2008	Managing Director	Dominica Electricity Services Ltd.
1981 to 2003	Chief Executive Officer	St.Vincent Electricity Services Ltd.

BSc (Engineering), University of the West Indies, 1971

04 PHILLIP NORMAN ROLLE

1960 To Date	Managing Director	Valley Engineering Sales & Service Ltd
2003 To Date	Director	Caribbean Credit Company
2003 To Date	Director	National Bank of Dominica
1992 To Date	Director	Jas. Garraway & C0.(Tobacco Factory) Ltd

Engineering Diploma First Class Chelsea College of Aeronautical & Automobile Engineering
Institution of Mechanical Engineers Part I and II

05 GRAYSON J. STEDMAN

2002 To Date	Executive Officer	Banana Industry Trust
1998 To 2002	Director	Caribiss Incorporated

Diploma in Accounting 1980
Diploma in Accounting & Finance 1982
Completed a course of study for the Certified Management Accountants of Canada 1986
Certificate in Business Administration 1987
George Brown College of Applied Arts & Technology, Canada
Seneca College of Applied Arts & Technology, Canada
University of Ottawa
Society of Management Accountants of Canada.

06 MALCOLM C. HARRIS

1988 To Date	Director, Vice President and CFO	WRB Enterprises, Inc

Member of the Institute of Chartered Accountants 1968
Member of the Institute of Taxation 1968
University of Miami ": Masters in Business Administration - 1978

07 TREVOR BURTON

Managing Director	Burton & Co. Ltd.
Managing Director	L.A.Dupigny & Co. Ltd.

08 HUBERT MICKEY JOSEPH

2007 To Date	Owner/Managing Director	MVB Company Ltd.
2005 To 2006	Operations Director	Cimpex/Unitrade World Ltd
2000 To 2005	Administrative Accounts Manager	Cimpex
1990 To 2000	Manager/Accountant	Flossie Joseph & Company
1987 To 1989	Supervisor	Connecticut National Bank

Bachelors Degree in Accounting - Central Connecticut State University 1986
Masters Degree in Organization and Management - Central Connecticut State University 1989


06
05
03
08
04
07
01
02

MORE POWER FOR THE FUTURE

DIRECTORS' REPORT

FINANCIAL RESULTS

In 2008 the company generated total revenue of $91.5 million from 73.7 GWh in sales, an increase of 16.3% from the previous year. Total expenses were $84.6 million and other gains were $2.4 million resulting in income before taxes of $9.4 million and net income after tax of $7.6 million, an increase from net income of $6.1 million in 2007. It should be noted that included in the figure for net income is EC$3.9 million received as settlement of an insurance claim for damage caused to the Padu Power Station by Hurricane Dean.

DIVIDENDS

In 2008, two dividend payments totalling 15 cents per share were made to shareholders on May 8th and November 30th.

DIRECTORATE

On November 14th 2008, the company suffered the untimely loss of Mr. Joel Huggins, its Managing Director. Mr. Huggins had served in that capacity since 2004. The Board and management will miss Mr. Huggins for his leadership and managerial expertise and his incisive intervention in corporate decision making. The Board wishes to record its profound appreciation to his wife, his children and extended family for his invaluable contribution to the development of the company.

Mr. Murray Skeete was appointed by the Board to fill the vacant Director position pursuant to section 4.6 of the By-Laws. Mr. Skeete serves until the next Annual General Meeting of shareholders.

In November and December 2008 respectively, Directors Hubert Joseph and Trevor Burton tendered their resignation from the Board. The Board appreciates the contribution made by both directors.

The vacancies on the Board created by these circumstances will be filled at the next Annual General Meeting of shareholders scheduled for May 15th 2009.

SECURITIES EXCHANGE

Although there was very little trading in Domlec shares there was some depreciation in value in 2008. Share price ranged between EC$3.48 and EC$3.00 per share over the 52 week period as compared to a range between EC$4:00 and EC$ 3.50 last year. As at December 31st 2008, the shares were being traded at $3.00 per share which is $0.50 less than the year end price in 2007.

By Order of the Board

ELLISE DARWTON
COMPANY SECRETARY

MR. JOEL F. HUGGINS

July 3, 1946 - November 14, 2008

The Board of Directors Management and Staff of Dominica Electricity Services Limited feel privileged to have known and worked with our late Managing Director Mr. Joel F. Huggins. Mr. Huggins passed away on November 14th 2008 on a flight home to visit with his family in St. Vincent.

Mr. Huggins joined the company in May 2004 bringing with him over 30 years of experience in regional utility management. He was a qualified engineer of 37 years. He served as General Manager of MONLEC in Montserrat and as General Manager of VINLEC in St. Vincent for 22 years before coming to DOMLEC. He was a founding member of CARILEC and served as Chair and Vice Chair of that organisation for several years.

Mr. Huggins was highly competent, tactful and thorough in his approach to addressing the myriad of issues which emerged in the company's dealings. He marshaled operations at Domlec with an unwavering commitment to achieve change, growth and efficiency at the company and in the industry. His leadership and professionalism were exemplary. His quiet and reserved demeanor belied a warm engaging personality with a witty mind and a sharp eye for broader policy matters.

Picture by FsiCreative

Colleagues, friends and affiliated organisations join in paying tribute to him:

“Joel Huggins was a committed utility man, demonstrated not only by his ardent support for CARILEC, but also a willingness to serve wherever needed. A highly respected and admired leader in our industry in the Caribbean...His pleasant personality, insightful interventions and expertise will be missed at our Board of Directors and Audit Committee meetings. In this unforgiving industry he served as a mentor for the next generation of engineers and young managers... Joel Huggins will be remembered within the CARILEC family as truly a gentleman, an extremely nice individual who was always a pleasure to deal with and to be around, and a stalwart to the cause of CARILEC and electric utilities in the Caribbean. He has made a significant contribution to the region and to our industry, and his passing is a huge loss to those of us who for many years worked with him and under his tutelage. The industry, the region, and CARILEC have lost one of their true champions and all of us, a very good friend and colleague.”

Mr. Trevor Louisy
Chairman, CARILEC
Managing Director, LUCELEC

“Employees...will long remember him for his strong leadership and remarkable ability to articulate his point of view. These abilities always came to the fore whether he was planning for the expansion of the network system, negotiating with third parties, or informing the media...we share a deep sense of loss...”

Montserrat Utilities Limited
(Formerly MONLEC)

‘Joel was not a just a manager. He was a leader, and to qualify this, he was a transformational leader…Joel not only marshaled the building of infrastructure, but his skills as a negotiator and mentor allowed him to deal with … change both within and outside the company. Joel managed the relationship between VINLEC and its stakeholders with exceptional skills, at times walking on fine edges, and putting much trust in objectivity where this at times was in scarce supply. He managed the professional conflicts within the organisation and at the same time built a committed, dedicated, and motivated team of professionals… Joel was a leader with an exceptional eye for details and this built in us the need to be thorough and complete in our analyses… our only mission is to serve this country well and to build on an outstanding legacy that Joel has left with us.’

Mr. Thornley Myers
CEO VINLEC

“I had the pleasure… of serving on the Lucelec Board of Directors with Joel, and found him to be a highly professional, considered, and dedicated person.”

Mr. Michael Hogan
Former CDC Director

‘Mr. Huggins is being remembered not only for his quiet and calm demeanor but clear decisiveness of action in the various exchanges and dealings between his firm and the Ministry of Public Utilities, Energy and Ports on issues relating to the electricity sector.’

Honourable Charles Savarin
Minister for Public Utilities, Energy and Ports
Dominica

“Mr. Huggins was a true friend of the Sports Division…”

Mr. Oswald Savarin
Sports Division, Dominica

“He walked the life of the less fortunate children in our country Dominica. The generous support to the Foster Care Programme cannot be unnoticed.”

Mrs. Ava McIntyre Roach
Welfare Division, Dominica

EXECUTIVE MANAGEMENT

JOEL FITZGERALD HUGGINS
01 MANAGING DIRECTOR

RAWLINS BRUNEY
02 CHIEF ENGINEER

LEMUEL LAVINIER
03 TRANSMISSION & DISTRIBUTION MANAGER

NIGEL VIDAL
04 GENERATION MANAGER

MARK RIDDLE
05 ENGINEERING SERVICES MANAGER

ELLISE DARWTON
06 COMPANY SECRETARY/ LEGAL OFFICER

CARL MAYNARD
07 IT MANAGER

BERTILIA LEBLANC MCKENZIE
08 HR AND ADMINISTRATION MANAGER

NATHANIEL GEORGE
09 COMMERCIAL MANAGER

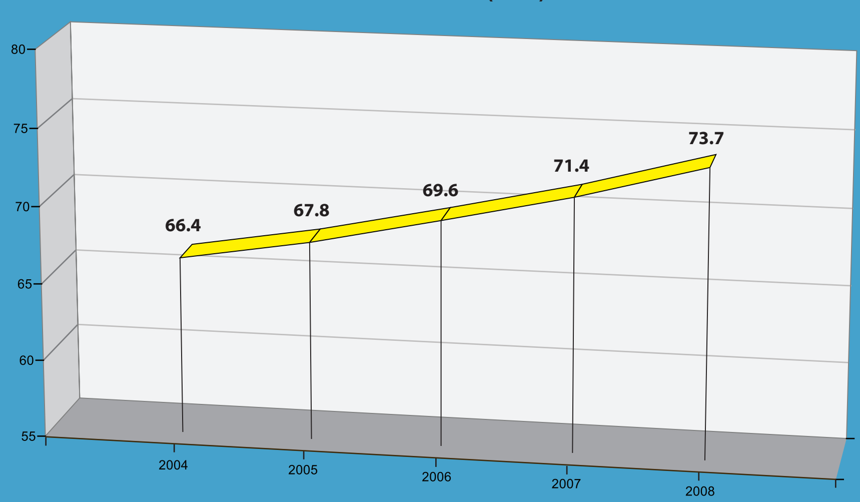
MARVELIN ETIENNE
10 FINANCIAL CONTROLLER

OPERATIONS REVIEW

OPERATING REVENUE

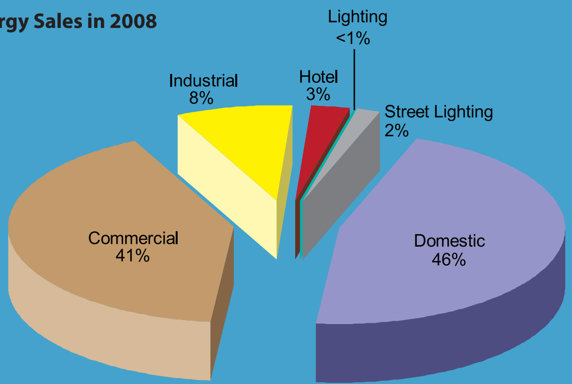
Sales

Energy sales for the year ended December 31st 2008 totaled 73.7 GWh; an increase of 3.2% over sales in 2007. Sales growth in this fiscal year was led by above average growth in the Commercial and Industrial sectors, supported by modest growth within the Domestic and Hotel sectors.



Sales within the Commercial and Industrial sectors grew by 5.2% and 7.2%, respectively. Ongoing expansion by a major player within the Industrial sector has helped to offset a slowdown in the mining industry on the island. Small organic growth within the Commercial sector, coupled with the full effect of billing and meter corrections made in 2007 are primarily responsible for the above average growth among Commercial customers. Sales to Domestic customers grew just 0.9% in 2008. Domestic customers continued to demonstrate much economy in their fiscal affairs, as fuel prices soared during the early part of the year, stunting sales growth. Fuel prices retreated towards the end of 2008 and with the resulting commensurate decrease in the total cost of electricity, sales to Domestic customers increased. Sales within the Hotel sector also showed moderate growth in 2008, the first year of growth since 2004. In fact, growth was experienced in this sector mainly because of the suspension of self generation for a few weeks by a major hotel in this sector.

Energy Sales in 2008



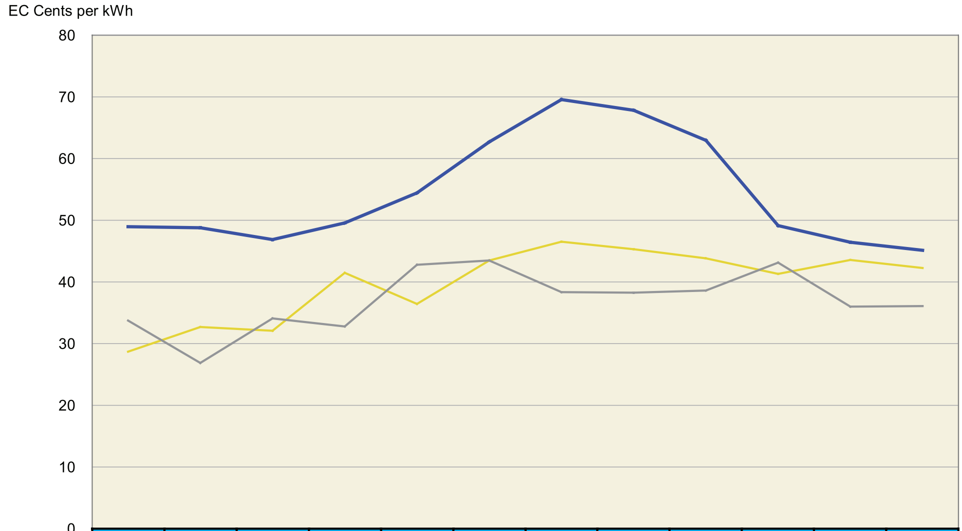
Gross revenue increased in 2008 to EC$91.5 million, a rise of EC$12.8 million or 16% over 2007 mainly due to an EC$11.97 million increase in fuel surcharge. World oil prices peaked near an unprecedented US$150 per barrel in July 2008 and correspondingly the fuel surcharge per kWh peaked at 69.57 cents. Revenue from the sale of electricity, excluding fuel surcharge, increased by EC$0.87 million or 1.8% to EC$50.2 million.

DIRECT EXPENSES

Direct expenses rose by EC$12.9 million from 2007. The causes of the increases are detailed as follows:

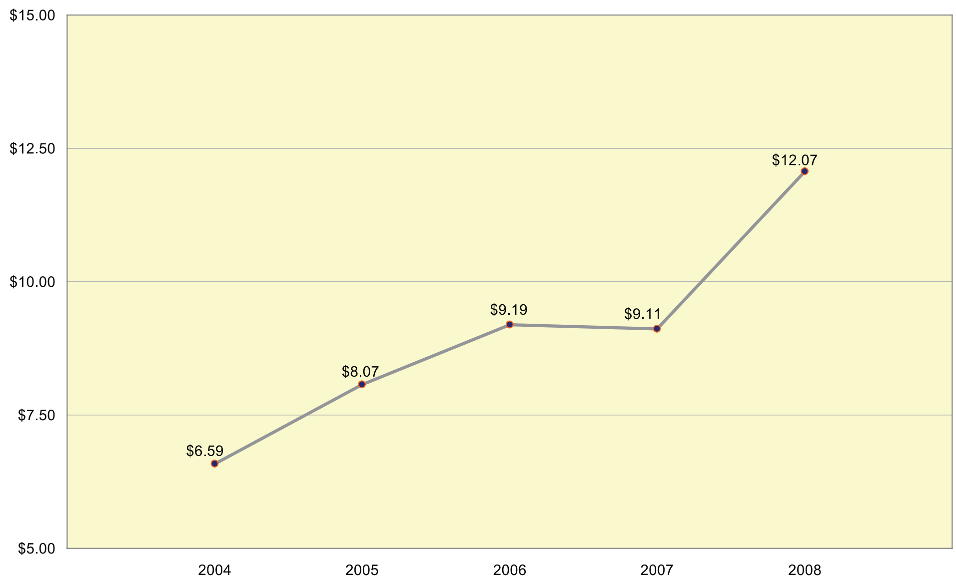
Fuel Costs - Total fuel costs increased by EC$12.2 million and was almost solely responsible for the dramatic rise in direct expenses. At EC$47.3 million, fuel now represents 65% of total direct expense in 2008.

Fuel Surcharge Rate



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	48.98	48.76	46.83	49.53	54.42	62.67	69.57	67.85	62.93	49.13	46.42	45.15
2007	28.67	32.67	32.12	41.50	36.43	43.47	46.51	45.34	43.83	41.34	43.55	42.27
2006	33.78	26.84	34.12	32.79	42.76	43.45	38.38	38.23	38.64	43.15	36.02	36.07

Average Fuel Price (EC$ per Imperial Gallon)



Operating Expenses – Operating Expenses climbed by EC$1.34 million during 2008 mainly as a result of small increases in a number of key areas of operations. During 2008, there was a renewed focus on the exploration of wind energy as well as initial investigations into geothermal energy and hydro expansion. Obsolete items of inventory disposed of during the year and increased load shedding activity in the early part of 2008 contributed to an overall increase in this category. There were also increases in software support fees and a reallocation of security expenses to operating expenses.

Maintenance Expenses – Maintenance expenses decreased by EC$1.3 million from 2007. EC$1.0 million less was spent on hurricane damage repairs because Hurricane Omar, which affected the island during November 2008, caused some damage to the utility's distribution network but far less than its forerunner Hurricane Dean in 2007.

Administrative Expenses

Administrative expenses increased EC$1.8 million in 2008 mainly because of movement in the provision for bad debts. Excluding this factor, administrative expenses rose by just EC$107,000. During the year under review, there was greater expenditure on Health and Safety as well as an increase in professional fees. A consultant was engaged to assist the company in its interactions with the Independent Regulatory Commission.

Other Gains

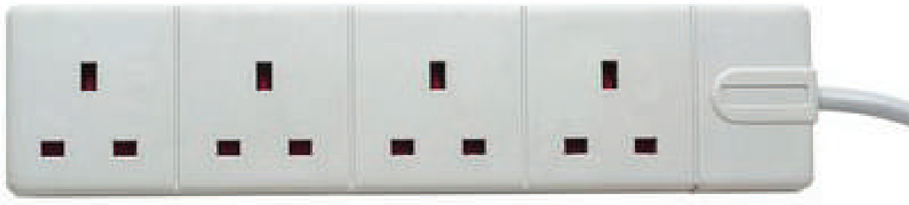
Other gains in 2008 totaled EC$2.4 million compared to other losses of EC$336,806 in 2007. The gain of EC$2.4 million stems from funds received from an insurance settlement totaling EC$3.9 million for damage caused to the Padu power station and Domlec's distribution network during the 2007 passage of Hurricane Dean. These funds will go directly towards the repair and commissioning of the plant at Padu.

Finance Charges

Finance charges increased slightly to EC$2.4 million. During the year, the company increased its borrowings to fund the addition of three medium speed generation units at Fond Cole.

Profit

Profit before tax for the year ended December 31, 2008 stood at EC$9.4 million, compared to EC$ 8.7 million in 2007, an increase of 7.9%. Taxes for the year amounted to EC$1.8 million resulting in net profit after taxes of EC$7.6 million, compared to EC$6.1 million in 2007. The figure for net profit includes the EC$3.9 million received as settlement of the insurance claim in respect of the Padu Power Station.

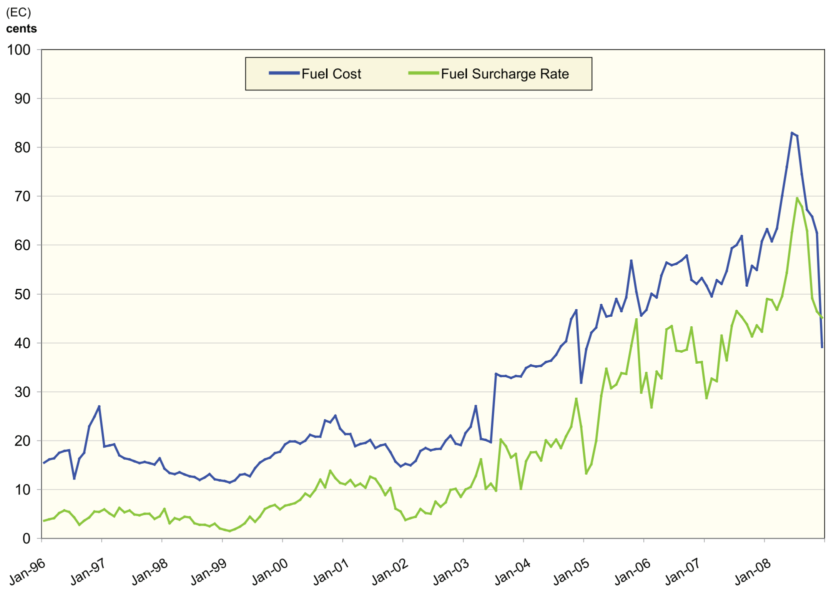


CUSTOMER SERVICE

Erratic Movement of Fuel Price

During 2008 Domlec, like every other electric utility in the region, experienced the worst fuel price volatility in history. This was a direct consequence of a phenomenal rise followed by an equally abrupt fall in world oil prices. The electricity prices in Dominica were directly related to this volatility. In July the fuel surcharge component of the electricity bills exceeded the basic energy rate for the first time. This situation was short-lived as fuel prices declined thereafter.

Fuel Cost per kWh

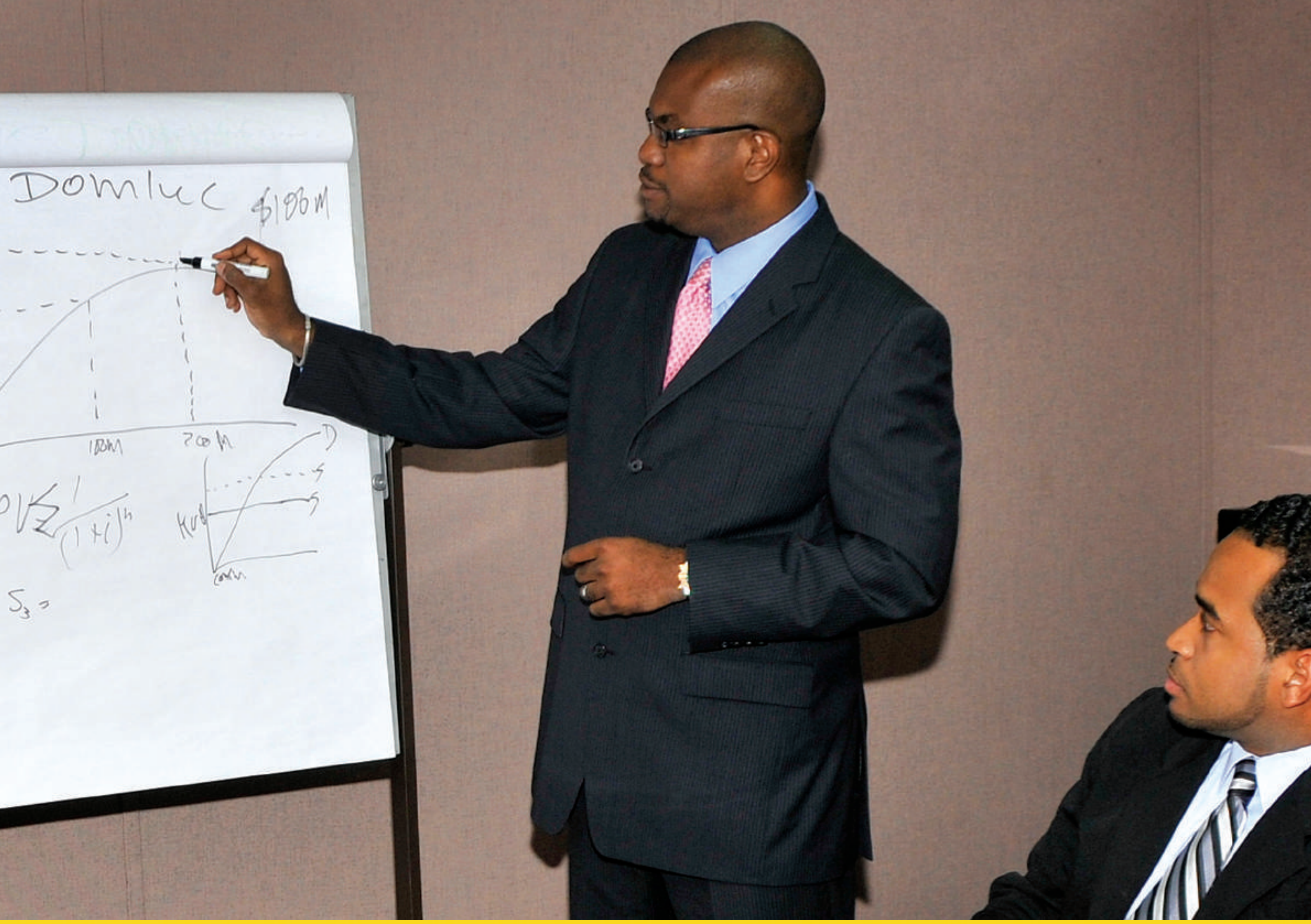


Advanced Metering Infrastructure – AMI

In April 2008 the company launched an AMI pilot project using smart metering technology from two of the industry leaders – Elster Electricity, LLC and Itron Inc. The objective of the project is to investigate whether this technology can work effectively in the Dominica environment. The results of the project were very encouraging and confirmed emphatically that both customers and Domlec can benefit significantly from the use of smart metering. Areas of potential benefits include and are not limited to:

- Accelerated outage restoration
- Effective power quality monitoring
- Elimination of estimated bills
- 100% accurate meter readings
- Electricity theft detection
- Remote disconnect and reconnect

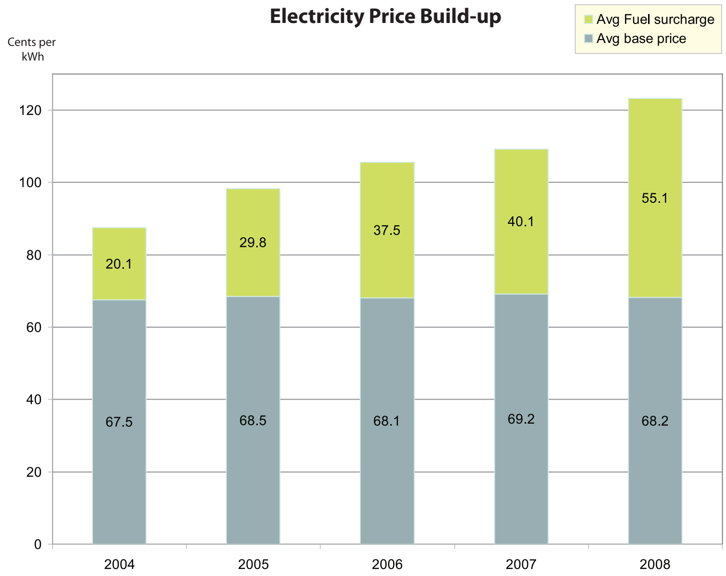
The company is at present evaluating the project findings and developing a strategy that best suits the unique circumstances in Dominica.



MORE POWER TO GROW BUSINESS

Electricity Theft

Seventeen cases of illegal diversion of electricity were discovered during 2008. The revenue recovered from these cases was $25,929.62 from 20,861 kWh billed. Among these was a cluster of five found in one village in August/ September. Several of the cases were prosecuted at the Magistrate Courts. The act of electricity theft is an offence which carries a maximum fine of five thousand dollars and twelve months imprisonment. The company would like to encourage the general public to report all suspected cases of electricity theft. Not only is electricity theft likely to cause the price of electricity to be higher for all honest customers, but it poses a potential hazard to innocent members of the offender's household and to the general public.



Non-technical Losses

The non-technical component of the loss reduction programme started unofficially in late 2006 and had some immediate successes which were used as a launching pad for the official programme in 2007 and 2008. We are pleased to report that the company exceeded the targets set for both years. Further details are provided later in this report. Those involved in the programme deserve special commendation for their hard work and commitment, which made this achievement possible.

The Department also realized a significant improvement in the turn-around time for investigating customers' queries, which has resulted in improved service to customers.

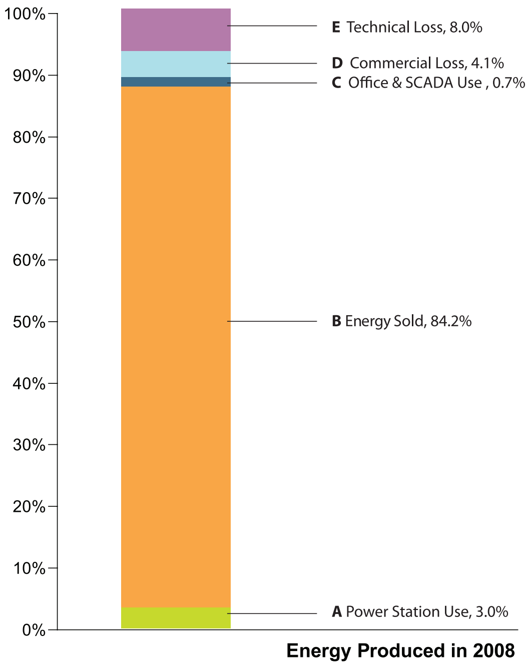
Customer Service Quality Report – ServQual

The annual service quality report for 2008 showed that customers are 69% satisfied with the company's performance. This is down from the 75% obtained in 2007. The underlying cause of the decline is believed to be the rising cost of energy in 2008. More than three out of four (78%) business customers, compared with 66% of residential customers are satisfied with company's overall performance. The annual ServQual survey is a vital tool used by management to assess public perception of the company's performance and therefore it is of strategic importance to the company in identifying areas of weakness in the service delivery chain. Domlec plans to act on the findings of the report to address the concerns of all stakeholders.

TECHNICAL OPERATIONS

General

Generation – There were modest advances in all facets of electricity production during 2008 over the previous year. The highest recorded peak demand for the year, 14.66 MW, surpassed the previous year's number by 1.1%; total energy generated, at 87.5 GWh, was 1.3% higher and the quantity of fuel used rose by 1.7% to 3.9 million imperial gallons. Overall fuel efficiency was 17.1 kWh per gallon which is an improvement over the 16.7 achieved in 2007. The absence of Padu hydro-electric station during all of 2008 due to its destruction by Hurricane Dean was primarily responsible for a 6.1% decline in total percentage of generation from hydro. This station is expected to be fully restored before the end of 2009.



Energy Produced = A+B+C+D+E
(Gross Generation)

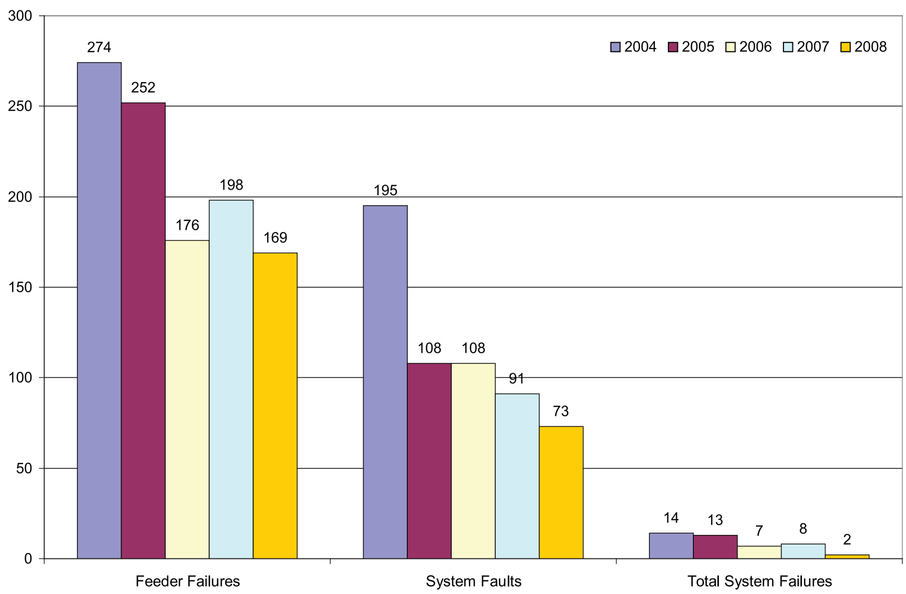
Energy Delivered = B+C+D+E
(Net Generation)

"Sellable" Energy = B+C+D
(Customer Load)

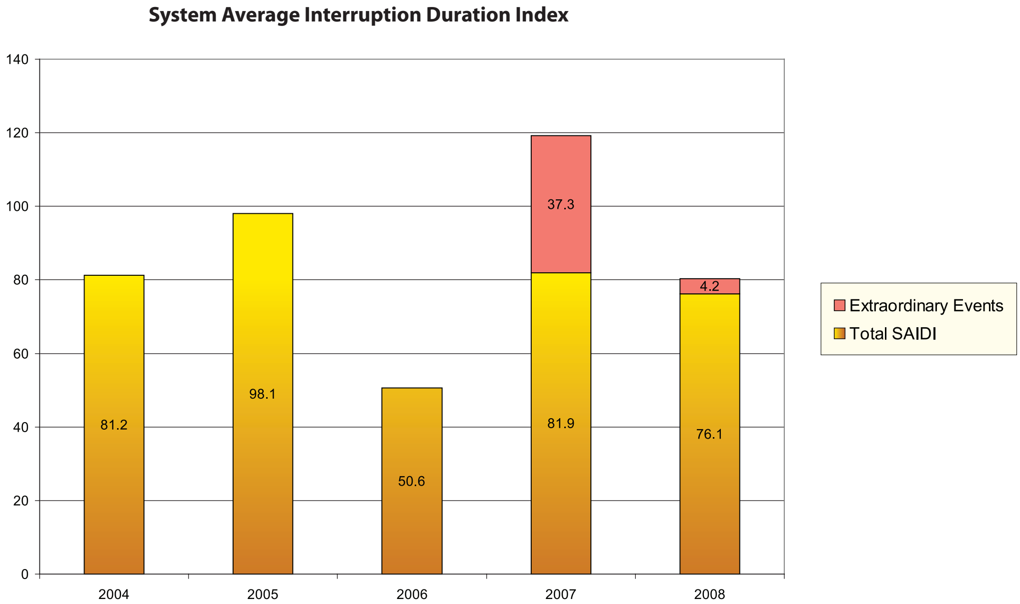
System Losses = D+E

Distribution –2008 and preceding years show a trend of progressive improvement in reliability. This is an encouraging achievement notwithstanding the setbacks encountered by hurricanes in 2007 and in the year under review. There was some load shedding carried out during the dry season of 2008 because of shortage of generating capacity and later on, heavy lightning activity also contributed to numerous transient faults during the hurricane season. However, the most significant damage occurred during the passage of Hurricane Omar on 16th October 2008. Omar created tremendous sea surges that caused damage to several structures in close proximity to the Caribbean coast. Eleven HV structures had to be rebuilt in order to restore the integrity of the network. Worst affected was the village of Scotts Head which was without power for three days primarily because the roadway leading to the village and everything on it, including the electricity poles, were totally destroyed by the pounding waves.

T&D Network Performance History



For 2008, a marked improvement in nearly all network performance indices compared with the previous year is evident. The number of feeder failures and other supply interruptions, including scheduled outages all showed a decline as a result of improved preventive maintenance techniques and outage management through better work consolidation.



Overhaul of Fond Cole #5

One of the major achievements for the year in review was the completion of a turn-key 40,000 hour overhaul of Fond Colé #5, the largest of Domlec's thermal generating units. As part of this rehabilitation exercise, a technical investigation was conducted to determine the root cause of the chronic under performance of this engine. The engineering consultants who carried out the investigation reported the discovery of a defect in the crankshaft alignment that will limit the maximum continuous output of this Caterpillar 3612 engine to 2.1 MW for the foreseeable future, i.e. 74% of its nameplate rating. However, in spite of the down time, the unit was able to achieve satisfactory load performance (the 2nd highest annual energy production) and fuel efficiency.

Installation of new MAN Gensets

In August 2008 work commenced at the Fond Colé site on the installation of three 1.4 MW medium speed, heavy-fuel-capable, diesel generating sets. The engines arrived in October and by year's end satisfactory progress had been reported towards the scheduled commissioning date of early 2009. These MAN generators will contribute significantly towards the total installed capacity, thereby improving the reliability of the supply, particularly during the dry season when there is diminished output from the hydro. They are also expected to give a welcome boost to the overall fuel efficiency, as they will displace a sizeable amount of production from less efficient aging diesel plant and high speed units.

New medium speed generating sets at Fond Cole.

Restoration of Padu

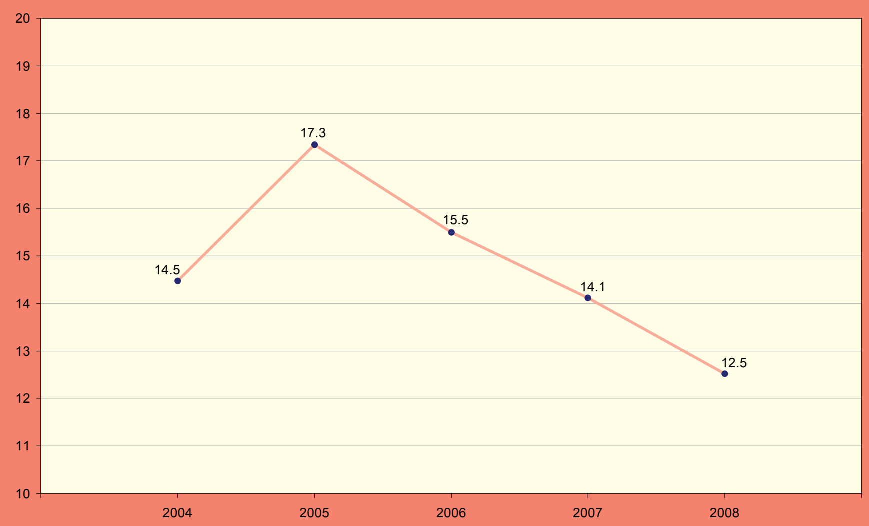
Following the settlement of insurance claims, work commenced in earnest on the refurbishment of the hurricane-damaged Padu Power Station. Firstly, the building was restored in order to have the gantry crane operational. Secondly, the main generators were dismantled and inspected by contractors Gilbert Gilkes & Gordon the manufacturers of the original mechanical plant. Reusable components were crated and shipped to the contractors' works in the UK for refurbishment and the other parts were discarded. The restoration time has been somewhat protracted due to the long waiting period for procuring new electrical machines, because of substantial backlog orders with manufacturers.

System Loss Management

The project phase of the loss reduction programme started in 2006 came to an end in December 2008 after recording steady progress during the year under review. The combined efforts of the two teams working on the technical and commercial components resulted in a continued steady decline in system losses. At the end of 2008 overall losses stood at 12.5% of net generation; the lowest value ever recorded in the company's history. Contributions to this result came from several interventions undertaken as part of the technical component of the programme including:

- installation of 2,000 kVAr of additional capacitors including some switched units,
- optimizing of transformer sizing,
- reconductoring of 27 kilometres of secondary lines,
- removal of bottlenecks on the primary distribution network,
- phase balancing and
- upgrading of selected secondary circuits from single to three phase

System Losses (%)



Meanwhile significant strides were made by the crew engaged in tackling the non-technical aspect of loss reduction. Building on their early successes at the start of the programme, the Commercial Department field personnel conducted the following activities:

- Decrease of service order backlog,
- Investigation of electricity diversion,
- Investigation of AMI and launch of a pilot project,
- Standardization of meters,
- Significant improvement in database accuracy,
- Correction of multiplier errors and other metering faults,
- Development of a metering policy

With continued effort and keen vigilance continued reduction in losses is anticipated in the coming years.

AM / FM / GIS

At the completion and verification of the meter capture phase in December, the GIS Website was launched. The GIS database is now available to help improve the operations of the company by providing map based information on company assets. The next phase of the programme will realise the training of key members of staff across the company in the use and application of the software.

Renewable Energy Development

Wind – The wind resource assessment initiatives continued during the year in review with the main focus of activity being the identification, screening and negotiation of lease agreements for sites with good potential for wind energy production. This proved to be quite challenging due to the prevalence of very small parcels of land, a scarcity of "buildable" sites because of geographic and transport challenges and hard-to-find land ownership information. The presence of forest reserves, active volcanic areas and aesthetic issues are further constraints.

The company is in the initial stages of securing leases at sites in the north, north-east and south of the island. More than two years of wind data have been logged from the 50m met tower installed at Tarou in 2006. Although the numbers show a less-than-expected resource at that location, the true value of the data is in its potential use as reference data for other more viable sites. Two additional met towers have been ordered for placement at the most promising sites.

Hydro – In addition to assessing the feasibility of expanding Padu Power Station, Domlec is looking at the possibility of exploiting resources from other rivers. To these ends, three sets of stream gauging equipment have been ordered as part of a hydrological resource assessment project. Target rivers will be identified from previous studies.

Geothermal – Domlec continues to pursue all opportunities in the area of geothermal generation, including constructive engagement with international proponents to geothermal prospecting licensees such as West Indies Power and CFG. Drilling risk mitigation continues to be a major consideration.

INFORMATION TECHNOLOGY

Business Continuity /Virtual Infrastructure

In 2008 the company introduced the Virtual Infrastructure technology into its disaster recovery plan. The aim of this type of complex infrastructure is to help the company more quickly and effectively retrieve data after a disaster. The physical servers are being converted to virtual servers to be located at two sites, a production site at Head Office and a recovery site at the Engineering Complex. The production site which contains a powerful (ESX) production server that houses all the virtual machines has been completed. There will be real time data replication between the two sites, which means any changes made to a virtual server on one site will be reflected at the other. In 2009 IT will continue the development of the disaster recovery infrastructure to completion.

Voice over IP Telephone System

For several years there have been complaints by customers and employees about the inadequacy of the telephone service at Domlec. After due consideration of all the contributing factors, the company embarked on a search for a lasting solution to the problem. The objective was to find an appropriate and affordable telephone system which would be manageable and which would work seamlessly over Domlec's corporate network. IT examined several systems on the market and pursued a detailed and careful evaluation for selection of a suitable product. A test system consisting of eight IP phones and a live server was deployed in a test phase that was conducted for a period of six months involving several users at different office locations. From all results the test phase was a success. The new VOIP system is expected to bring about major cost savings for the company particularly in respect of rental costs, cellular and overseas calls.

Prepaid Software Upgrade

Domlec's current prepaid software will soon be replaced by a new software called JUICE. This software is an improvement over the current one and is expected to correct the limitations experienced with it. The software will also improve the third party bill payment process. It will be able to handle online transactions such as the purchase of power and the payment of bills. Most importantly, it can handle the anticipated increase in traffic from the growing number of prepaid customers well into the future.

HUMAN RESOURCES AND ADMINISTRATION

Human Resource Development

Participation in 72 training workshops/courses/seminars resulted in 142 employees learning new skills or upgrading their existing skill level. This figure represents 72% of the organisation's human resource base. The following table provides greater detail:

SECTION	NUMBER OF EMPLOYEES
Operations	103
Accounts & Finance	6
Commercial	23
H R & Admin.	10
TOTAL	142

To create a proactive health & safety culture, a Health & Safety Committee was established with the assignment of thirteen safety representatives who have been deployed at various sections of the organisation. This has resulted in timelier reporting of identified problem areas, and faster resolution of these situations.

Donation to Grotto Home for the Homeless.

POWER IN COMMUNITY

Domlec's generosity continued throughout 2008 with a number of groups and organisations benefiting from the openhandedness of the company. The company continued its focus on giving back to the less fortunate in society and investing in education, sports and culture. Substantial contributions were made for the construction of a two bedroom timber house for Muriel Abraham and her family of 8 in the community of Grand Fond. Through collaboration with the Christian Children's Fund, $35,000 was spent on that project. A further $35,000 was presented to the Private Sector Foundation for Health, representing the company's annual donation to that organisation.

In 2008 when the island celebrated 'Reunion', Domlec felt the need to be part of the activities and showed support for various events. $10,000 was allocated for the hosting of the first ever Book Fair and Literary Festival, and $10,000 was made available to the Dominica Festivals Commission towards the staging of the World Creole Music Festival. Additionally, the company provided funds for other Reunion events including: Teenage Pageant $11,600, Convent Prep School band $5,000, Miss Wob Dwiyet Show $10,600.

Emphasis was also placed on sports as the company maintained its good relationship with the Primary Schools Softball Cricket Programme. Sponsorship worth $18,000 was made to that activity which is benefiting all primary school students around the island. Domlec Women's Football League received support in the sum of $11,000. Other major sports sponsorships were made to the Dominica Volleyball Association, the Trafalgar Football League, the Domlec X-men Basketball Team, and the Shockers basketball team.

The company's interest in education was manifested through a contribution of $10,000 to the Education Trust Fund. The plight of the homeless and needy also featured highly on the company's list of priorities. Among a number of other groups receiving customary support was the Grotto Home for the Homeless that received its annual donation of $10,200.

The company's public education initiative continued with the weekly radio programme "Powertalk". Customers were kept abreast of the impact of the cost of fuel on electricity bills, as well as other developments within the company through full page advertisements in the print media, radio shows and television interviews.

Our presence was also evident at "Career Day" organised by the Dominica Grammar School and the Grand Bay Secondary School and at DOWASCO's "Water Week" exposition.

Donation to Ginja Pre-School.

MORE POWER TO LOOK AFTER LIFE

PRICEWATERHOUSECOOPERS

PriceWaterhouseCoopers
Pointe Seraphine
P.O.Box 195
Castries
St. Lucia, West Indies
Telephone (758) 456-2600
Facsimile (758) 452-1061

March 3, 2009

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF DOMINICA ELECTRICITY SERVICES LIMITED

We have audited the accompanying balance sheet of **Dominica Electricity Services Limited** (the Company) as of December 31, 2008 and the related statements of income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Company as of December 31, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

DOMINICA ELECTRICITY SERVICES LIMITED

BALANCE SHEET

AS AT DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

	2008 $	2007 $
Assets		
Current assets		
Cash and cash equivalents *(Note 5)*	**2,325,808**	234,979
Trade and other receivables *(Note 6)*	**17,691,802**	15,017,253
Inventories *(Note 7)*	**12,089,876**	8,610,944
	32,107,486	23,863,176
Capital work-in-progress (Note 8)	**21,383,638**	636,452
Property, plant and equipment *(Note 9)*	**90,355,646**	88,511,066
Total assets	**143,846,770**	113,010,694
Liabilities		
Current liabilities		
Borrowings *(Note 10)*	**7,890,284**	6,167,014
Trade and other payables *(Note 11)*	**14,106,263**	7,026,789
Income tax payable	**1,508,967**	863,813
Due to related party *(Note 12)*	**295,279**	171,747
	23,800,793	14,229,363
Borrowings *(Note 10)*	**43,327,621**	28,159,458
Deferred tax liabilities *(Note 13)*	**14,501,636**	14,692,113
Other non-current liabilities *(Note 14)*	**7,270,456**	6,730,252
Capital grants *(Note 15)*	**1,484,131**	1,779,033
Total liabilities	**90,384,637**	65,590,219
Equity		
Share capital *(Note 16)*	**10,417,328**	10,417,328
Retained earnings	**43,044,805**	37,003,147
Total equity	**53,462,133**	47,420,475
Total liabilities and equity	**143,846,770**	113,010,694

Approved by the Board of Directors on March 3, 2009

DIRECTOR

DIRECTOR

DOMINICA ELECTRICITY SERVICES LIMITED

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

	2008 $	2007 $
Revenue		
Energy sales	**50,265,339**	49,396,615
Fuel surcharge *(Note 21)*	**40,600,738**	28,627,183
Other revenue	**658,534**	698,243
	91,524,611	78,722,041
Direct expenses *(Note 19)*		
Fuel cost	**47,254,920**	35,094,796
Operating costs	**13,601,257**	12,260,675
Depreciation	**7,295,113**	6,628,356
Maintenance	**4,787,848**	6,042,862
	72,939,138	60,026,689
Gross profit	**18,585,473**	18,695,352
Administrative expenses *(Note 19)*	**9,213,438**	7,423,813
Other (income)/expenses, net *(Note 22)*	**(2,440,692)**	336,806
	6,772,746	7,760,619
Operating profit	**11,812,727**	10,934,733
Finance costs *(Note 23)*	**2,434,739**	2,240,194
Profit before income tax	**9,377,988**	8,694,539
Income tax *(Note 24)*	**(1,773,731)**	(2,615,591)
Profit for the year	**7,604,257**	6,078,948
Earnings per share for profit attributable to the equity holders of the Company during the year *(Note 25)* **- basic and diluted**	**0.73**	0.58

DOMINICA ELECTRICITY SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

	2008 $	2007 $
Share capital		
At beginning and end of year *(Note 16)*	**10,417,328**	10,417,328
Retained earnings		
At beginning of year	**37,003,147**	32,486,798
Profit for the year	**7,604,257**	6,078,948
Dividends *(Note 17)*	**(1,562,599)**	(1,562,599)
At end of year	**43,044,805**	37,003,147
Equity, end of year	**53,462,133**	47,420,475

DOMINICA ELECTRICITY SERVICES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

	2008	2007
	$	$
Cash flows from operating activities		
Profit before income tax	**9,377,988**	8,694,539
Adjustments for:		
Depreciation *(Note 9)*	**7,295,113**	6,628,356
Finance costs *(Note 23)*	**2,434,739**	2,240,194
(Gain)/loss on disposal of plant and equipment *(Note 22)*	**(1,934,127)**	716,361
Amortisation of capital grants *(Notes 15 and 22)*	**(294,902)**	(437,506)
Unrealised foreign exchange (gains)/losses	**(59,469)**	108,468
Operating profit before working capital changes	**16,819,342**	17,950,412
(Increase)/decrease in trade and other receivables	**(2,674,549)**	477,349
(Increase)/decrease in inventories	**(3,478,932)**	979,566
Increase/(decrease) in trade and other payables	**7,079,474**	(1,451,127)
Increase in due to related party	**123,532**	40,546
Cash generated from operations	**17,868,867**	17,996,746
Finance costs paid	**(2,522,120)**	(2,238,912)
Income tax paid	**(1,319,054)**	(2,867,725)
Net cash provided by operating activities	**14,027,693**	12,890,109
Cash flows from investing activities		
Increase in capital work-in-progress *(Note 8)*	**(23,113,068)**	(4,434,947)
Purchase of property, plant and equipment *(Note 9)*	**(8,778,004)**	(6,099,310)
Proceeds on disposal of property, plant and equipment	**3,938,320**	98,865
Net cash used in investing activities	**(27,952,752)**	(10,435,392)
Cash flows from financing activities		
Proceeds from borrowings	**21,804,827**	3,953,000
Repayment of borrowings	**(3,352,905)**	(6,639,344)
Dividends paid *(Note 17)*	**(1,562,599)**	(1,562,599)
Increase in other non-current liabilities	**540,204**	1,010,873
Net cash provided by/(used in) financing activities	**17,429,527**	(3,238,070)
Net increase/(decrease) in cash and cash equivalents	**3,504,468**	(783,353)
Cash and cash equivalents, beginning of year	**(2,329,148)**	(1,545,795)
Cash and cash equivalents, end of year *(Note 5)*	**1,175,320**	(2,329,148)

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

1 GENERAL INFORMATION

Dominica Electricity Services Limited (the Company) was incorporated as a public limited liability company in the Commonwealth of Dominica on April 30, 1975.

The Company operates in a fully liberalised sector under the newly enacted 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 Company is listed on the Eastern Caribbean Securities Exchange and falls under the jurisdiction of the Eastern Caribbean Regulatory Commission.

Dominica Private Power Ltd., a company incorporated in the Turks and Caicos Islands owns 52% of the issued shares capital of the Company, the Dominica Social Security owns 21% and 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

BASIS OF PREPARATION

The financial statements of Dominica Electricity Services Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) 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.

Interpretations effective in 2008 but not relevant to the Company

The following interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but they are not relevant to the Company's operations:

- IFRIC 11, *'IFRS 2 - Group and treasury share transactions';*
- IFRIC 12, *'Service concession arrangements'; and*
- IFRIC 14, *'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'.*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES …*continued*

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2009 or later periods but the Company has not early adopted them:

- IAS 1 (Revised), *'Presentation of financial statements'* (effective from January 1, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply IAS 1 (Revised) from January 1, 2009.

- IAS 1 (Amendment), *'Presentation of financial statements'* (effective from January 1, 2009). The amendment is part of the International Accounting Standards Board's (IASB) annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities, respectively. The Company will apply the IAS 39 (Amendment) from January 1, 2009. It is not expected to have an impact on the Company's financial statements.

- IAS 19 (Amendment), *'Employee benefits'* (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The Company will apply the IAS 19 (Amendment) from January 1, 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES …*continued*

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company…*continued*

- IAS 20 (Amendment), *'Accounting for government grants and disclosure of government assistance'* (effective from January 1, 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. The Company will apply the IAS 20 (Amendment) from January 1, 2009.

- IAS 23 (Amendment), *'Borrowing costs'* (effective from January 1, 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company will apply IAS 23 (Amendment) retrospectively from January 1, 2009.

- IAS 23 (Amendment), *'Borrowing costs'* (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Company will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from January 1, 2009.

- IAS 32 (Amendment), *'Financial instruments: Presentation',* and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from January 1, 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Company will apply the IAS 32 and IAS 1 (Amendment) from January 1, 2009, but is not expected to have any impact on the Company's financial statements.

- IAS 36 (Amendment), *'Impairment of assets'* (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from January 1, 2009.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES …*continued*

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company…*continued*

- IAS 39 (Amendment), *'Financial instruments: Recognition and measurement'* (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

- The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

- The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, 'Operating segments' which requires disclosure for segments to be based on information reported to the chief operating decision maker.

- When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The Company will apply the IAS 39 (Amendment) from January 1, 2009. It is not expected to have an impact on the Company's statement of income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *…continued*

Standards, amendments and interpretations to existing standards that are not yet effective and not relevant to the Company's operations

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2009 or later periods but are not relevant for the Company's operations:

- IFRS 1 (Amendment), *'First time adoption of IFRS'* and IAS 27 *'Consolidated and separate financial statements'* (effective from January 1, 2009);
- IFRS 2 (Amendment), *'Share-based payment'* (effective from January 1, 2009);
- IFRS 3 (Revised), *'Business combinations'* (effective from July 1, 2009);
- IFRS 5 (Amendment), *'Non-current assets held for sale and discontinued operations'* (and consequential amendment to IFRS 1, *'First-time adoption'*) (effective from July 1, 2009);
- IAS 16 (Amendment), *'Property, plant and equipment'* (and consequential amendment to IAS 7, *'Statement of cash flows'*) (effective from January 1, 2009);
- IAS 27 (Amendment), *'Consolidated and separate financial statements'* (effective from January 1, 2009);
- IAS 28 (Amendment), *'Investments in associates'* (and consequential amendments to IAS 32, *'Financial Instruments: Presentation'* and IFRS 7, *'Financial instruments: Disclosures'*) (effective from January 1, 2009);
- IAS 29 (Amendment), *'Financial reporting in hyperinflationary economies'* (effective from January 1, 2009);
- IAS 31 (Amendment), *'Interests in joint ventures'* (and consequential amendments to IAS 32 and IFRS 7) (effective from January 1, 2009);
- IAS 38 (Amendment), *'Intangible assets',* (effective from January 1, 2009);
- IAS 40 (Amendment), *'Investment property'* (and consequential amendments to IAS 16) (effective from January 1, 2009);
- IAS 41 (Amendment), *'Agriculture'* (effective from January 1, 2009);
- IFRIC 13, *'Customer loyalty programmes'* (effective from July 1, 2008);
- IFRIC 15, *'Agreements for construction of real estates'* (effective from January 1, 2009); and
- IFRIC 16, *'Hedges of a net investment in a foreign operation'* (effective from October 1, 2008).

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdraft. The bank overdraft is shown within borrowings in current liabilities on the balance sheet.

TRADE RECEIVABLES

Trade receivables are carried at fair value and subsequently measured at amortised cost using effective interest method, less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the future collectible amount. The carrying amount of the asset is reduced through the use of allowance account, and the amount of the loss is recognized in the statement of income within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against administrative expenses in the statement of income.

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *…continued*

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Allowance is made for obsolete, slow-moving and damaged goods.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly generation plants and offices. Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and are put into use. Depreciation on other assets is calculated using the straight- line method to allocate their cost to their residual lives over their estimated useful lives, as follows:

Buildings, headworks and pipelines	2 1/2 - 3 1/3%
Generator transmission and distribution	4 - 10%
Motor vehicles	14 - 20%
Furniture and fittings	12 1/2 - 33 1/3%

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example land are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *...continued*

TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

BORROWINGS AND BORROWING COSTS

Borrowings are recognised initially at proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

INCOME TAXES

(a) Current tax

The current income tax expense is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The principal temporary differences arise mainly from depreciation on property, plant and equipment and capital grants.

CAPITAL WORK-IN-PROGRESS

Capital work-in-progress is recorded at cost less impairment losses. The cost of completed work is transferred to property, plant and equipment upon completion.

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *…continued*

CONSUMERS' CONTRIBUTIONS

In certain specified circumstances, consumers requiring line extensions are required to contribute the estimated capital cost of the extension. These contributions are recorded as deferred revenue and the actual cost incurred is capitalized in property, plant and equipment.

CONSUMERS' DEPOSITS

Given the long-term nature of the customer relationship, consumers' deposits are shown in the balance sheet as non-current liabilities (i.e., not likely to be repaid within twelve months of the balance sheet date).

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

CAPITAL GRANTS

Capital grants represent the fair value of fixed assets donated to the Company. The amount is amortised over the estimated useful lives of the respective assets.

SHARE CAPITAL

Ordinary shares are classified as equity.

DIVIDENDS

Dividends on ordinary shares are recorded in the Company's financial statements in the same period that it is approved by the Company's shareholders.

REVENUE AND EXPENSE RECOGNITION

Revenues comprise the fair value for the sale of energy. Revenue is recognized as follows:

(a) Sale of energy

Revenue from energy sales is based on meter readings which are carried out on a rotational basis throughout each month. A provision based on number of days unbilled accounts of the current month's billings, excluding the fuel surcharge is made to record unbilled energy sales at the end of each month. The provision for unbilled sales is included in accrued income.

In addition to the normal tariff rates charged for energy sales, a fuel surcharge is calculated which is based on the difference between the actual cost of fuel per unit used to generate energy sales in the current month and the statutory established base price of fuel per unit. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month. The provision for unbilled fuel surcharge is included in accrued income.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Other income

Other income is recorded on an accrual basis.

Cost and expenses are recognised as incurred.

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *…continued*

EMPLOYEE BENEFITS

(a) Pension

The Company contributes to a defined contribution plan for all employees subscribing to the Plan. The assets of the Plan are held separately. The pension plan is funded by payments from participating employees and the Company. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Company contributes 3% of each of the individual employee's monthly salary while the employee contributes a minimum of 3% of his/her monthly salary.

The Company pays its contribution to a privately administered pension insurance plan on a contractual basis. The Company has no further payment obligation once the contribution has been paid. The contributions for the year are expensed when incurred.

(b) Termination benefits

Termination benefits are payable when employment is terminated prior to the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Eastern Caribbean dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *...continued*

PROVISIONS

Provisions, if any, are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Interest expense is included in finance cost in the statement of income.

CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of the outflow of resources embodying the economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

SUBSEQUENT EVENTS

Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the Company's financial statements. Post year-end events that are not adjusting events are disclosed when material to the financial statements, if any.

COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risk: market risks (including foreign exchange, price risk and cash flow and fair value interest rate risk) credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the Finance department. The Board of Directors is involved in the Company's overall risk management providing guidance on matters such as market risk, credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Company trades internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars, Euros and the Canadian dollar. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since July 1976. Foreign exchange risk arises from future commercial transactions or recognized assets or liabilities.

3 FINANCIAL RISK MANAGEMENT *…continued*

(a) Market risk*…continued*

(i) Foreign exchange risk…continued

The Management has set up 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 transactions and recognized assets and liabilities, the Company attempts to enter into transactions that are based primarily in United States dollars. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Company's functional currency.

At December 31, 2008, if the currency had weakened/strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been $56,833 (2007 - $30,916) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Euro denominated borrowings.

(ii) Cash flow and fair value 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 exposes the Company to cash flow interest rate risk. Similarly, such facilities issued at fixed rates do not expose the Company to fair value interest rate risk. At year end all the Company's facilities were issued at fixed rates and as such have no significant fair value interest rate risk.

(iii) Price risk

Price risk arises primarily from exposure to equity securities, as the Company holds no such instruments it has no price risk exposure at December 31, 2008.

(b) Credit risk

Credit risk arises from cash and cash equivalents held with financial institutions, as well as credit exposure to customers, including receivables and committed transactions. The Company's bank deposits are placed with financial institutions which has developed a good reputation over the years. Within the immediate region, there are no credit rating mechanisms for financial institutions. The Company assesses the credit quality of its receivables by taking into account the individual customer's rating, past experience and other factors. Individual risk limits are set based on management credit policies. Management performs periodic credit evaluations of its customers' financial condition and does not believe that significant credit risk exists at December 31, 2008.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Company attempts to maintain flexibility in funding by maintaining availability under committed credit facilities coupled with support from its related parties.

Management monitors the Company's liquidity position on the basis of expected cash flow.

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

3 FINANCIAL RISK MANAGEMENT …*continued*

(c) Liquidity risk…*continued*

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months is estimated to equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $
At 31 December, 2008				
Borrowings	9,382,642	17,682,220	26,137,872	7,260,520
Trade payables	14,106,263	–	–	
Consumers' deposits	–	–	–	3,578,061
	23,488,905	17,682,220	26,137,872	10,838,581
At 31 December, 2007				
Borrowings	5,567,041	10,660,430	14,599,190	8,897,283
Trade payables	7,026,789	–	–	–
Consumers' deposits	–	–	–	3,896,175
	12,593,830	10,660,430	14,599,190	12,793,458

CAPITAL RISK MANAGEMENT

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

3 FINANCIAL RISK MANAGEMENT *...continued*

CAPITAL RISK MANAGEMENT*...continued*

During 2008, the Company maintained a gearing ratio within the 40% range.

	2008 $	2007 $
Total borrowings *(Note 10)*	**51,217,905**	34,326,472
Less: cash and cash equivalents *(Note 5)*	**(2,325,808)**	(234,979)
Net debt	**48,892,097**	34,091,493
Total equity	**53,462,133**	47,420,475
Total capital	**102,354,230**	81,511,968
Gearing ratio	**48%**	42%

The increase in the gearing ratio during 2008 resulted primarily due to the increase in loan drawdown.

FAIR VALUE ESTIMATION

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's financial statements prepared under IFRS requires the Company to make judgment and estimates that affect the amounts reported in the financial statements and related notes. Future events may occur which may cause the judgements and assumptions used in arriving at the estimates to change. The effects of any change in judgements and estimates are reflected in the Company's financial statements as they become reasonably determinable.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS …*continued*

(a) Critical accounting estimates and assumptions…*continued*

(i) Provision for impairment of receivables

The Company maintains a provision for impairment of receivables at a level considered adequate to provide for potentially uncollectible receivables. The level of provision is evaluated by management based on experience and other factors that may affect the recoverability of these assets. If there is an objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance accounts. The amount and timing of recorded expenses for any period would therefore differ based on the judgements or estimates made. An increase in provision for impairment of receivables would increase the Company's recorded expenses and decrease current assets.

Provision for impairment of receivables amounted to $2,434,850 (2007 - $2,440,102). Trade and other receivables, net of provision for impairment of receivables amounted to $17,691,802 (2007 - $15,017,253).

(ii) Estimated useful lives

The useful life of each of the Company's property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, or other limits on the use of the asset. It is possible, however, that future results of operations could materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property, plant and equipment would increase the recorded depreciation expense and decrease non-current assets.

Property, plant and equipment, net of accumulated depreciation, amounted to $90,355,646 as of December 31, 2008 (2007 - $88,511,066).

(iii) Asset impairment

IFRS requires that an impairment review be performed when certain impairment indicators are present. In purchase accounting, estimation and judgment are used in the allocation of the purchase price to the fair market values of the assets purchases and liabilities assumed. Likewise, determining fair value of assets requires the estimation of cash flows expected to be generated from the continued use of the ultimate disposition of such assets.

Property, plant and equipment are the non-current assets that are subject to impairment testing when impairment indicators are present.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS ...*continued*

(b) Critical accounting judgements

In the process of applying the Company's accounting policies, management has made judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

(i) Financial assets and financial liabilities

IFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), timing and amount of change in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect profit or loss and equity.

Fair value of financial assets and liabilities are $19,956,290 (2007 - $15,106,028) and $60,968,385 (2007 - $38,132,219), respectively.

(ii) Contingencies

The Company' contingent liability pertains to corporate income tax, penalties and interests amounting to $6,643,047 which was assessed by the Inland Revenue Division. No provision for contingencies was recognised as of the balance sheet date *(Note 27)*.

5 CASH AND CASH EQUIVALENTS

	2008 $	2007 $
Cash at bank	**2,325,808**	230,691
Cash on hand	**–**	4,288
	2,325,808	234,979

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	2008 $	2007 $
Cash at bank and on hand	**2,325,808**	234,979
Bank overdraft *(Note 10)*	**(1,150,488)**	(2,564,127)
	1,175,320	(2,329,148)

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

6 TRADE AND OTHER RECEIVABLES

	2008 $	2007 $
Government	**3,467,459**	2,263,803
Other	**9,698,265**	8,648,457
Trade receivables, gross	**13,165,724**	10,912,260
Provision for impairment of trade receivables	**(1,834,201)**	(1,843,158)
Trade receivables, net	**11,331,523**	9,069,102
Accrued income	**1,106,474**	1,213,828
	12,437,997	10,282,930
Other receivables	**5,793,134**	5,185,063
Provision for impairment of other receivables	**(600,649)**	(596,944)
Other receivables, net	**5,192,485**	4,588,119
Prepayments	**61,320**	146,204
	17,691,802	15,017,253

The fair values of trade and other receivables approximate their carrying values.
As of December 31, 2008, trade receivables of $8,749,741 (2007 - $ 7,145,054) were fully performing.

Trade receivables that are categorized as active and are less than 30 days past due are not considered impaired. As of December 31 2008, trade receivables of $2,490,507 (2007 - $1,784,055) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008 $	2007 $
61 - 90 days	**606,428**	477,788
91 + days	**1,884,079**	1,306,267
	2,490,507	1,784,055

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

6 TRADE AND OTHER RECEIVABLES…*continued*

As of December 31, 2008, trade receivables of $1,925,476 (2007 - $1,983,151) were impaired and partially provided for. The amount of the provision was $1,834,201 as of December 31, 2008 (2007 - $1,843,158). The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2008 $	2007 $
Up to 12 months	**182,550**	279,984
Over 12 months	**1,742,926**	1,703,167
	1,925,476	1,983,151

The carrying amounts of the Company's trade and other receivables are all denominated Eastern Caribbean Dollars.

Movements on the Company's provision for impairment of trade and other receivables are as follows:

	2008 $	2007 $
At beginning of year	**2,440,102**	4,443,455
Bad debt expense/(recovery) (Note 19)	**114,811**	(1,999,912)
Written off during the year	**(120,063)**	(3,441)
At end of year	**2,434,850**	2,440,102

The creation and release of provision for impaired receivables have been included in 'Administrative expenses' in the statement of income (Note 19). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security for its receivables.

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

7 INVENTORIES

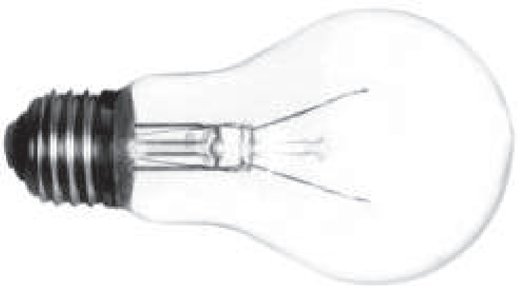
	2008 $	2007 $
Network spares	**7,540,771**	4,217,724
Generation spares	**4,768,498**	4,527,887
Fuel	**206,051**	290,555
Stationery	**94,998**	149,559
Other	**360,657**	122,221
	12,970,975	9,307,946
Provision for impairment of inventories	**(881,099)**	(697,002)
Inventories, net	**12,089,876**	8,610,944

Movements on the Company's provision for impairment of inventories are as follows:

	2008 $	2007 $
At beginning of year	**697,002**	111,360
Provision for inventory obsolescence *(Note 19)*	**195,355**	585,642
Written off during the year	**(11,258)**	–
At end of year	**881,099**	697,002

8 CAPITAL WORK-IN-PROGRESS

	2008 $	2007 $
At beginning of year	**636,452**	2,929,657
Additions	**23,113,068**	4,434,947
Transferred to property, plant and equipment *(Note 9)*	**(2,365,882)**	(6,728,152)
At end of year	**21,383,638**	636,452



DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

9 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings $	Generation, Transmission and Distribution $	Motor Vehicles $	Furniture and Fittings $	Total $
At January 1, 2007					
Cost or valuation	57,570,470	103,192,511	3,613,194	6,631,360	171,007,535
Accumulated depreciation	(23,374,433)	(56,638,145)	(2,350,940)	(5,516,831)	(87,880,349)
Net book amount	34,196,037	46,554,366	1,262,254	1,114,529	83,127,186
Year ended December 31, 2007					
Opening net book amount	34,196,037	46,554,366	1,262,254	1,114,529	83,127,186
Additions for the year	176,917	5,033,740	339,046	549,607	6,099,310
Transfer from capital work-in-progress	1,039,280	5,659,981	–	28,891	6,728,152
Disposals	–	(815,216)	(5)	(5)	(815,226)
Depreciation	(1,535,360)	(4,184,768)	(407,968)	(500,260)	(6,628,356)
Closing net book amount	33,876,874	52,248,103	1,193,327	1,192,762	88,511,066
At December 31, 2007					
Cost or valuation	58,786,667	112,197,888	3,578,638	7,121,206	181,684,399
Accumulated depreciation	(24,909,793)	(59,949,785)	(2,385,311)	(5,928,444)	(93,173,333)
Net book amount	33,876,874	52,248,103	1,193,327	1,192,762	88,511,066
Year ended December 31, 2008					
Opening net book amount	33,876,874	52,248,103	1,193,327	1,192,762	88,511,066
Additions for the year	56,355	7,661,047	447,500	613,102	8,778,004
Transfer from capital work-in-progress	102,689	2,263,193	–	–	2,365,882
Disposals	–	(2,004,190)	(3)	–	(2,004,193)
Depreciation	(1,547,520)	(4,778,930)	(426,579)	(542,084)	(7,295,113)
Closing net book amount	32,488,398	55,389,223	1,214,245	1,263,780	90,355,646
As December 31, 2008					
Cost or valuation	58,945,711	118,099,552	3,821,267	7,734,308	188,600,838
Accumulated depreciation	(26,457,313)	(62,710,329)	(2,607,022)	(6,470,528)	(98,245,192)
Net book amount	32,488,398	55,389,223	1,214,245	1,263,780	90,355,646

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

9 PROPERTY, PLANT AND EQUIPMENT…*continued*

The Company carries insurance coverage on its main assets on a group basis with two neighbouring islands' electric utility companies. The liability is limited to $100,301,850 for all property including Transmission and Distribution assets within 1,000 ft from the generating plant. Transmission and Distribution assets over 1,000 ft from the generating plant are not covered for wind and wind related perils. A catastrophe standby facility of $20,000,000 was arranged with a financial institution to cover the Transmission and Distribution assets.

Depreciation expense charged to operating expenses and administrative expenses amounted to $6,753,029 (2007 - $6,128,096) and $542,084 (2007 - $500,260), respectively.

10 BORROWINGS

	2008 $	2007 $
Current		
Bank overdraft (Note 5)	**1,150,488**	2,564,127
Bank borrowings	**6,360,964**	3,175,549
Other financial institution borrowings	**378,832**	427,338
	7,890,284	6,167,014
Non-current		
Bank borrowings	**43,133,381**	27,531,728
Other financial institution borrowings	**194,240**	627,730
	43,327,621	28,159,458
Total borrowings	**51,217,905**	34,326,472

Included in the current portion of bank borrowings is interest payable of $27,917 (2007 - $114,201). Interest expense on bank borrowings and other financial institutions amounted to $2,289,714 (2007 - $2,076,299), while interest on bank overdraft amounted to $50,170 (2007 - $71,871) *(Note 23).*

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

10 BORROWINGS...*continued*

The weighted average effective rates at the balance sheet date were as follows:

	2008 %	2007 %
Bank overdraft	**5.75**	6.25
Bank borrowings	**5.71**	6.34
Other financial institutions	**5.00**	5.00

Maturity of non-current borrowings:

	2008 $	2007 $
Between 1 and 2 years	**13,445,929**	7,959,552
Between 2 and 5 years	**22,842,264**	11,376,323
Over 5 years	**7,039,428**	8,823,583
	43,327,621	28,159,458

The bank borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over certain specific immovable properties of the Company, while the other financial institution borrowings are guaranteed by the Government of the Commonwealth of Dominica.

The carrying amounts and fair value of the non-current borrowings are as follows:

	CARRYING AMOUNT		FAIR VALUE	
	2008 $	2007 $	2008 $	2007 $
Bank borrowings	**43,133,381**	27,531,728	**38,527,224**	24,210,340
Other financial institution borrowings	**194,240**	627,730	**149,335**	556,329
	43,327,621	28,159,458	**38,676,559**	24,766,669

The fair value of the non-current borrowings are based on cash flows discounted using a rate based on the government bond rate of 10% (2007 - 7.18%).

The carrying amounts of short-term borrowings approximate their fair value.

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

10 BORROWINGS…*continued*

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	2008 $	2007 $
Eastern Caribbean dollars	**50,286,680**	32,562,977
Euros	**573,072**	1,055,068
US dollars	**358,153**	708,427
	51,217,905	34,326,472

As at December 31, 2008, the Company has unused credit facilities of $25,713,320 (2007 - $12,437,023).

	2008 $	2007 $
Trade creditors	**11,297,356**	4,794,992
Accruals	**2,169,021**	1,914,185
Other	**639,886**	317,612
	14,106,263	7,026,789

12 RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

	2008 $	2007 $
Due to related party		
WRB Enterprises Limited	**295,279**	171,747

The Company is related to the above under common control. The amount due to related party is unsecured and payable on demand.

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

12 RELATED PARTY BALANCES AND TRANSACTIONS...*continued*

Transactions with the related parties during the year were as follows:

	2008 $	2007 $
Management fees:		
WRB Enterprises Inc.	**271,690**	271,690
Dominica Social Security (Shareholder)	**67,923**	67,923
Director expenses, internal auditor costs, technical consultancies, feasibility studies, and recruitment expenses	**489,106**	352,672
Interest on borrowings	**–**	94,138

KEY MANAGEMENT COMPENSATION

Key management comprises directors, divisional management and senior management of the Company. Compensation for these individuals was as follows:

	2008 $	2007 $
Salaries and other short-term employee benefits	**1,517,635**	1,556,934
Post-employment benefits	**65,819**	58,920
	1,583,454	1,615,854

13 DEFERRED TAX LIABILITIES

Deferred tax liability is calculated on all temporary differences under the liability method using a principal tax rate of 30%. The movement on deferred tax liability is as follows:

	2008 $	2007 $
At beginning of year	**14,692,113**	14,671,384
Statement of income (credit)/charge (Note 24)	**(190,477)**	20,729
At end of year	**14,501,636**	14,692,113

The deferred tax liabilities pertain to temporary differences on the following:

	2008 $	2007 $
Accelerated capital allowance	**49,690,546**	50,521,421
Capital grants	**(1,351,759)**	(1,547,711)
	48,338,787	48,973,710

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

14 OTHER NON-CURRENT LIABILITIES

	2008 $	2007 $
Deferred revenue	**3,791,081**	2,942,030
Consumers' deposits	**3,473,847**	3,782,694
Retirement benefit plan	**5,528**	5,528
	7,270,456	6,730,252

DEFERRED REVENUE

Deferred revenue represents payments made by customers towards the cost of capital works to be undertaken by the Company in order for the customers to receive electricity. When the asset is completed and transferred to property, plant and equipment, the deferred revenue will be amortized in accordance with the depreciation rate of the asset.

CONSUMERS' DEPOSITS

Consumers requesting energy connections are required to pay a deposit, which is refundable when service is no longer required. Interest accrues on these deposits at a rate of 3% per annum. Interest of $94,855 (2007 - $92,024) was charged against income *(Note 23)*.

15 CAPITAL GRANTS

	2008 $	2007 $
At beginning of year	**1,779,033**	2,216,539
Amortisation *(Note 22)*	**(294,902)**	(437,506)
At end of year	**1,484,131**	1,779,033

16 SHARE CAPITAL

	2008 $	2007 $
Authorised:		
Ordinary shares at no par value	**15,000,000**	15,000,000
Issued and fully paid:		
10,417,328	**10,417,328**	10,417,328

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

17 DIVIDEND PAID

The Company paid a dividend of $1,562,599 (2007 - $1,562,599) to ordinary shareholders in respect of the year ended December 31, 2008.

18 DIVIDENDS PER SHARE

	2008 $	2007 $
Dividend declared and paid	**1,562,599**	1,562,599
Weighted average number of ordinary shares issued	**10,417,328**	10,417,328
Dividends per share	**0.15**	0.15

Dividends per share is computed by dividing the dividend declared and paid by the total number of outstanding shares.

19 EXPENSES BY NATURE

	2008 $	2007 $
Fuel costs *(Note 21)*	**47,254,920**	35,094,796
Employee benefit expenses *(Note 20)*	**13,623,548**	12,677,295
Depreciation *(Note 9)*	**7,295,113**	6,628,356
Equipment and line repairs and maintenance	**5,055,163**	4,923,177
Insurance	**1,668,664**	2,768,619
Legal and professional	**1,613,646**	1,272,291
Office expenses	**1,053,092**	776,689
Travel expenses	**868,509**	608,081
Commercial expenses	**751,307**	771,663
Communication	**720,117**	717,190
Public relations	**544,920**	605,029
Security	**424,581**	422,565
Bank and credit card charges	**260,383**	195,037
Provision for inventory obsolescence *(Note 7)*	**195,355**	585,642
Bad debt expense/(recovery) *(Note 6)*	**114,811**	(1,999,912)
Hurricane restoration costs	**840**	1,035,370
Other expenses	**707,607**	368,614
Total direct expenses, maintenance, operating and administrative expenses	**82,152,576**	67,450,502

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

20 EMPLOYEE BENEFIT EXPENSES

	2008 $	2007 $
Salaries and wages	**10,431,115**	10,067,516
Other staff cost	**3,192,433**	2,609,779
	13,623,548	12,677,295

21 FUEL COST

	2008 $	2007 $
Fuel cost at base price	**7,179,681**	6,441,526
Fuel surcharge	**40,075,239**	28,653,270
Total fuel cost *(Note 19)*	**47,254,920**	35,094,796
Fuel surcharge recovery	**(40,600,738)**	(28,627,183)
Net fuel cost	**6,654,182**	6,467,613

22 OTHER (INCOME)/EXPENSES, NET

	2008 $	2007 $
(Gains)/losses on disposal of plant and equipment	**(1,934,127)**	716,361
Amortisation of capital grants (Note 15)	**(294,902)**	(437,506)
Amortisation of deferred revenue	**(144,530)**	(89,734)
Foreign exchange (gains)/losses	**(67,133)**	147,685
	(2,440,692)	336,806

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

23 FINANCE COSTS

Finance costs comprise the following:

	2008 $	2007 $
Loan interest charges *(Note 10)*	**2,289,714**	2,076,299
Other interest charges *(Note 14)*	**94,855**	92,024
Overdraft charges *(Note 10)*	**50,170**	71,871
	2,434,739	2,240,194

24 TAXATION

	2008 $	2007 $
Taxation		
Current	**1,964,208**	2,594,862
Deferred (credit)/charge *(Note 13)*	**(190,477)**	20,729
	1,773,731	2,615,591

Tax on the Company's net income before tax differs from the theoretical amount that would arise using the statutory tax rate of 30% as follows:

	2008 $	2007 $
Profit before income tax	**9,377,988**	8,694,539
Tax calculated at the rate of 30%	**2,813,396**	2,608,361
Income not subject to taxation	**(1,042,585)**	(131,252)
Expenses not deductible for tax purposes	**–**	138,482
Others	**2,920**	–
Tax charge	**1,773,731**	2,615,591

DOMINICA ELECTRICITY SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31ST 2008 (Expressed in Eastern Caribbean Dollars)

25 EARNINGS PER SHARE

	2008 $	2007 $
Profit for the year	**7,604,257**	6,078,948
Weighted average number of ordinary shares issued	**10,417,328**	10,417,328
Basic and fully diluted earnings per share	**0.73**	0.58

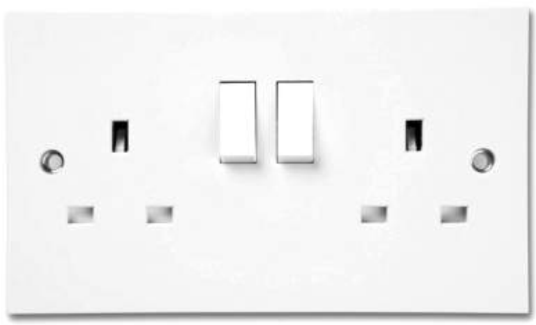
Earnings per share have been computed by dividing profit for the year by the average number of issued ordinary shares.

26 COMMITMENTS

The Company has committed to purchase products and services in the amount of $4,356,687 and $10,617,905 from a number of companies as at December 31, 2008 and 2007, respectively.

27 CONTINGENCY

The income tax filings of the Company for periods 2001 to 2004 were assessed by the Inland Revenue Division which has resulted in a revised tax liability for corporate income tax, penalties and interests in the amount of $6,643,047. The Company has objected to the Notices of Reassessment in accordance with the provisions of the Income Tax Act. No provision has been made in the financial statements, since the final outcome cannot be fully determined at the balance sheet date.



DOMINICA ELECTRICITY SERVICES LIMITED

OPERATING STATISTICS

FOR THE YEAR ENDED DECEMBER 31ST 2008

CAPACITY & DEMAND (kW)

Generating Plant Installed Capacity	2008	2007	2006	2005	2004
- Hydro	4,760	7,600	7,600	7,600	7,600
- Diesel	16,570	17,170	15,890	15,890	14,440
Total	**21,330**	24,770	23,490	23,490	22,040
Firm* Capacity					
- Hydro (Dry Season)	**2,300** [1]	3,200	3,200	3,200	3,200
- Diesel	12,330	12,930	11,650	11,650	11,600
Total	**14,630**	16,130	14,850	14,850	14,800
Peak Demand	**14,663**	14,501	14,467	14,368	13,190
Growth (%)	**1.1**	0.2	0.7	8.9	2.1
Load Factor = $\frac{\text{Average Demand}}{\text{Maximum Demand}}$	**0.68**	**0.68**	0.67	0.66	0.68

*Capacity available during normal operation in a very dry month, assuming the largest thermal unit breaks down while another is out for maintenance.

ENERGY PRODUCED (kWh X 1000)

Gross Generation	2008	2007	2006	2005	2004
- Hydro	**20,554**	21,885	27,797	27,876	33,736
- Diesel	**66,944**	64,497	57,619	55,779	45,493
Total	**87,498**	86,382	85,416	83,655	79,229
Growth (%)	**1.3**	1.1	2.1	5.6	1.0
Diesel Fuel Used in Generation					
Quantity (Imp.Gal)	**3,915,979**	3,850,914	3,368,935	3,207,976	2,620,375
Fuel Efficiency (kWh per Imp.Gal)	**17.1**	16.7	17.1	17.4	17.4

[1] *Reduction due to the temporary loss of Padu and the 'mothballing' of Old Trafalgar*

DOMINICA ELECTRICITY SERVICES LIMITED

OPERATING STATISTICS

FOR THE YEAR ENDED DECEMBER 31ST 2008

ENERGY SOLD (kWh X 1000)

	2008	2007	2006	2005	2004
- Domestic	**34,051**	33,732	34,176	33,492	33,062
- Commercial	**30,278**	28,788	26,469	24,993	24,017
- Industrial	**6,004**	5,600	5,357	5,504	5,508
- Hotel	**2,028**	2,002	2,439	2,649	2,704
- Lighting	**0**	1	0	1	1
- Street Lighting	**1,325**	1,298	1,130	1,150	1,127
Total	**73,686**	71,421	69,571	67,789	66,419
Growth (%)	**3.2**	2.7	2.6	2.1	5.9

OWN USE & LOSSES (kWh X 1000)

	2008	2007	2006	2005	2004
Power Station Use	**2,630**	2,696	2,477	1,013	968
Office Use	**559**	451	512	523	513
Losses	**10,623**	11,814	12,856	14,330	11,329
Losses (% of Gross Generation)	**12.1**	13.7	15.1	17.1	14.3
Losses (% of Net Generation)	**12.5**	14.1	15.5	17.3	14.5

NUMBER OF CUSTOMERS AT YEAR END

	2008	2007	2006	2005	2004
- Domestic	**29,183**	28,388	27,436	24,851	25,181
- Commercial	**4,287**	4,132	3,896	3,536	3,328
- Industrial	**30**	27	38	39	39
- Hotel	**429**	392	307	274	142
- Lighting	**2**	2	0	5	8
- Street Lighting	**430**	364	331	320	282
Total	**34,361**	33,305	32,008	29,025	28,980
Growth (%)	**3.2**	4.1	10.3	0.2	5.3
Number of Permanent Employees	**181**	179	175	180	185
Number of Customers per Employee	**190**	186	183	161	157

DOMINICA ELECTRICITY SERVICES LIMITED

FINANCIAL STATISTICS

FOR THE YEAR ENDED DECEMBER 31ST 2008

	2008	2007	2006	2005	2004
Energy Sold (kWh x 1000)	**73,686**	71,421	69,571	67,789	66,419
Revenue/kWh Sold (EC cents)	**123.32**	109.25	105.57	98.29	87.56
SUMMARIZED BALANCE SHEET (EC$ 000)					
Share Capital	**10,417**	10,417	10,417	10,417	10,417
Retained Earnings	**43,045**	37,003	32,487	28,051	23,145
Deferred Credits	**15,986**	16,471	16,888	17,226	17,773
Long Term Liabilities	**50,598**	34,890	35,940	35,673	33,091
	120,046	98,781	95,732	91,367	84,426
Fixed Assets (Net)	**90,356**	88,511	83,127	83,288	75,252
Capital Work in Progress	**21,384**	636	2,930	300	710
Current Assets	**32,107**	23,863	25,463	20,856	20,809
Current Liabilities	**(23,801)**	(14,229)	(15,788)	(13,077)	(12,345)
	120,046	98,781	95,732	91,367	84,426
SUMMARIZED STATEMENT OF INCOME (EC$ 000)					
EXPENSES					
Operating Expenses	**13,601**	12,261	12,608	11,669	11,158
Fuel	**47,255**	35,095	30,971	25,884	17,698
Maintenance	**4,788**	6,043	4,015	4,465	3,324
Administration	**9,213**	7,424	9,134	8,674	11,940
Depreciation	**7,295**	6,628	6,770	6,349	6,368
	82,152	67,451	63,498	57,041	50,488
OPERATING REVENUE					
Electricity Sales	**50,265**	49,397	47,384	46,458	44,837
Fuel Surcharge	**40,601**	28,627	26,063	20,171	13,321
Other	**659**	698	528	698	644
	91,525	78,722	73,975	67,327	58,802
Operating Income	**9,373**	11,271	10,477	10,286	8,313
Interest Charges	**(2,435)**	(2,240)	(2,378)	(2,689)	(3,029)
Other Charges & Credits	**1,934**	(716)	43	51	
Amortization of Capital Grants	**439**	527	764	632	632
Realised Exchange Gain (Loss)	**8**	(39)	(85)	172	(23)
Unrealised Exchange Gain (Loss)	**59**	(108)	(207)	256	(543)
Taxation	**(1,774)**	(2,616)	(2,616)	(2,535)	(1,752)
Net Income	**7,604**	6,078	5,999	6,172	3,598
Dividend	**1,563**	1,563	1,563	1,250	625
Reinvested Earnings	**6,041**	4,515	4,436	4,922	2,973
Rate Based (Average Fixed Assets)	**89,433**	85,819	83,207	79,270	76,068
Return On Average Fixed Assets	**10.48%**	13.13%	12.59%	12.98%	10.93%
Debt/Equity Ratio	**1.66**	1.35	1.55	1.65	1.79
Current Ratio	**1.35**	1.68	1.61	1.59	1.69
Collection Period (Days)	**57**	57	82	69	82