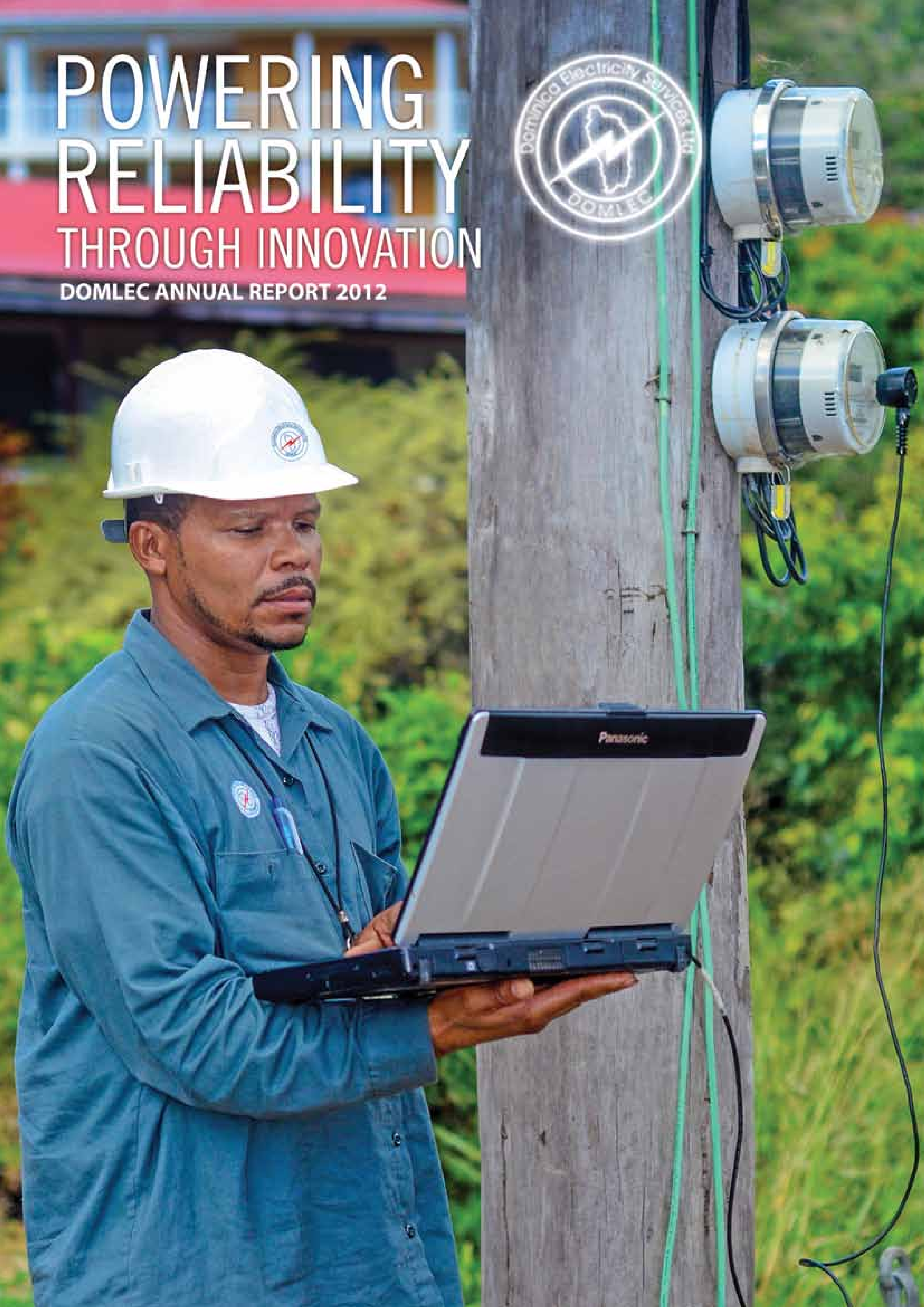
POWERING RELIABILITY
THROUGH INNOVATION
DOMLEC ANNUAL REPORT 2012



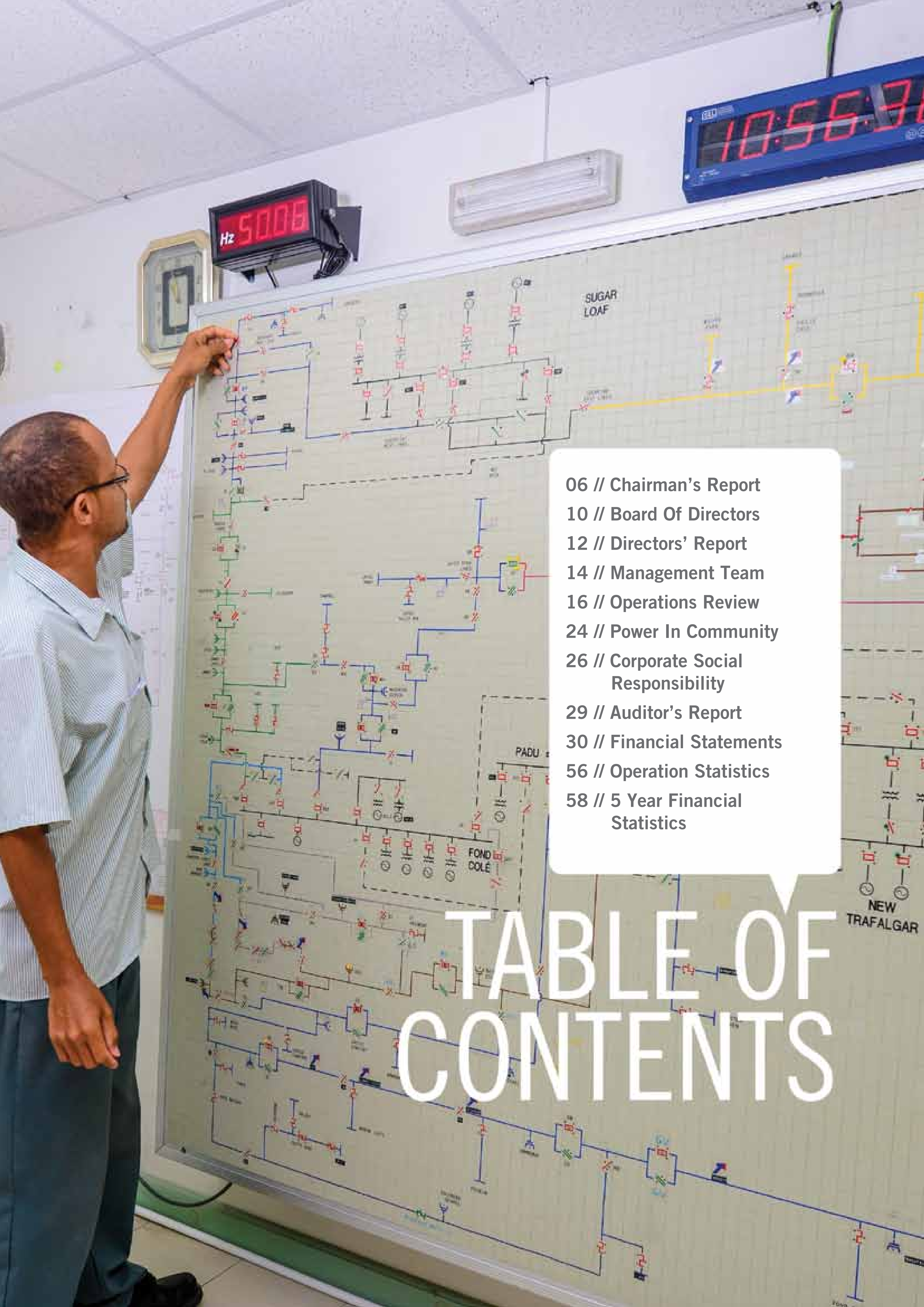
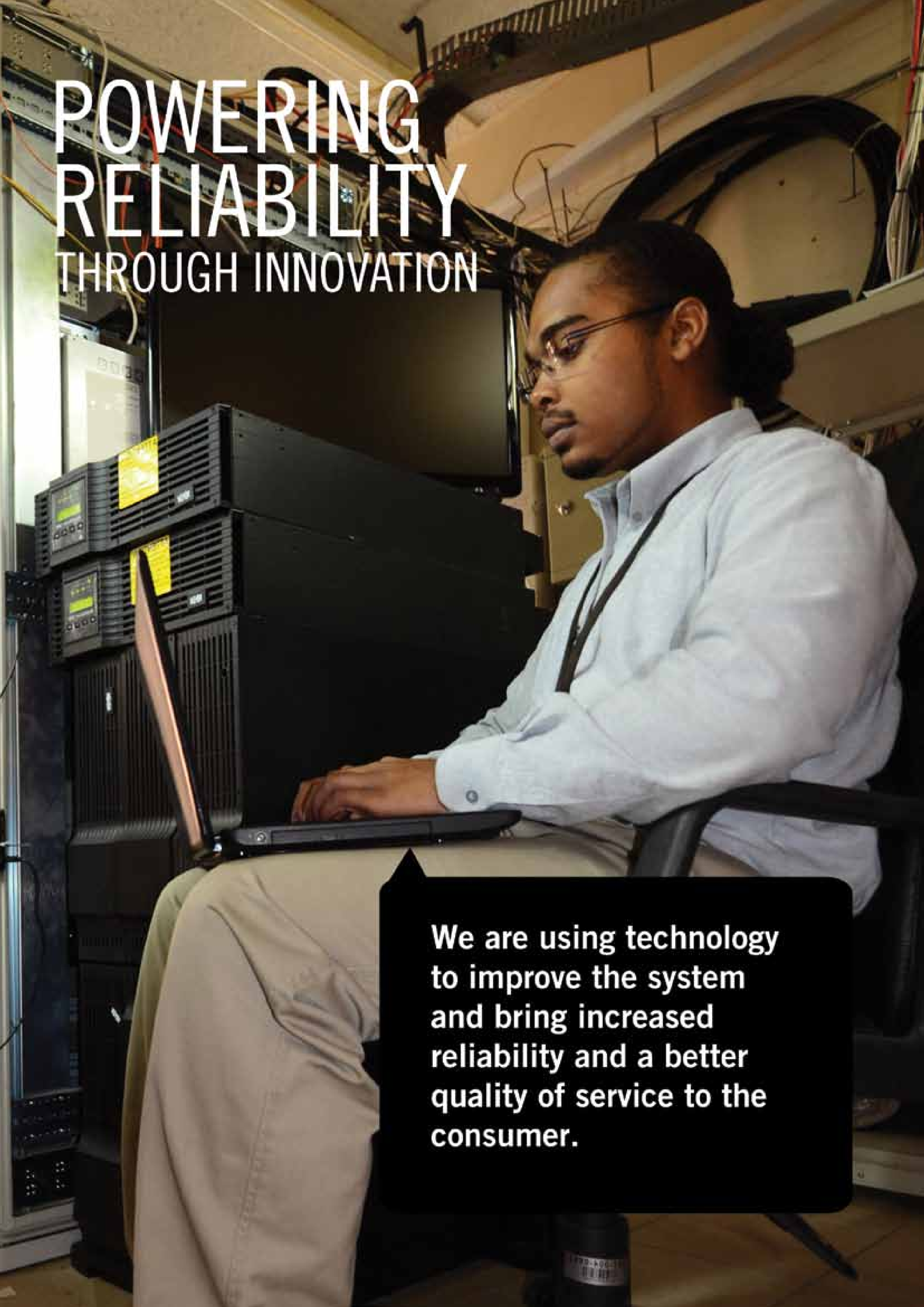


TABLE OF CONTENTS

06 // Chairman's Report
10 // Board Of Directors
12 // Directors' Report
14 // Management Team
16 // Operations Review
24 // Power In Community
26 // Corporate Social Responsibility
29 // Auditor's Report
30 // Financial Statements
56 // Operation Statistics
58 // 5 Year Financial Statistics

POWERING RELIABILITY
THROUGH INNOVATION



We are using technology to improve the system and bring increased reliability and a better quality of service to the consumer.

COMMUNITY

“Powering communities through reliable support for growth and development"

INNOVATION THROUGH LEADERSHIP

MR. ROBERT BLANCHARD JR.
CHAIRMAN

CHAIRMAN'S REPORT

OVERVIEW

2012 was a year in which the company maintained the trend of continuous improvement in the reliability and quality of the power which was produced and delivered to customers. This was achieved despite several technical challenges which had to be overcome during the year.

Sales grew by just over 1.4% when compared to 2011 and though this growth was minimal, the company fared better than many of its regional counterparts which saw a decline in sales. Despite the slight growth in sales the company recorded a better fiscal performance than in 2011 due largely to improved control of spending for both operating and capital expenses.

REGULATORY

The company entered into face to face negotiations with the Independent Regulatory Commission (IRC) for new licences in September of 2012. Being an integrated utility, the company's proffer was for a single licence which would be non-exclusive for generation but exclusive for transmission, distribution and supply. However the IRC's preference was for the issuance of two separate licences. The first a non-exclusive licence for generation and the second an exclusive licence for transmission, distribution and supply of electrical energy used in the Commonwealth of Dominica. By December 2012, sufficient agreement was reached on the terms of the licence that it was ready for the stipulated three month public consultation phase. The public consultation process ended in March 2013 to be followed shortly after by a second round of face to face negotiations before the final licences are agreed on. The agreed schedule for negotiations projects the finalisation of the licence in the third quarter of 2013.

FINANCIAL PERFORMANCE

Over the past few years management has put measures in place to tighten cost controls and ensure that all spending is justified. Consequently the company's year end results showed $8.2 million profit after tax. This fiscal discipline enabled the payment of dividends of EC$0.20 per share during the year. The Board and management are committed to making every effort to grow the business and maximise shareholder value through increased dividend payments.

Again in 2012, $2 million of the profits made was money set aside for the establishment of a self-insurance fund for the company's transmission and distribution assets. The company obtained government approval for the establishment of the fund but has been awaiting legislative enactment of the required regulations for the past year. This lack of coverage creates a significant risk that in the event of damage or destruction of these assets by a catastrophic event, the company would be hard pressed to obtain the required funding to replace them and restore the power supply to the country. This risk has been well defined in the company's submission to the Government and it is expected that the enactment of the self insurance regulations will be expedited to avert the occurrence of such a situation.

Shareholders should note that when these regulations are enacted into law the company's earnings will decrease by an expected $2 million annually as this amount will be paid into the self insurance fund.

TECHNICAL PERFORMANCE

In 2012 there were steady improvements in the key indicators which measure the company's technical performance. Of particular note was the fact that although 2012 recorded the least amount of rainfall for the past five years, the hydro units recorded the second best production in that five year period. This was achieved despite the unavailability of the New Trafalgar 2 hydro unit which suffered a failure of the rotor shaft on May 30th and remained out of service for the rest of the year. The unit was shipped to Germany to have a new rotor shaft made and installed and is expected back in service in May 2013.

As the T&D section continued to upgrade and improve the network there were continued improvements in terms of fewer interruptions to customers and system losses continued to decline - recorded at year end at 8%.

SECURITY OF FUEL SUPPLY

The company has been challenged in securing a new fuel supply contract with PDV Caribe Dominica on terms which guarantee that PDV Caribe Dominica's financial, commercial, technical and human resource obligations are secured by PDV Caribe SA its parent company. Without this guarantee, Domlec cannot be assured of the security and quality of its fuel supply which are central to fulfilling its statutory mandate to maintain an efficient and reliable supply of electricity at a reasonable price.

GEOTHERMAL DEVELOPMENT

In 2012, the price of oil rose to its highest level since 2008 and as a result the fuel surcharge portion of our customers' electricity bill increased significantly. This impacted customers negatively and suppressed sales as customers conserved to bring their costs within control. The company fully endorses and supports the Government's plans to ensure that electricity produced by geothermal energy is made available in the Commonwealth of Dominica. The company is still seeking ways to be actively engaged in the production of electricity by geothermal energy.

OTHER EVENTS

In September 2012, Mr. Malcolm Harris resigned from the Board of Directors. Mr. Harris, the former Chief Financial Officer of WRB Enterprises, was a member of the board since 2004. His contributions to the board and his warm personality will be missed. He was replaced on the board by Mr. Wayne Burks the new Chief Financial Officer at WRB Enterprises.

In the last quarter of the year Light and Power Holdings of Barbados (LPH) jointly with Dominica Private Power Ltd (DPP) announced their intention to enter into a share purchase agreement for the purchase by LPH of the majority shares of DPP in Domlec.

Light & Power Holdings is an investment company with electricity as its core business. Emera Inc., an energy and services company based in Halifax, Nova Scotia, holds an 80% equity interest in LPH. LPH's wholly-owned subsidiary, The Barbados Light & Power Company Limited, has been serving electricity customers in Barbados since 1911. LPH also holds a minority interest in St. Lucia Electricity Services Ltd. (LUCELEC). The shares of Light & Power Holdings are listed on the Barbados Stock Exchange.

As at the time of writing of this report the sale has not been finalised but it is anticipated that by the date of the annual general meeting, the shares would have been transferred.

LOOKING AHEAD

It was a pleasure being the chairman of this company from 2004 through 2013. I would like to thank the members of the board and management who have grown the company into one which has the reputation in the Caribbean for improved performance and being an industry leader in innovative technology. The company can be justifiably proud of its accomplishments over the past nine years.

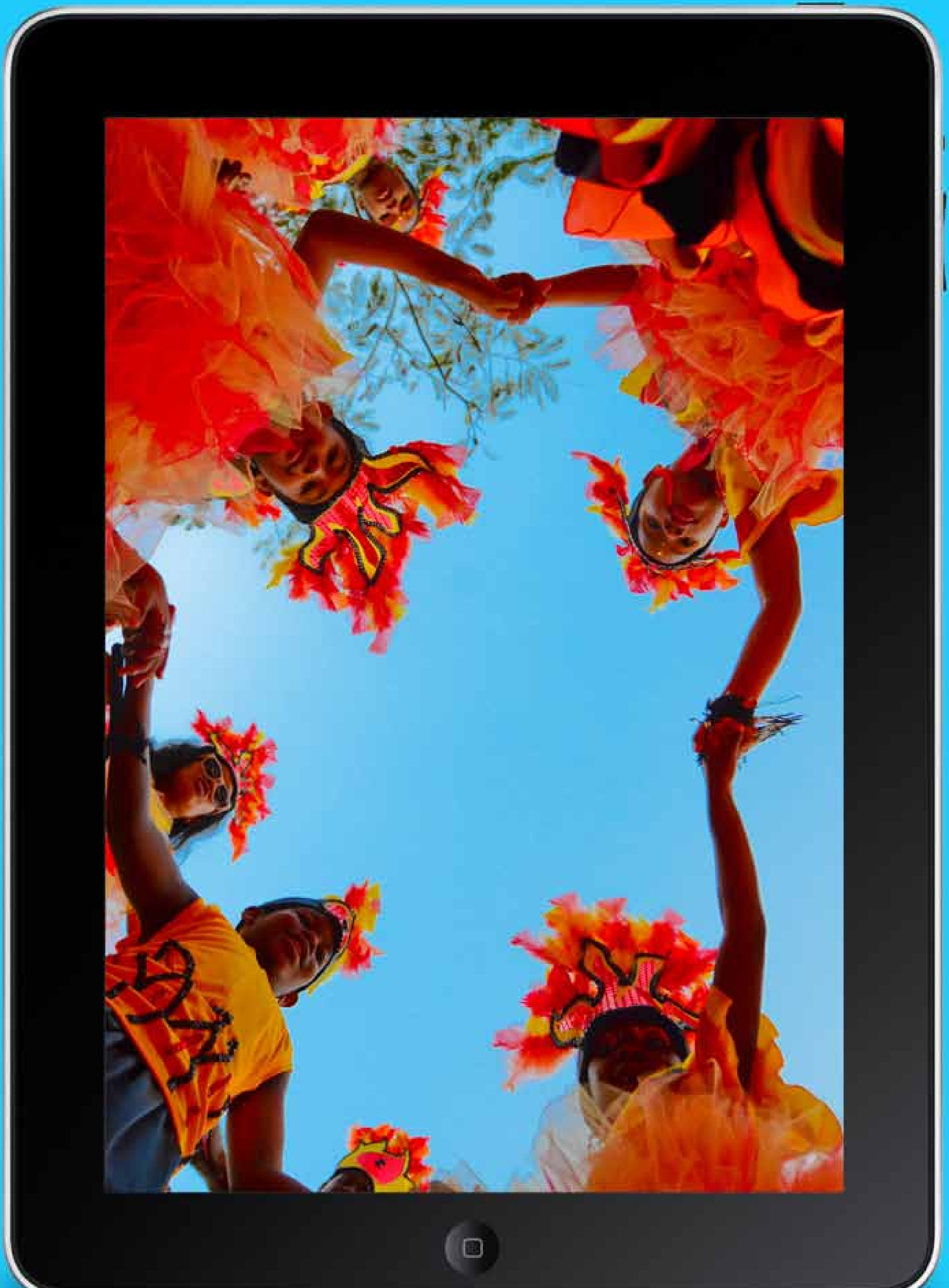
I wish the management team and the new board continued success.

Robert Blanchard, Jr.

Robert Blanchard Jr.
Chairman

CULTURE

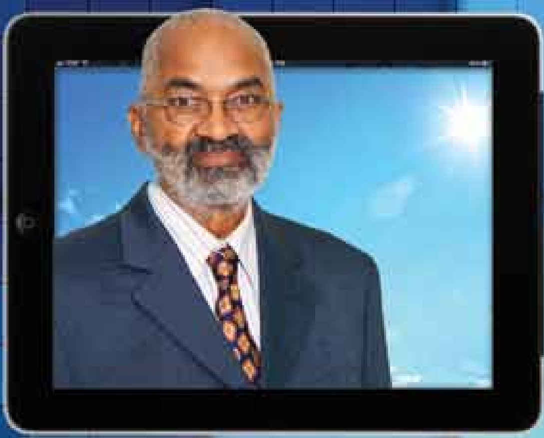
"The power of a culture of pride - supporting our artists, giving our culture a voice"



01

02

03



04

BOARD OF DIRECTORS

A CLEAR VISION - GUIDING THE DECISIONS TOWARD PROGRESS

05

06

07

08

09

01. Mr. Robert Blanchard Jr. , Chairman 02. Mr. Nigel Wardle, Chairman Audit Committee
03. Mr. Norman Rolle 04. Mr. Grayson Stedman, 05. Mr. Yvor Nassief
06. Mr. Malcolm Harris (To September) 07. Mr. Murray Skeete
08. Mr. Alexander Stephenson 09. Mr. Wayne Burks (From September)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements for the year ended 31st December 2012 which show the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activity of the company is the generation, transmission, distribution and sale of electricity in Dominica.

FINANCIAL RESULTS

In 2012, the company generated total revenue of $107.4 million from 90.11GWh in sales, an increase of 9.2% from the previous year. Total expenses were $94.75 million and other losses were $0.8 million resulting in income before tax of $11.81 million.

Net income after the current year's tax was EC$8.20 million. This compares to the previous year's profit of EC$7.75 million. Earnings per share for the year totaled EC$0.79 compared to earnings per share of EC$0.74 in 2011.

DIVIDENDS

The company made good on its commitment to increase dividend paid to shareholders as the performance of the company permitted. In 2012, the company paid dividends of 20 cents per share to shareholders which represented a 5 cents increase over previous years.

DIRECTORATE

The 38th Annual General Meeting of shareholders of the company was held on May 9th 2012. In September 2012, Mr. Malcolm Harris resigned from the Board after he retired from the position of Chief Financial Officer at WRB Enterprises. He was replaced by Mr. Wayne Burks, the current Chief Financial Officer of WRB Enterprises, who was appointed to the position by the Board of Directors pursuant to clause 4.6 of the company's by-laws.

Mr. Malcolm Harris served on the Domlec Board for eight years and was a dedicated and valuable member. The Board thanks him for his contribution to the development of the company. Mr. Burks brings several years of experience in financial and governance matters to the Board.

In November 2012, Dominica Private Power Ltd. announced its intention to transfer its majority interest in Domlec to Light and Power Holdings Limited of Barbados. It is expected that the constitution of the Board of Directors will change when the sale is finalised.

STOCK PERFORMANCE

The 52 week historical trade data for Domlec shares on the Eastern Caribbean Securities Exchange ranged between $3.00 and $3.25. The market price for the shares on December 31st 2012 was $3.25.

Ellise Darwton

By Order of the Board
Ellise Darwton
COMPANY SECRETARY

ART INNOVATION

"Sketch of a young artist at Operation Youth Quake"

MANAGEMENT TEAM

A CLEAR VISION - GUIDING THE DECISIONS TOWARD PROGRESS

From left to right:

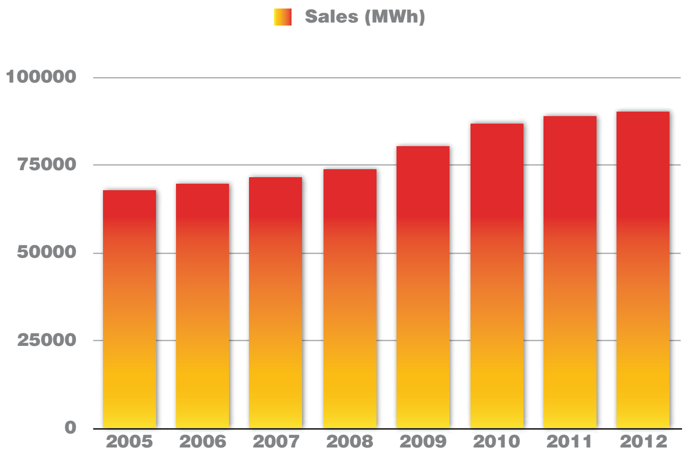
01. Mr. Collin Cover General - Manager 02. Mrs. Marvelin Etienne - Financial Controller 03. Ms. Ellise Darwton - Corporate Secretary/Legal Officer 04. Mr. Dave Stamp Generation - Manager 05. Mr. Nathaniel George - Commercial Manager 06. Mrs. Bertilia Mc Kenzie - HR and Administration Manager 07. Mr. Lemuel Lavinier - Engineering Transmission & Distribution Manager 08. Mr. Carl Maynard IT - Manager

OPERATIONS REVIEW

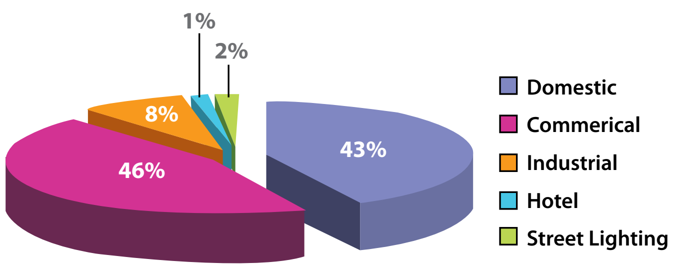
FINANCIAL OVERVIEW

SALES

Electricity sales for the financial year ended December 31st, 2012 totalled 90.11 GWh. This represents an increase of 1.4% over unit sales in 2011. During the first half of the year, the company experienced sales growth of 2.54%. For the remainder of the year, sales growth slowed to 0.4%, with a few months recording lower sales than last year.



SALES REVENUE BY SECTOR



For the year 2012 the domestic, commercial, industrial, hotel and street lighting sectors accounted for 43%, 46%, 8%, 1% and 2% respectively of the company's revenues. The commercial sector was affected in the earlier part of the year by the closure of a business unit of a major customer. By the end of the year, sales in the domestic and commercial sectors showed modest growth of 1.6% and 2.2% respectively. The 4.1% growth in the industrial sector was due to the ongoing expansion of a single major customer. The hotel sector however recorded a sharp decrease in sales of 35.2% as several players within the sector were reclassified from the hotel to domestic sector as they converted their hotel rooms to apartments. The street lighting sector recorded growth of 4.7% with minimal impact on the total sales performance.

GROSS REVENUE

Driven by a 20.7% increase in fuel surcharge, total revenue increased by EC$9.0 million above 2011 to EC$107.4 million in 2012. Total fuel surcharge amounted to $44.26 million compared to $36.66 million in 2011, an increase of $7.60 million.

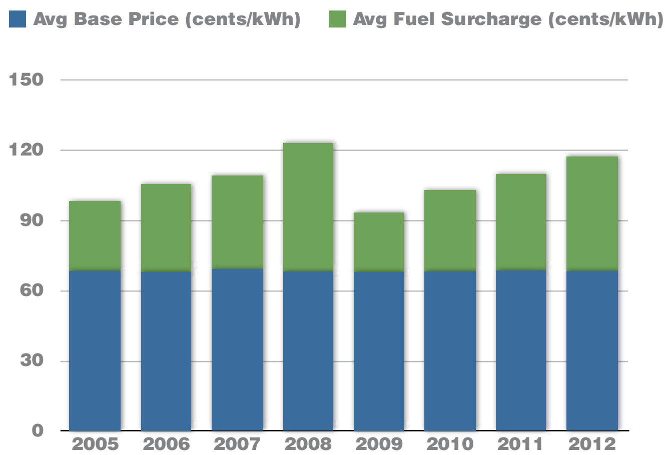
The growth in electricity sales of 1.4% yielded an increase in revenue of EC$0.74 million (1.2%). Total revenue from electricity sales for the year was EC$61.6 million.

DIRECT EXPENSES

Direct expenses increased by EC$10.2 million or 13.9% from 2011. The causes of the increase are detailed as follows:

Fuel Costs

FUEL PRICE



Fuel costs in 2012 totalled EC$51.7 million, EC$8.7 million or 20.3% higher than 2011, and accounts for 61.4% of all direct expenses. For this fiscal year, there was a greater dependence on diesel generation occasioned by a 25% reduction in hydro production when compared to 2011. This reduction was as a result of the lowest rainfall recorded since 2001. This was further exacerbated by the unavailability of New Trafalgar 2, one of the major hydro units, for seven months of the year due to a failed generator rotor shaft. Diesel consumption as measured in imperial gallons increased by 594,297 gallons or 16% over 2011. The increase of 3.75% in the average price paid per gallon, to EC$11.88 from EC$11.45, also contributed to the overall increase in fuel costs.

Operating Costs

Operating expenses were higher in 2012 by $0.4 million or 3.2% mainly as a result of small increases in a number of key areas of operations. The company continued its routine but essential work on plant upkeep, health and safety and employee training during the fiscal year. The Health & Safety function was transferred to the Generation Department and reclassified from administrative to operating expenses in 2012. This was a tactical move aimed at placing greater emphasis on safety and environmental issues in the technical areas of the company's operations. This reclassification accounted for $193,217 of the increase in the operating costs of the company.

Maintenance Expenses

Maintenance expenses increased to EC$8.2 million, EC$0.61 million higher than 2011. This was due in large part to an increase in maintenance on diesel plant due to greater usage of these engines as output from the hydro units was suppressed by lower than expected rainfall. Other contributing factors were the increase in expenditure incurred to resolve some of the non-routine mechanical issues experienced with the diesel generating units coupled with the unexpected breakdown of New Trafalgar 2.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased in the current year by $1.8 million to EC$7.9 million. A major factor was the significant reduction in legal fees of $1.3 million over 2011. There was no further legal cost incurred in the arbitration with the Government of Dominica over the revocation of the company's license under the 2006 ESA. There was also a reduction in the provision for obsolete inventory. In 2011, the provision for obsolete inventory was increased to make allowances for the potential impairment of slow moving items. Further assessment in 2012 revealed that there was no need to increase the provision.

OTHER EXPENSES

Other expenses in 2012 totalled EC$0.8 million compared to EC$0.7 million in 2011 an increase of EC$0.1 million. During 2012, the company wrote off EC$1.3 million for the disposal of meters changed during the AMI meter upgrade project. This was partially offset by gains of $0.5 million in amortization of deferred revenue and capital grants.

FINANCE CHARGES

Finance charges declined by 5.4% in 2012 to EC$2.9 million. During the year, the company reduced its borrowings to fund capital expenditure primarily due to its improved liquidity position.

PROFIT

Profit before tax for the year ended December 31, 2012 stood at EC$11.81 million, compared to EC$11.09 million declared in 2011, an increase of 6.5%. Taxes for the year amounted to EC$3.61 million resulting in net profit after taxes of EC$8.20 million compared to EC$7.75 million in 2011.

CUSTOMER SERVICE

AMI PROJECT COMPLETED

The Advanced Metering Infrastructure – AMI project which started in October 2009 was completed during the year. Upon completion, there were 28,819 AMI meters installed, comprising of 22,324 and 6,495 for post paid and prepaid customers respectively. As a consequence, the meter reading function is now completely automated and is done 100% remotely from the office on a daily basis. AMI provides 2-way communication to every meter and supports many functions beyond providing a monthly meter reading for the purpose of billing the customer. AMI has a number of benefits, both for the company and the customer.

HOW DOES AMI BENEFIT THE CUSTOMER?

Having an accurate electricity bill is important to customers. The AMI meters replace the older electromechanical meters with digital meters which are more accurate. Because the new technology can be read remotely it makes it much easier and much quicker to verify discrepancies. The lack of access to premises and other circumstances used to lead to estimated bills being sent out; this has now been almost eliminated by the ability to read the meter remotely. It has now become easier for the company to monitor power quality - particularly voltage - and take proactive action to improve service quality to consumers.

The new AMI system allows the company to be more aware of fault occurrences at customers' premises sometimes even before the consumer is aware of them. The company is also able to alert the customer to an issue without having to send someone to their premises.

To meet the increasing use of renewable energy by electricity consumers, it has become necessary to begin preparing the grid to seamlessly integrate these technologies into the energy mix. The AMI meters allow for two-way metering for renewables and are capable of accommodating more advanced functions to meet customers' needs.

INTERNATIONAL RECOGNITION

Domlec was nominated for the prestigious Platts Global Energy Awards in the category of industry leader for its AMI and Prepaid System. The awards ceremony was held on November 29th, 2012 in New York and was attended by Mr. Nathaniel George, Commercial Manager and Felix Julien, Commercial Engineer. To be a PLATTS finalist is a major achievement by industry standards and has given both the company and Dominica international exposure and recognition.

NEW AMI PREPAID SYSTEM

The new pre-paid software platform has allowed the company to be more innovative in its customer interactions. Pre-paid customers enjoy the convenience of close to 100 vending locations, online purchases and the checking of account balances, in addition to the ability to purchase power through the National Co-operative Credit Union 24 hours CUCALL system.

The number of prepaid customers increased by 15% in 2012 to reach a total of 12,208 customers, comprising of 6,495 and 5,713 for AMI and key pad (STS) meters respectively.

QUALITY OF SERVICE REPORT

The company conducts periodic service quality surveys to determine customers' satisfaction with the level of service offered by the company. The surveys are performed by Systematic Marketing and Research Services Inc. based on Barbados. The results of the 2008 survey showed an overall satisfaction score of 69%, compared with the most recent survey done in 2012, which shows an improvement to 75.66%.

The survey asked large business customers what they felt should be done by DOMLEC to improve the quality of service delivered to the business sector. The top two responses were;

(a)	Establish a Key Account Customer Service	40%
(b)	Find ways to reduce the cost of electricity	33%

To meet these needs, the company plans to re-evaluate its existing key accounts management system so that it will be more effective and to continue to find ways to lower operating expenses and to explore renewable sources of energy.

IRC CUSTOMER SERVICE STANDARDS

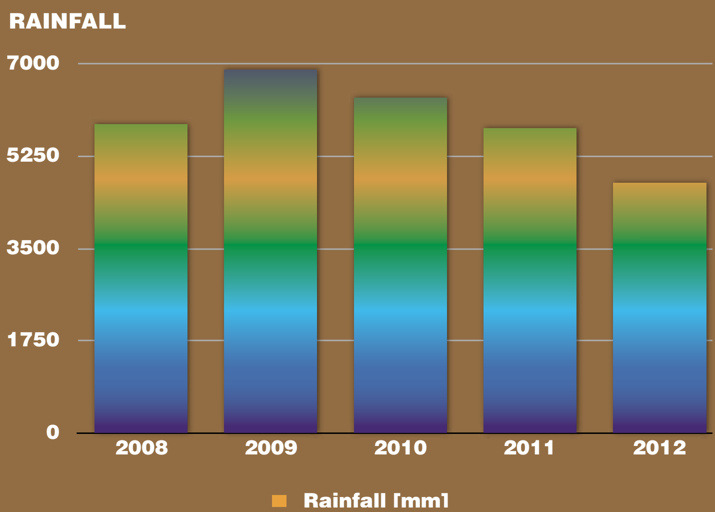
In 2009, the Independent Regulatory Commission (IRC) established a regime of quality of service standards that the company is expected to provide to its customers. The company is required to pay compensation to customers for breaches of the Guaranteed Standards in the form of a credit on their applicable electricity account.

For the year 2012, the company achieved an overall success rate of 96.2% and 99.9% in the Guaranteed and Overall Standards respectively. The IRC conducted quarterly audits of the company's Quality of Service Reports in 2012 and found that the company was in full compliance with the Quality of Service Standards.

GENERATION

Under the main themes of Environment, Health and Safety, Reliability Improvement, Operating Efficiency and Effectiveness, the Generation Department set about to execute the work plan for the 2012.

Significant progress was made in resolving critical long standing issues plaguing some of the generating units. The MAN units at the Fond Cole power station suffered from several unresolved issues dating back to their installation, and these were among the first issues that were tackled early in the year. The results so far have been most encouraging as all three units registered greatly improved performances in the area of reliability. The average Equivalent Availability Factor (EAF) of the units improved from 79.83% in 2011 to 92.56% in 2012, or an improvement of almost 16%. Similarly, the Forced Outage Factor registered a 16% improvement over 2011.



The root cause of the frequent turbine bearing failures on the Padu 2 unit at the Padu hydro station over the past two years was determined and eliminated late in the year by a high level technical team from Gilkes, the original manufacturer of the turbine and Michell Bearings the original manufacturer of the turbine bearings. Since then the turbine has been performing well.

The generation system suffered its sole blackout on May 30 after the Fond Cole 5 unit tripped and triggered a cascading tripping of the other units that were on line at the time. The trip also resulted in the shearing of the generator shaft of the New Trafalgar 2 hydro unit. This generator has since been sent to the original manufacturers in Germany for repairs and is expected to be back for the unit's return to service by the end of May 2013. The detailed investigations into the reason for this trip resulted in systems and policies being put in place to eliminate the root cause of the cascading blackout. Since these procedures have been put in place we have had several other unit trips but have not suffered negative effects on the system.

A total of 101.6 GWh of electricity was produced this year, which represented an increase of 1.15 GWh or just 1.145% over 2011's production. Of special note is 117MWh purchased from Independent Power Producers of renewable energy.

The production from the hydro units fell to 26.7 GWh or a 25% decline against the 2011 production of just under 36 GWh. Note however that 2012's total rainfall of 4,737 mm was the lowest recorded since 2001. Despite the extremely low level of rainfall, 2012's hydro production represented the second highest in the last six (6) years (from 2007), and is testimony to the relentless efforts of the Generation and SCO hydro teams to maximise the production on the hydro units. This is a key focus of the company as it helps to lower the fuel surcharge component of the electricity bill.

The peak load demand for 2012 was 17.23 MW and was recorded in June.

HIGHLIGHTS

Eco-Friendly Facilities Upgrade/Infrastructure Improvements

As a continuation of the efforts of previous years, and in keeping with the corporate thrust for an eco-friendly operation, a number of projects were initiated that would see significant improvement in managing the disposal of the company's effluents and solid waste and simultaneously enhance the aesthetics of the generating facilities.

This resulted in the Fond Cole Waste Management System Project which was initiated to remove the accumulation of derelict oil filled transformers and scrap metal from the Fond Cole compound and the main plant in general. A process was initiated to assist the Stores and ET&D departments in managing the disposal of defective transformers which were removed from service. The collection, storage and environmentally friendly disposal of the oily waste effluent from the Fond Cole operations were also an integral part of this system. These principles have been implemented at the other generating facilities and notable improvement has been realised at the Sugar Loaf power station.

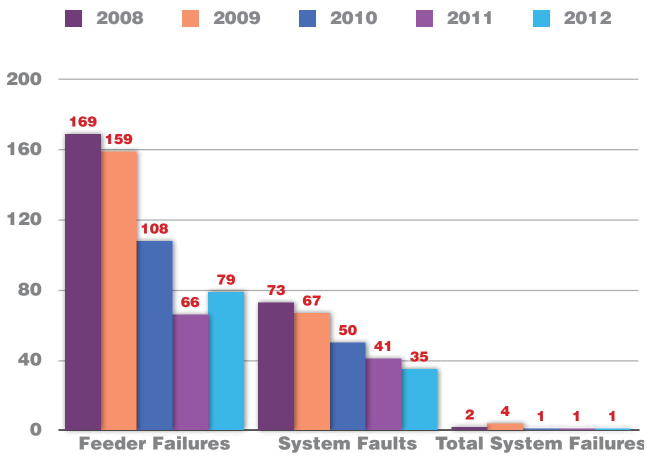
Improved Generation Reliability

The department was able to reduce the number of hours lost due to generation failures to 3.9 hours down from 8.8 hours in 2011. The department also surpassed the targets for the availability of its units, and registered 83.4% Equivalent Availability versus a target of 80%. As stated above, this was due mainly to the significant improvement in the reliability of the MAN diesel units at Fond Cole, the resolution of outstanding reliability issues at the Padu hydro station, the improved operational team performance and especially improvements in communication and planning between the Power Plant Operators and the System Control Operators.

ENGINEERING TRANSMISSION AND DISTRIBUTION

During 2012, three (3) main weather events affected operation of the network. All three (Tropical depression 7, and Tropical Storms Ernesto and Isaac) occurred during the month of August. These weather events caused six (6) feeder failures and 6.18 SAIDI (System Average Interruption Duration Index) hours to the customer; 3.39 hours less than 2011. When the effect of these special weather systems and outages caused by other parties (vehicular accidents, land owners cutting trees etc) were excluded, the average customer was out of power for 20.7 hours in 2012 as compared to 25.21 hours in 2011.

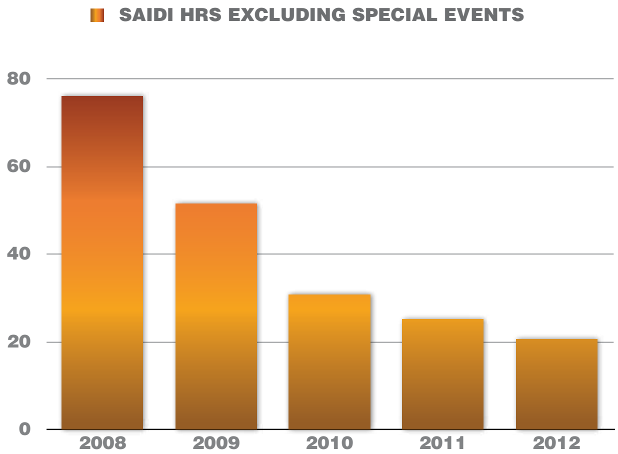
T&D NETWORK PERFORMANCE



The System Control Centre was restructured through the elimination of the position of Radio-Telephone Operator and the creation of two distinct System Control Operator (SCO) positions- SCO-T&D and SCO-Generation. This enabled the department to utilize the human resource in the section more efficiently to better monitor and control the generating units and also more effectively operate the transmission and distribution system.

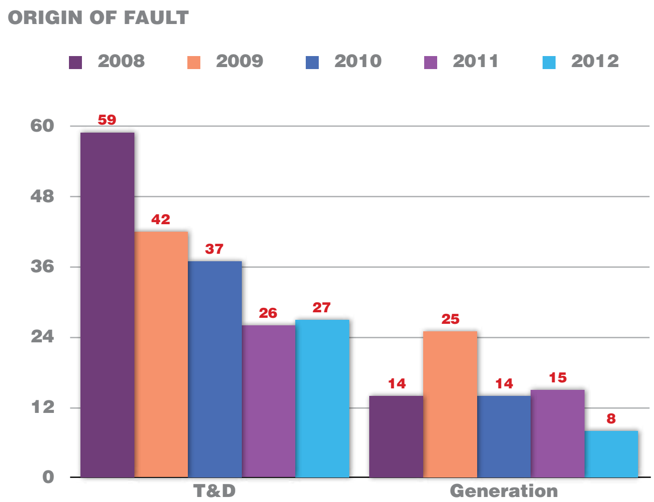
NETWORK PERFORMANCE

The year 2012 introduced new challenges on the T&D network as the system experienced the effects of more gusty winds this year than prior years. Additional hardware was installed on the power lines to mitigate the effect of these strong wind gusts and reduce troubleshooting time. The high winds contributed to an increase (albeit small) in customer interruption hours caused by faults originating on the T&D network. However customer outage hours caused by generation failure decreased and so the overall performance of the system improved.



The T&D network SAIDI increased from 10.14 in 2011 to 12.12 in 2012 mainly due to a high number of transient faults generated by the gusting winds.

System faults causing feeder interruption dropped from 41 in 2011 to 35 in 2012. Despite this drop in the number of faults the number of complete feeder interruptions increased from 65 to 79. This was because some of the faults were quite severe and occurred in remote areas where trouble shooting and scouting were difficult.

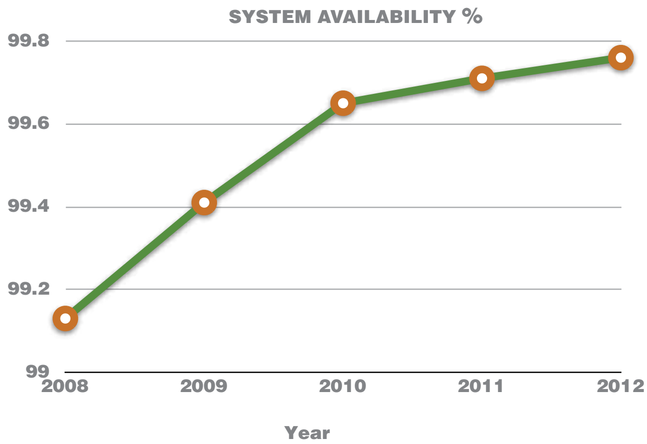


Partial feeder interruptions decreased from 65 in 2011 to 51 in 2012.

The incidences of customer outages caused by the Generation Department dropped from 15 in 2011 to 8 in 2012. The hours of planned load shedding increased marginally from 0 in 2011 to 0.14 hours in 2012.

SAIDI saved through hotline work totalled 2.98 hours, compared to 4.14 in 2011. Equipment problems and poor quality tie wire have been the main source of the reduction.

System losses fell from 8.8 % in 2011 to 8.0% in 2012.



NETWORK ACTIVITIES

Analysis of the performance of the feeders showed that the East Coast Feeder (ECF) and the South Feeder (SHF) were the two with the most interruptions in 2012. An assessment revealed that there was a need to install additional vibration dampers on the ECF to minimize line clashing in high winds. Over 86 vibration dampers have been installed on this feeder and more installations are pending. On the SHF the construction standard on one spur line was improved and line fault locators were installed at all switch sites on the feeder to minimize fault locating time. Fault locators were also installed on the East Coast Feeder. The net result was an improvement in performance on these feeders.

A review of the transformer and spur-line fusing schedule was implemented in 2012, geared at minimizing the number of customers that lose power when a fault occurs and reducing the time taken to locate the fault. This resulted in a 25% reduction in area power failures from 594 in 2011 to 444 in 2012. Individual power failures declined from 1264 in 2011 to 936 in 2012. As a result of these decreases and continued efforts to improve the trouble calls processes, power failures corrected within 4 hours improved from 94% in 2011 to 96.51% in 2012.

In an effort to ensure consistency in the method of dispatching generating units so that the least amount of fuel is used and simultaneously ensure that adequate spinning reserves are always available, a generator dispatch software was developed using the company's dispatch principles and procedures. This has so far served to better regulate startup and shut down of units, and has improved efficient loading and dispatch of the units. We note with pride that this program was written by our Engineering, Transmission and Distribution Manager, Mr. Lemuel Lavinier.

GIS

In addition to routine database verification and mapping, work was done on the database to facilitate the use of new software which will automate the line design and costing process, and increase productivity by converting the design and costing process from a manual process taking several days to an electronic one taking hours. This software (called a staking sofware) is expected to be delivered by the supplier in 2013.

SCADA AND TELECOMMUNICATION

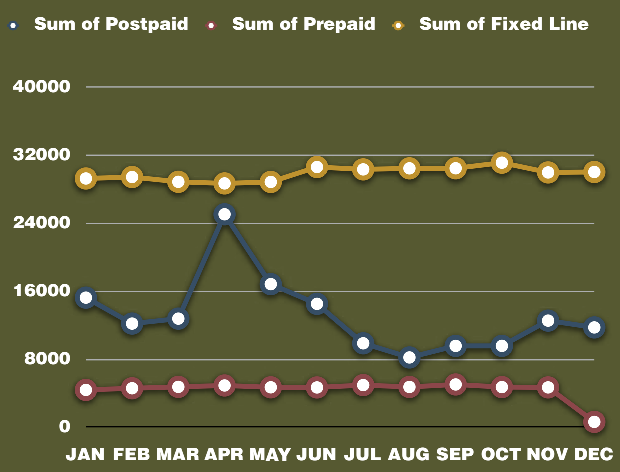
During the year a SCADA (System Control and Data Acquisition) radio communication project was successfully implemented. This resulted in several reclosers which previously were controlled via telephone lines, and which were unreliable or not operational, now being made available and to date have been 100% reliable.

Re-closers were installed at Castle Comfort, Rosalie, St Joseph and Riviere Cyrique. The radio network has been commissioned and is in use for control and data acquisition of the remote switches. This network has superior reliability over the dialup system. Since the successful installation of a new tower at Morne Micotrin, service on the south of the island has been greatly improved. However, coverage on the North continues to be less than satisfactory. Sites are being sought for the installation of a radio tower in the North to improve communication.

A total of 8 SCADA sites have been moved over to the data radio network from the telephone dial up network. The hydro automation project has been completed with some non critical issues outstanding so the units are now remotely controlled by the SCO-Generation in the System Control Center. The system thus far works smoothly.

INFORMATION TECHNOLOGY

2012 EXPENDITURES



In 2012, the IT Department was kept active because of numerous changes in the computing systems. Maintenance and improvement of the company's information systems remained central to the department's activities. Throughout the year staff members were fully engaged with tasks and issues aimed at ensuring the sustainability of the company's business processes. System upgrades, security, and cost efficiency were focal issues throughout the year.

Security & Business Continuity

For the year in review, numerous procedures and policies were implemented to improve the security, integrity and the availability of the information technology infrastructure. Several initiatives were undertaken to prevent cyber attacks and preparations were made to ensure the company's ability to maintain business continuity in the event of such attacks.

Throughout the year, defences were improved to guard against both internal and external attacks. This involved the implementation of a new antivirus system, access rights audits, user permissions modifications and high level monitoring applications. Policies drawn up in 2012 were strictly enforced to ensure compliance with these changes.

In January 2012, off site backup was implemented and Storage Area Network appliances were installed in the Portsmouth office. In the month of March 2012, network reliability was improved by the addition of a dedicated fiber internet connection from a second internet provider which allows for fail over if the primary provider's internet fails. In August 2012, to improve reliability and reduce possible down time, a backup server for AMI was installed. In addition to this, a new high end server was installed for the prepaid power application (JUICE) and a complete upgrade of the virtual disaster recovery infrastructure took place. This upgrade introduced fault tolerant technology to the virtual disaster recovery infrastructure, giving rise to higher availability and fail over for critical and financial applications such as ACCPAC and CIS which support the financial side of the company's operations.

E-Account Version 2.0

The E-Account Version 2.0 is a complete revamp of the previous existing E-Account which has been in existence for some time now. This new website carries a more interesting user interface, more options, cleaner looking bills and historical 6 months data which can be viewed in the form of a bar graph. E-Account Version 2.0 also enables customers to manage their accounts. The registration process is more user friendly and once the appropriate fields are filled in for sign up the user receives an email which enables him to activate his account. The new E-Account application also carries an administrative backend which allows access to customer services personnel to enable them to administer user accounts and assist with the registration process.

Redesign of Corporate Website

The company's corporate website was completely revamped and carries a new look and new interfaces. The new site boasts a number of options and functionalities inclusive of online power purchase, booklet for "Living with Electricity" and PowerTalk. Feedback from customers locally and abroad has been very complimentary.

TELECOMMUNICATIONS

One of the IT Department's main objectives for 2012 was to ensure that telecommunication costs were kept to a minimum and below budget. Unfortunately, these costs soared in the start of the year, peaking at almost $60,000 by April of 2012. In July, the contracts with service providers were reviewed and billing discrepancies were identified and eliminated. A return to the billing and charges as per the contracts resulted in a steady downward slide of these charges ending finally in a monthly average of $47,000 by December 2012. This was much higher than 2011's average monthly charge of $35,000. This increase was due to the addition of fixed lines and increase in SMS messaging to Pay-As-You-Go customers.

Postpaid charges remained on a steady increase from $15,000 peaking at over $25,000 in April 2012. Thereafter charges sharply decreased in May 2012 and coupled with the review of charges in July, the expenditure per month averaged $13,000 overall in 2012. Prepaid billing remained predominantly constant. However, costs topped at over $5,000, during the active hurricane season months of August-September.

HUMAN RESOURCES & ADMINISTRATION DEPARTMENT

At December 31, 2012, there were 228 employees at Dominica Electricity Services Limited (Domlec), comprising of 196 permanent, 17 contractual and 15 temporary employees. 150 employees received training in 73 training programs. A breakdown of the number of trainees per department is as follows:

Department	Numbers Trained
Corporate	4
Information Technology	5
Human Resources & Administration	5
Commercial	23
Accounts & Finance	11
Engineering, Transmission & Distribution	55
Generation	47

As part of its succession planning, the company initiated a Manager-In-Training Program (MITP). This 18-month program commenced in January 2012 with six participants namely Edith Roberts of the HR & Admin Department, Desmond Kelshall of the Commercial Department, Daryl Dalrymple of the ET&D Department, Sykes Ettinoffe of the Generation Department, Jake Alishaw of the IT Department and Ray Francis of the Accounts & Finance Department.

The aims of the MITP are as follows:

1. To provide the participants with the managerial and leadership skills required to function effectively as Departmental Manager
2. To prepare the participants for possible promotion
3. To provide the participants with a deeper understanding of the company and the linkages between his/her department and overall company operations.

Highlights of the Program to date included a Seminar for Mentors, Intra and Inter-departmental Rotations and an 'Understanding Your Organisation Seminar' for participants.

Negotiations were concluded in July 2012 for the 2012-2014 Collective Agreement between Domlec and the Waterfront and Allied Workers' Union (WAWU).

Domlec hosted the Caribbean Electric Utility Service Corporation (CARILEC) Human Resources Conference from October 1 to 5, 2012. The Conference, under the theme 'The Learning Organisation: building a resilient workforce', proved to be a very successful one. Keynote speaker at the Opening Ceremony of the Conference was Dr. Valda Henry of VF Inc.

Domlec's Wellness Program is expected to benefit tremendously with the advent of the new gym facility which was officially opened in December 2012. The opening hours for the gym are from 5 a.m. to 10 p.m. daily. These hours were selected to allow all staff, including shift employees, to be able to utilize the facility in their free time.

CARILEC HR Conference - Dominica

THE POWER OF REACHING HIGHER THROUGH INNOVATION

POWER IN COMMUNITY

DONATIONS

Our social responsibility remains in the fore front as we strive to give back to our community.

The task of deciding where our area of focus should be remains a challenge with so many deserving requests from individuals, groups and organizations. This year we received substantially more requests from small institutions and individuals than we normally do, and after doing checks on their legitimacy we made more donations in this area than we have done historically. We hope the contributions we made in 2012, small or large have made a difference to those who received them.

While we continue to provide for the charities, sports organizations and cultural groups that we have traditionally supported, we always make an effort to assist other areas of need. A highlight of our contributions was a donation to the Rotary Club of Dominica of just over $12,000 for the purchase of audiometers to be placed at a number of Health Districts on the island. We have reports that the nurses are using these audiometers in the schools to help detect hearing deficiencies of students at an early age. We also undertook the reconstruction of a bus stop at Fond Cole which had been severely damaged in a vehicular accident at a cost of over $10,000.

Persons who sought medical assistance were directed to the Private Sector Foundation for Health, to which Domlec is an annual contributor of $25,000. The organization seeks to facilitate those requiring medical assistance overseas, as well as provide much needed equipment to the Princess Margaret Hospital when the need arises.

The residents of the Grotto Home for the Homeless benefit from our yearly contribution of $10,200 towards electricity consumption. The energy needs of each of the islands 26 centenarians are provided for through our annual contribution of $600.00 towards their electricity bill.

Education remains high on our agenda, with the Education Trust Fund benefitting from $5,000, the Fond Cole Pre-school - $12,480 and the annual awards to deserving secondary school students totalling an estimated $13,000. The Literary Festival and Book Fair received $5,000, while the St. Vincent de Paul Society also secured assistance for its scholarship program which it runs for secondary school students in need.
Although our core business is technical, we understand that a people's culture is a defining aspect of a nation. We show our support of this nation's culture through assistance to various cultural groups and events including but not limited to: Stardom Tent, Rotaract Club's Princess Show, Waitukubuli Dance Theatre Company's Teenage Pageant, Convent Preparatory School Band, Afrikulture Stilt Walkers, Northern Carnival Committee and the Marigot Carnival Committee.

Sports is an integral part of our corporate mandate and a few organizations were able to maximize on the investments made by Domlec. Among them the Dominica Football Association for Women's Football League - $13,375, Roseau Valley Football League -$6,000, Basketball Association - $3,000, South East Basketball League - $3,000, Cricket Association - $8,000 and the upkeep of the Benjamin's Park - $1,500.

Along with culture and sports another needed ingredient to nationhood is the pride that we have for our nation and its history. We demonstrated our support of nationhood through donations to the Roseau Market, Portsmouth Town Council, Marigot Village Council, Warner Heritage Committee and the Cultural Division which all received assistance totalling just over $10,000 during the independence celebrations.

Other institutions that received assistance from the company this year were: The Dominica Association of People with Disabilities, Local Government Department, Sisserou Singers, Children's Heart Fund, Operation Youth Quake, Kalinago Child Support Foundation, Pointe Michel Development Committee and the President's Charities Foundation.

PUBLIC RELATIONS

A two hour forum was held with contractors as part of the ongoing drive to educate them on the critical role they play in the delivery of total quality customer service. They were reminded of the parameters within which they should operate as agents of the company both technically and in relation to their interface with the public.

A number of students from across the island were hosted at the Trafalgar Hydro Power Station as they sought to broaden their knowledge about the

operations and importance of the hydro plants in the generation of electricity.

We continue to use the various technologies available to us in the process of continued education of our customers. During the year new brochures on How to Read Your AMI Meter and a Hurricane Emergency Plan were produced. These are accessible on the company's website at www.domlec.dm . Our weekly radio program Powertalk and the quarterly newsletter are also available there. Safety Tips on using electricity are aired on the radio stations as well as Marpin TV graphic channels and through the company's telephone system.

CORPORATE SOCIAL RESPONSIBILITY

From left to right:

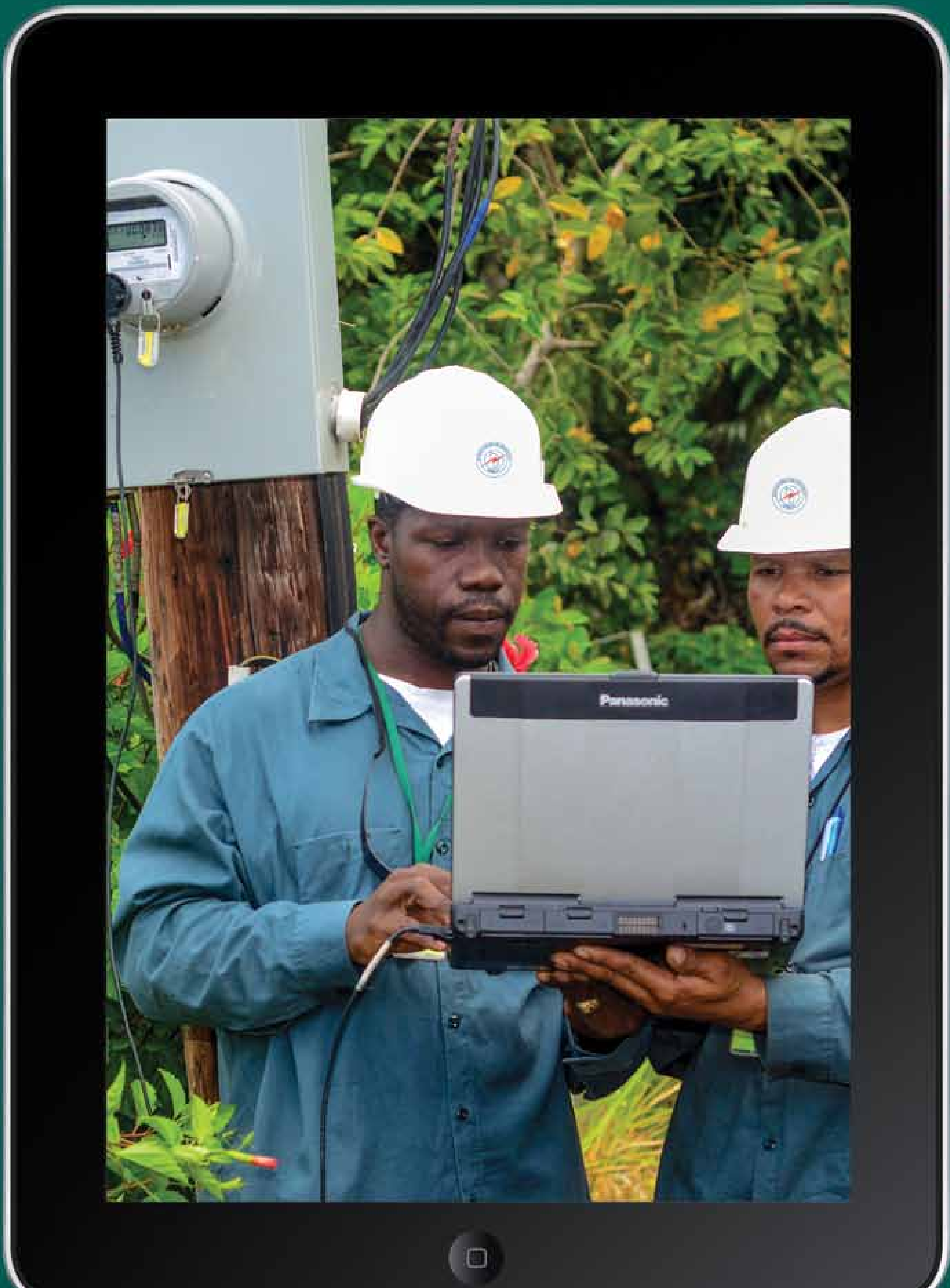
South East Basketball League; Afrikulture Stilt Walkers;
Students visit to hydro power station; Youth and staff at Operation Youth Quake

THE POWER OF INNOVATION THAT ENDURES

103 year old centenarian Graham Antonius Adams no longer needs a kerosene lamp to light his sunset years.

STAFF

"Investing in innovative thinking - our staff, our greatest natural resource"



March 21, 2013

Independent Auditor's Report

To the Shareholders of
Dominica Electricity Services Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Dominica Electricity Services Limited** which comprise the balance sheet as of December 31, 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 about 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 auditor's 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 auditor considers 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 financial statements present fairly, in all material respects, the financial position of **Dominica Electricity Services Limited** as of December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS

PricewaterhouseCoopers, Point Seraphine, P.O. Box 195, Castries, St. Lucia, West Indies
T: (758) 452-2511, F: (758) 452-1061, www.pwc.com/lc

Dominica Electricity Services Limited

Balance Sheet

AS AT DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

	2012 $	2011 $
Assets		
Current assets		
Cash and cash equivalents (Note 5)	**1,948,772**	603,201
Trade and other receivables (Note 6)	**19,227,193**	15,768,362
Inventories (Note 7)	**15,519,066**	16,558,152
	36,695,031	32,929,715
Capital work-in-progress (Note 8)	**460,879**	930,807
Property, plant and equipment (Note 9)	**121,439,574**	122,879,748
Total assets	**158,595,484**	156,740,270
Liabilities		
Current liabilities		
Borrowings (Note 10)	**5,359,107**	7,651,772
Trade and other payables (Note 11)	**13,568,049**	11,845,670
Due to related party (Note 12)	**90,120**	148,552
Income tax payable	**873,162**	1,259,612
	19,890,438	20,905,606
Borrowings (Note 10)	**41,038,732**	45,335,189
Deferred tax liabilities (Note 13)	**17,313,615**	16,596,696
Other non-current liabilities (Note 14)	**11,436,796**	10,972,405
Capital grants (Note 15)	**655,507**	789,308
Total liabilities	**90,335,088**	94,599,204
Equity		
Share capital (Note 16)	**10,417,328**	10,417,328
Retained earnings	**57,843,068**	51,723,738
Total equity	**68,260,396**	62,141,066
Total liabilities and equity	**158,595,484**	156,740,270

Approved by the Board of Directors on March 19, 2013

_____________________ Director _____________________ Director

The notes on pages 34 to 55 are an integral part of these financial statements.

Dominica Electricity Services Limited

Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

	2012 $	2011 $
Revenue		
Energy sales	**61,593,011**	60,856,464
Fuel surcharge (Note 20)	**44,260,626**	36,660,982
Other revenue	**1,500,883**	799,349
	107,354,520	98,316,795
Direct expenses		
Fuel cost (Notes 18, 20 and 27)	**51,660,677**	42,927,824
Operating costs (Notes 18 and 27)	**13,107,007**	12,703,462
Depreciation (Notes 9, 18 and 27)	**10,821,809**	10,335,422
Maintenance (Notes 18 and 27)	**8,262,621**	7,656,118
	83,852,114	73,622,826
Gross profit	**23,502,406**	24,693,969
Administrative expenses	**(7,949,385)**	(9,805,595)
Other expenses, net (Note 21)	**(797,728)**	(685,086)
Operating profit	**14,755,293**	14,203,288
Finance costs (Note 22)	**(2,944,975)**	(3,113,597)
Profit before income tax	**11,810,318**	11,089,691
Income tax (Note 23)	**(3,607,522)**	(3,342,666)
Net income and comprehensive income for the year	**8,202,796**	7,747,025
Earnings per share attributable to the equity holders of the Company during the year (Note 24) **- basic and diluted**	**0.79**	0.74

The notes on pages 34 to 55 are an integral part of these financial statements.

Dominica Electricity Services Limited

Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

	Share capital $ (Note 16)	Retained earnings $	Total equity $
Balance at January 1, 2011	10,417,328	45,799,745	56,217,073
Total comprehensive income			
Profit for the year	–	7,747,025	7,747,025
Transactions with owners			
Dividends (Note 17)	–	(1,823,032)	(1,823,032)
Balance at December 31, 2011	**10,417,328**	**51,723,738**	**62,141,066**
Balance at January 1, 2012	10,417,328	51,723,738	62,141,066
Total comprehensive income			
Profit for the year	–	8,202,796	8,202,796
Transactions with owners			
Dividends (Note 17)	–	(2,083,466)	(2,083,466)
Balance at December 31, 2012	**10,417,328**	**57,843,068**	**68,260,396**

The notes on pages 34 to 55 are an integral part of these financial statements.

Dominica Electricity Services Limited

Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

	2012 $	2011 $
Cash flows from operating activities		
Profit before income tax	**11,810,318**	11,089,691
Adjustments for:		
Depreciation	**10,821,809**	10,335,422
Finance costs	**2,944,975**	3,113,597
Loss on disposal of plant and equipment (Note 21)	**1,334,138**	1,267,548
Provision for inventory obsolescence (Note 7)	**33,098**	442,302
Amortisation of deferred revenue (Note 21)	**(397,305)**	(304,819)
Capital work in progress written off (Note 8)	**7,303**	219,109
Amortisation of capital grants (Notes 15 and 21)	**(133,801)**	(187,268)
Unrealised foreign exchange gains	**(8,389)**	(52,951)
Operating profit before working capital changes	**26,412,146**	25,922,631
Increase in trade and other receivables	**(3,458,831)**	(2,676,935)
Decrease/(increase) in inventories	**1,005,988**	(4,664,987)
Increase in trade and other payables	**1,730,768**	2,361,532
(Decrease)/increase in due to related party	**(58,432)**	12,708
Cash generated from operations	**25,631,639**	20,954,949
Finance costs paid	**(2,944,975)**	(3,113,597)
Income tax paid	**(3,277,053)**	(2,607,877)
Net cash provided by operating activities	**19,409,611**	15,233,475
Cash flows from investing activities		
Additions to capital work-in-progress (Note 8)	**(1,302,693)**	(3,992,255)
Purchase of property, plant and equipment (Note 9)	**(8,962,956)**	(9,970,680)
Proceeds on disposal of property, plant and equipment	**12,500**	100
Net cash used in investing activities	**(10,253,149)**	(13,962,835)
Cash flows from financing activities		
Proceeds from borrowings	**2,000,000**	6,738,229
Repayment of borrowings	**(6,940,624)**	(6,652,446)
Dividends paid (Note 17)	**(2,083,466)**	(1,823,032)
Increase in other non-current liabilities	**861,696**	1,582,977
Net cash used in financing activities	**(6,162,394)**	(154,272)
Net increase in cash and cash equivalents	**2,994,068**	1,116,368
Cash and cash equivalents, beginning of year	**(1,045,296)**	(2,161,664)
Cash and cash equivalents, end of year (Note 5)	**1,948,772**	(1,045,296)

The notes on pages 34 to 55 are an integral part of these financial statements.

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(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 Electricity Supply Act of 2006. Under the Act an Independent Regulatory Commission is vested with broad regulatory oversight over all aspects of the energy sector. The Company's operations are regulated by this Commission. The principal activity of the Company includes the generation, distribution and transmission of electricity.

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

Dominica Private Power Ltd., a company incorporated in the Turks and Caicos Islands owns 52% of the issued share capital of the Company; the Dominica Social Security owns 21% and 27% is held by the general public.

On November 28, 2012 a letter of intent was signed between Dominica Private Power Ltd. and Dominica Power Holdings Limited to commence proceedings on the sale of 52% of the ordinary share capital of the Company. Dominica Power Holdings Limited is a wholly owned subsidiary of Light & Power Holdings, Ltd. Emera, Inc., a company listed on the Toronto Stock Exchange, owns 79.9% of Light & Power Holdings Ltd. Light & Power Holdings Ltd. is listed on the Barbados Stock Exchange Inc. This event is not expected to have an impact on the financial statements.

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.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

Changes in accounting policy and disclosures

New and amended standards adopted by the Company

- There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on January 1, 2012 that have had a material impact on the Company.

- There are no IFRSs or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Company.

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 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 60 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 estimated future collectible amount. The carrying amount of the asset is reduced through the use of the allowance account, and the amount of the loss is recognized in the statement of comprehensive 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 operating costs in the statement of comprehensive income.

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.

Segment Reporting

The operating segment of the Company is reported in a manner consistent with the internal reporting provided by the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors of the Company. The Board of Directors considers the business from a product perspective as the company operates only in the Commonwealth of Dominica. Management considers the performance of segments from the perspective of generation, transmission and distribution of electricity. There are no other segments monitored by the Board of Directors. The Board of Directors assesses the performance of the operating segments based on earnings before tax. The segment information with regards to earnings before tax, finance costs, total assets, property plant and equipment and liabilities is consistent with amounts disclosed in the statement of comprehensive income and balance sheet.

2 Summary of significant accounting policies...*continued*

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 and includes cost of materials, direct labour, supervision and engineering charges and interest incurred during the construction which is directly attributable to the acquisition or construction of a qualifying asset.

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 comprehensive 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 values 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 comprehensive 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 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).

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

2 Summary of significant accounting policies...*continued*

Borrowings and borrowing costs
Borrowings are recognised initially at fair value, 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 comprehensive 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 recognised, 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.

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 capitalised 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).The cash is refundable with accumulated interest when the account is terminated.

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

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 comprehensive 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 the dividends are approved by the Company's shareholders.

Revenue and expense recognition
Revenue derived from the sale of electricity is taken to income on a bills-rendered basis, adjusted for unbilled revenues. 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. An estimate 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. This estimate 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 other receivables.

(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.

(d) Costs and expenses
Costs and expenses are recognised as incurred.

Related parties
Parties are considered 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. Individuals or companies that directly or indirectly control or are controlled by or under common control with the Company are also considered related parties.

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 comprehensive income.

Provisions
Provisions, if any, are recognised when the Company has a present legal or constructive obligation as a result of past events; if 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.

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.

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

3 Financial risk management

Financial risk factors
The Company's activities expose it to a variety of financial risks: 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 Great Britain Pound (GBP). 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.

Management has established a policy requiring the Company to manage its foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company attempts to enter into transactions that are based largely in United States dollars. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

At December 31, 2012, if the currency had weakened/strengthened by 10% against the Euro and GBP with all other variables held constant, post-tax profit for the year would have been $4,742 (2011 - $17,137) lower/ higher, mainly as a result of foreign exchange gains/losses on translation of Pounds Sterling denominated trade payables and 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 expose the Company to cash flow interest rate risk. Similarly, such facilities issued at fixed rates expose the Company to fair value interest rate risk (Note 10).

(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, 2012.

(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 have developed a good reputation over the years. Within the immediate region, there are limited 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 monitors credit limits regularly. Management does not believe that significant credit risk exists at December 31, 2012.

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Financial risk factors*...continued*

(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.

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 are 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 $	Total $
At December 31, 2012					
Liabilities					
Borrowings	7,858,861	6,780,000	20,340,000	23,446,635	58,425,496
Trade and other payables	13,568,049	–	–	–	13,568,049
Due to a related party	90,120	–	–	–	90,120
Consumers' deposits	–	–	–	3,803,580	3,803,580
Total liabilities	21,517,030	6,780,000	20,340,000	27,250,215	75,887,245
At December 31, 2011					
Liabilities					
Borrowings	8,780,000	6,780,000	20,340,000	30,230,720	66,130,720
Trade payables	11,835,687	–	–	–	11,835,687
Due to a related party	148,552	–	–	–	148,552
Consumers' deposits	–	–	–	3,846,305	3,846,305
Total liabilities	20,764,239	6,780,000	20,340,000	34,077,025	81,961,264

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Capital risk management
The Company's objectives 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.

The gearing ratios at December 31, 2012 and 2011 were are follows:

	2012 $	2011 $
Total borrowings (Note 10)	**46,397,839**	52,986,961
Less: cash (Note 5)	**(1,948,772)**	(603,201)
Net debt	**44,449,067**	52,383,760
Total equity	**68,260,396**	62,141,066
Total capital	**112,709,463**	114,524,826
Gearing ratio	**39%**	46%

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.

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables, and due to related party approximate their fair values due to the short-term maturity of these items.

The fair values of borrowings for disclosure purposes are estimated by discounting the future contractual cash flows at the current market rate that is available to the Company in respect of similar financial instruments.

4 Critical accounting estimates and judgements

The Company's financial statements prepared under IFRS require the Company to make judgments 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.

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.

(i) Taxation
The Company is subject to income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Estimated useful lives
The useful life of each item of 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 be 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 item of property, plant and equipment would increase the recorded depreciation expense and decrease non-current assets.

(iii) Allowance for impairment losses on receivables
In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

(iv) Property, plant and equipment
Management exercises judgement in determining whether the costs incurred can accrue significant future economic benefits to the company to enable the value to be treated as a capital expense. Further judgement is applied in the annual review of the useful lives of all categories of property, plant and equipment and the resulting depreciation thereon.

(v) Provision for inventory obsolescence
The company assesses on an annual basis its inventory to determine the provision that should be carried for items that are in good condition, but will not be used in the foreseeable future. Provision is also made for items that have deteriorated or become damaged while in stock.

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

5 Cash and cash equivalents

	2012 $	**2011 $**
Cash at bank	**1,948,772**	603,201

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

	2012 $	**2011 $**
Cash at bank	**1,948,772**	603,201
Bank overdraft (Note 10)	–	(1,648,497)
	1,948,772	(1,045,296)

6 Trade and other receivables

	2012 $	**2011 $**
Government	**2,482,185**	2,132,025
Other	**11,121,865**	8,640,540
Trade receivables, gross	**13,604,050**	10,772,565
Provision for impairment of trade receivables	**(144,793)**	(134,398)
Trade receivables, net	**13,459,257**	10,638,167
Accrued income	**936,239**	1,024,033
	14,395,496	11,662,200
Other receivables	**4,826,868**	4,106,066
Provision for impairment of other receivables	**(21,171)**	(25,904)
Other receivables, net	**4,805,697**	4,080,162
Prepayments	**26,000**	26,000
	19,227,193	15,768,362

The fair values of trade and other receivables approximate their carrying values.

As of December 31, 2012, trade receivables of $11,104,770 (2011 - $9,578,017) were fully performing. These relate to a number of independent customers for whom there is no recent history of default.

6 Trade and other receivables...*continued*

Trade receivables that are categorized as active and are less than 60 days past due are not considered impaired. As of December 31, 2012, trade receivables of $2,308,304 (2011 - $1,052,886) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2012 $	2011 $
61 - 90 days	**571,420**	309,475
91 + days	**1,736,884**	743,411
	2,308,304	1,052,886

As of December 31, 2012, trade receivables of $190,976 (2011 - $141,662) were impaired and partially provided for. The amount of the provision was $144,793 as of December 31, 2012 (2011 - $134,398). 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:

	2012 $	2011 $
Up to 12 months	**60,647**	67,098
Over 12 months	**130,329**	74,564
	190,976	141,662
Total trade receivables, gross	**13,604,050**	10,772,565

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

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

	2012 $	2011 $
At beginning of year	**160,302**	500,123
Bad debt expenses/(recovered) (Note 18)	**91,717**	(183,738)
Written off during the year	**(86,055)**	(156,083)
At end of year	**165,964**	160,302

The creation and release of provision amounts for impaired receivables have been included in 'Operating costs' in the statement of comprehensive income amounts (Note 18). 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 carrying values which approximates the fair value of each class of receivable mentioned above. The Company holds cash deposits as partial security for its receivables.

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

7 Inventories

	2012 $	2011 $
Network spares	**8,097,325**	9,662,573
Generation spares	**7,121,057**	6,643,736
Fuel	**639,333**	552,605
Other	**555,660**	560,789
	16,413,375	17,419,703
Provision for impairment of inventories	**(894,309)**	(861,551)
Inventories, net	**15,519,066**	16,558,152

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

	2012 $	2011 $
At beginning of year	**861,551**	420,723
Provision for inventory obsolescence (Note 18)	**33,098**	442,302
Written off during the year	**(340)**	(1,474)
At end of year	**894,309**	861,551

8 Capital work-in-progress

	2012 $	2011 $
At beginning of year	**930,807**	3,314,500
Additions	**1,302,693**	3,992,255
Transferred to property, plant and equipment (Note 9)	**(1,765,318)**	(6,156,839)
Written-off	**(7,303)**	(219,109)
At end of year	**460,879**	930,807

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(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, 2011					
Cost or valuation	59,612,970	161,071,569	3,658,611	9,177,962	233,521,112
Accumulated depreciation	(29,586,809)	(75,100,338)	(2,707,833)	(7,770,834)	(115,165,814)
Net book amount	30,026,161	85,971,231	950,778	1,407,128	118,355,298
Year ended December 31, 2011					
Opening net book amount	30,026,161	85,971,231	950,778	1,407,128	118,355,298
Additions for the year	24,999	8,291,007	1,062,062	592,690	9,970,758
Transfer from capital work-in-progress	1,713,031	4,147,149	–	296,659	6,156,839
Disposals	(635)	(1,213,694)	(32,850)	(20,546)	(1,267,725)
Transfers between asset categories	256,470	(257,613)	–	1,143	–
Depreciation	(1,582,005)	(7,590,847)	(427,680)	(724,890)	(10,335,422)
Closing net book amount	30,438,021	89,347,233	1,542,309	1,552,185	122,879,748
At December 31, 2011					
Cost or valuation	61,680,096	169,150,386	4,345,554	6,811,099	241,987,135
Accumulated depreciation	(31,242,075)	(79,803,153)	(2,803,245)	(5,258,914)	(119,107,387)
Net book amount	30,438,021	89,347,233	1,542,309	1,552,185	122,879,748
Year ended December 31, 2012					
Opening net book amount	30,438,021	89,347,233	1,542,309	1,552,185	122,879,748
Additions for the year	113,861	7,921,011	374,195	553,889	8,962,956
Transfer from capital work-in-progress	142,746	1,554,311	–	68,261	1,765,318
Disposals	–	(1,346,638)	(1)	–	(1,346,639)
Transfers between asset categories	–	–	–	–	–
Depreciation	(1,618,450)	(8,026,363)	(473,245)	(703,751)	(10,821,809)
Closing net book amount	29,076,178	89,449,554	1,443,258	1,470,584	121,439,574
At December 31, 2012					
Cost or valuation	61,936,703	176,721,481	4,676,749	7,433,249	250,768,182
Accumulated depreciation	(32,860,525)	(87,271,927)	(3,233,491)	(5,962,665)	(129,328,608)
Net book amount	29,076,178	89,449,554	1,443,258	1,470,584	121,439,574

(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 for the Company is limited to $150,000,000 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 $10,000,000 was arranged with a financial institution to cover the Transmission and Distribution assets.

Depreciation expense charged to direct expenses and administrative expenses amounted to $10,118,058 (2011 - $9,610,531) and $703,751 (2011 - $724,890), respectively.

No interest was capitalised during 2012 and 2011.

10 Borrowings

	2012 $	2011 $
Current		
Bank overdraft (Note 5)	**-**	1,648,497
Bank borrowings	**5,359,107**	6,003,275
	5,359,107	7,651,772
Non-current		
Bank borrowings	**41,038,732**	45,335,189
Total borrowings	**46,397,839**	52,986,961

There was no interest payable on the current portion of bank borrowings at the end of 2012 and 2011 respectively. Interest expense on bank borrowings amounted to $2,839,375 (2011 - $2,990,714), while interest on bank overdraft amounted to $1,324 (2011 - $21,082) (Note 22).

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

	2011 %	2010 %
Bank overdraft	**5.75**	5.75
Bank borrowings	**5.75**	5.75

(expressed in Eastern Caribbean dollars)

10 Borrowings...*continued*

Maturity of non-current borrowings:

	2012 $	2011 $
Between 1 and 2 years	**4,538,969**	4,285,217
Between 2 and 5 years	**15,283,532**	14,429,188
Over 5 years	**21,216,231**	26,620,784
	41,038,732	45,335,189

The bank borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over certain specific immovable properties of the Company.

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

	Carrying amount		Fair value	
	2012 $	2011 $	2012 $	2011 $
Bank borrowings	**41,038,732**	45,335,189	**39,138,579**	48,075,778

The fair values of the non-current borrowings are based on cash flows discounted using a rate based on the government bond rate of 7.0% (2011 - 3.5%).

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

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

	2012 $	2011 $
Eastern Caribbean dollars	**46,397,839**	52,986,961

As at December 31, 2012 the Company has unused credit facilities of $28,921,139 (2011 - $28,035,480).

11 Trade and other payables

	2012 $	2011 $
Trade creditors	**10,242,526**	9,472,548
Accruals	**2,815,412**	1,925,919
Other	**510,111**	447,203
	13,568,049	11,845,670

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

12 Related party balances and transactions

In the normal course of business, the Company transacts with companies and individuals which are considered related parties.

Key related parties and relationships are as follows:

Related parties	Relationship
WRB Enterprises Inc.	Parent company
Dominica Private Power Ltd.	Shareholder
Dominica Social Security	Shareholder
Marpin 2k4 Ltd.	Under common control

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

	2012 $	2011 $
Management fees:		
WRB Enterprises Inc.	**339,612**	339,612
Director expenses, internal auditor costs, technical consultancies, feasibility studies, directors expenses and regulatory expenses:		
WRB Enterprises Inc.	**615,617**	452,332

Transactions with related parties were carried out on commercial terms and conditions. Short-term advances from related parties are reimbursed at the original amount advanced. Related parties did not grant or receive guarantees in relation to short-term advances.

Year-end balances arising from transactions with related parties during the year are as follows:

	2012 $	2011 $
Due to related party		
WRB Enterprises Inc.	**90,120**	148,552
Due from related party		
Marpin 2k4 Ltd.	**1,783,009**	877,603

Balance due from related party relates to energy sales and pole rental which is included in trade and other receivables in (Note 6).

Key management compensation
Key management comprises divisional management and senior management of the Company.

Compensation for these individuals was as follows:

	2012 $	2011 $
Salaries and other short-term employee benefits	**1,489,935**	1,431,707
Post-employment benefits	**86,287**	95,117
	1,576,222	1,526,824

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

13 Deferred tax liabilities

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

	2012 $	2011 $
At beginning of year	**16,596,696**	15,903,066
Statement of comprehensive income charge (Note 23)	**716,919**	693,630
At end of year	**17,313,615**	16,596,696

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

	2012 $	2011 $
Accelerated capital allowance	**58,367,555**	56,111,628
Capital grants	**(655,507)**	(789,308)
	57,712,048	55,322,320

Accelerated capital allowances noted above have no expiry dates.

14 Other non-current liabilities

	2012 $	2011 $
Deferred revenue	**7,738,659**	7,232,788
Consumers' deposits	**3,692,796**	3,734,276
Retirement benefit plan	**5,341**	5,341
	11,436,796	10,972,405

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 amortised 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 $104,276 (2011- $101,801) was charged against income (Note 22).

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

15 Capital grants

	2012 $	2011 $
At beginning of year	**789,308**	976,576
Amortisation (Note 21)	**(133,801)**	(187,268)
At end of year	**655,507**	789,308

16 Share capital

	2012 $	2011 $
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

17 Dividends

The Company paid dividends of $2,083,466 (2011 - $1,823,032) to ordinary shareholders in respect of the year ended December 31, 2012.

Dividend per share is shown below and is computed by dividing the dividends declared and paid by the total number of outstanding shares.

	2012 $	2011 $
Dividends declared and paid	**2,083,466**	1,823,032
Weighted average number of ordinary shares issued	**10,417,328**	10,417,328
Dividend per share	**0.200**	0.175

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

18 Expenses by nature

	2012 $	2011 $
Fuel costs (Note 20)	**51,660,677**	42,927,824
Employee benefit expenses (Note 19)	**14,444,300**	14,222,982
Depreciation (Note 9)	**10,821,809**	10,335,422
Equipment and line repairs and maintenance	**6,419,543**	6,053,006
Legal and professional	**1,851,979**	3,138,145
Insurance	**2,097,285**	2,194,475
Office expenses	**1,017,067**	1,107,018
Travel expenses	**863,859**	716,059
Commercial expenses	**211,129**	286,390
Communication	**486,948**	485,840
Public relations	**467,617**	423,943
Security	**472,282**	449,857
Bank and credit card charges	**476,065**	495,696
Bad debt expenses/(recovered) (Note 6)	**91,717**	(183,738)
Hurricane restoration costs	**55,254**	68,782
Provision for inventory obsolescence (Note 7)	**33,098**	442,302
Power purchased	**115,746**	96,466
Other expenses	**215,124**	167,952
Total direct and administrative expenses	**91,801,499**	83,428,421

19 Employee benefit expenses

	2012 $	2011 $
Salaries and wages	**11,374,723**	11,173,156
Other staff costs	**3,069,577**	3,049,826
	14,444,300	14,222,982

20 Fuel cost

	2012 $	2011 $
Fuel cost at base price	**7,457,141**	6,365,307
Fuel surcharge	**44,203,536**	36,562,517
Total fuel cost (Note 18)	**51,660,677**	42,927,824
Fuel surcharge recovery	**(44,260,626)**	(36,660,982)
Net fuel cost	**7,400,051**	6,266,842

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

21 Other expenses, net

	2012 $	2011 $
Loss on disposal of plant and equipment	**(1,334,138)**	(1,267,548)
Amortisation of capital grants (Note 15)	**133,801**	187,268
Amortisation of deferred revenue	**397,305**	304,819
Foreign exchange gains - net	**5,304**	90,375
	(797,728)	(685,086)

22 Finance costs

Finance costs comprise the following:

	2012 $	2011 $
Loan interest charges (Note 10)	**2,839,375**	2,990,714
Other interest charges (Note 14)	**104,276**	101,801
Overdraft charges (Note 10)	**1,324**	21,082
	2,944,975	3,113,597

23 Taxation

	2012 $	2011 $
Taxation		
Current	**2,881,463**	2,649,036
Under-accrual of prior year's income tax	**9,140**	–
Deferred charge (Note 13)	**716,919**	693,630
	3,607,522	3,342,666

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:

	2012 $	2011 $
Profit before income tax	**11,810,318**	11,089,691
Tax calculated at the rate of 30%	**3,543,095**	3,326,907
Income not subject to taxation	**(40,140)**	(83,292)
Expenses not deductible for tax purposes	**93,370**	99,225
Adjustment on deferred income tax	**2,057**	(174)
Under-accrual of prior year's income tax	**9,140**	–
Tax charge	**3,607,522**	3,342,666

Dominica Electricity Services Limited

Notes to Financial Statements

DECEMBER 31, 2012

(expressed in Eastern Caribbean dollars)

24 Earnings per share

	2012 $	2011 $
Net income for year	**8,202,796**	7,747,025
Weighted average number of ordinary shares issued	**10,417,328**	10,417,328
Basic and fully diluted earnings per share	**0.79**	0.74

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

25 Commitments

The Company has committed to purchase products and services in the amount of $1,136,276 and $1,497,904 from a number of companies as at December 31, 2012 and 2011, respectively.

26 Contingent liabilities

The Company is contingently liable in respect of various claims arising in the ordinary course of business. The amounts are considered negligible and are usually covered by insurance.

27 Reclassifications

During the year management undertook a review of the Company's financial statement presentation. As such certain accounts in the Statement of Comprehensive Income have been reclassified to allow for a more appropriate presentation of the accounts. The result of these reclassifications accounts were as follows:

a. Decrease in operating costs of $1,891,848
b. Increase in maintenance of $1,931,757
c. Decrease in Administrative expenses of $39,908.

The main accounts contributing to these reclassifications are as follows:

Line services, repairs to street lights, trouble calls and meter services were reclassified from operating costs to maintenance, while building repairs and maintenance were reclassified from administrative expenses to maintenance.

Lube oil and SCADA (line checks) were reclassified from maintenance to operating costs while bad debt provision was reclassified from administrative expenses to operating costs.

Finally, public relations were reclassified from operating costs to administrative expenses.

Dominica Electricity Services Limited

Operating Statistics

CAPACITY & DEMAND (kW)	2012	2011	2010	2009	2008
Generating Plant Installed Capacity					
- Hydro	**6,640**	6,640	6,640	4,760	4,760
- Diesel	**20,100**	20,100	20,060	19,460	16,570
Total	**26,740**	26,740	26,700	24,220	21,330
Firm* Capacity					
- Hydro (Dry Season)	**3,200**	3,200	3,200	2,300	2,300
- Diesel	**14,860**	14,860	14,860	15,500	12,330
Total	**18,060**	18,060	18,060	17,800	14,630

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

	2012	2011	2010	2009	2008
Peak Demand (kW)	**17,229**	17,170	16,583	15,623	14,663
Growth (%)	**0.3**	3.5	6.1	6.5	1.1
Load Factor = Average Demand / Maximum Demand	**0.67**	0.67	0.68	0.68	0.68

ENERGY PRODUCED (kWh x 1000)	2012	2011	2010	2009	2008
Gross Generation					
- Hydro	**26,748**	35,836	23,132	23,156	20,554
- Diesel	**74,807**	64,571	76,033	69,565	66,944
Energy Purchased	**117**	76	16	-	-
Total	**101,672**	100,483	99,181	92,721	87,498
Growth (%)	**1.2**	1.3	7.0	6.0	1.3
Diesel Fuel Used in Generation					
Quantity (Imp.Gal)	**4,345,200**	3,750,719	4,417,799	3,942,115	3,915,979
Fuel Efficiency (kWh per Imp.Gal)	**17.2**	17.2	17.2	17.6	17.1

Dominica Electricity Services Limited

Operating Statistics (Cont'd)

ENERGY SOLD (kWh x 1000)	2012	2011	2010	2009	2008
- Domestic	**40,785**	40,149	39,473	36,369	34,051
- Commercial	**38,692**	37,858	35,537	32,280	30,278
- Industrial	**7,868**	7,560	7,449	7,877	6,004
- Hotel	**1,071**	1,654	2,769	2,339	2,028
- Lighting			0	0	0
- Street Lighting	**1,697**	1,621	1,547	1,443	1,325
Total	**90,113**	88,842	86,775	80,308	73,686
Growth (%)	**1.4**	2.4	8.1	9.0	3.2

OWN USE & LOSSES (kWh x 1000)	2012	2011	2010	2009	2008
Power Station Use	**3,075**	2,714	2,938	2,642	2,630
Office Use	**551**	541	540	522	559
Losses	**7,932**	8,383	8,928	9,249	10,623
Losses (% of Gross Generation)	**7.8**	8.3	9.0	10.0	12.1
Losses (% of Net Generation)	**8**	8.6	9.3	10.3	12.5

NUMBER OF CUSTOMERS AT YEAR END	2012	2011	2010	2009	2008
- Domestic	**30,512**	29,838	28,984	25,904	29,183
- Commercial	**3,962**	4,027	3,907	3,567	4,287
- Industrial	**31**	29	28	30	30
- Hotel	**27**	28	571	477	429
- Lighting			0	0	2
- Street Lighting	**338**	469	496	571	430
Total	**34,870**	34,391	33,986	30,549	34,361
Growth (%)	**1.4**	1.2	11.3	(11.1)	3.2
No. of Full-Time Equivalent Employees	**228**	218	226	222	225
Number of Customers per Employee	**151**	157	150	138	153

Dominica Electricity Services Limited

5 Year Financial Statistics

	2012	2011	2010	2009	2008
UNITS SOLD (kWh x 1000)	90,113	88,842	86,775	80,308	73,686
REVENUE/UNIT SOLD (EC cents)	117.47	109.77	102.66	93.77	123.32
SUMMARIZED BALANCE SHEET (EC$ 000)					
SHARE CAPITAL	10,417	10,417	10,417	10,417	10,417
RETAINED EARNINGS	57,843	51,724	45,800	47,634	43,045
DEFERRED CREDITS	17,969	17,386	16,880	16,491	15,986
LONG TERM LIABILITIES	52,476	56,308	54,157	48,761	50,598
	138,705	135,835	127,254	123,303	120,046
FIXED ASSETS (NET)	121,440	122,880	118,355	111,849	90,356
CAPITAL WIP	461	931	3,315	7,056	21,384
CURRENT ASSETS	36,695	32,930	25,933	24,982	32,107
CURRENT LIABILITIES	(19,890)	(20,906)	(20,349)	(20,584)	(23,801)
	138,705	135,835	127,254	123,303	120,046
SUMMARIZED STATEMENT OF INCOME					
EXPENSES					
FUEL	51,661	42,928	37,546	27,697	47,255
OPERATING EXPENSES	13,107	12,703	13,035	11,235	12,091
ADMINISTRATION	7,949	9,806	9,405	9,912	8,777
DEPRECIATION	10,822	10,335	9,488	8,813	7,295
MAINTENANCE	8,263	7,656	8,550	7,683	6,734
	91,801	83,428	78,023	65,340	82,152
OPERATING REVENUE					
ELECTRICITY SALES	61,593	60,856	58,977	54,911	50,265
FUEL SURCHARGE	44,261	36,661	30,108	20,393	40,601
OTHER	1,501	799	1,734	1,506	659
	107,355	98,317	90,819	76,810	91,525
OPERATING INCOME	15,553	14,888	12,796	11,470	9,373
INTEREST CHARGES	(2,945)	(3,114)	(3,008)	(2,956)	(2,435)
OTHER CHARGES & CREDITS	(1,334)	(1,268)	(1,696)	3	1,934
AMORTISATION OF CAPITAL GRANTS	531	492	466	475	439
REALISED EXCHANGE GAIN (LOSS)	5	90	(79)	(12)	8
UNREALISED EXCHANGE GAIN (LOSS)	0	0	0	(5)	59
TAXATION	(3,608)	(3,343)	(8,750)	(2,824)	(1,774)
NET INCOME	8,203	7,747	(271)	6,151	7,604
DIVIDEND	2,083	1,823	1,563	1,563	1,563
REINVESTED EARNINGS	6,119	5,924	(1,834)	4,588	6,041
RATE BASE (AVERAGE FIXED ASSETS)	122,160	120,618	115,102	101,102	89,433
RETURN ON AVERAGE FIXED ASSETS	12.73%	12.34%	11.12%	11.34%	10.48%
DEBT/EQUITY RATIO	1.31	1.51	1.61	1.46	1.66
CURRENT RATIO	1.84	1.58	1.27	1.21	1.35
COLLECTION PERIOD (DAYS)	50	44	37	49	57

POWERING RELIABILITY
THROUGH INNOVATION
DOMLEC ANNUAL REPORT 2012

Dominica Electricity Services Limited

Print Address
P.O. Box 1593, 18 Castle Street
Roseau, Commonwealth of Dominica

E-mail
domlec@domlec.dm

Telephone
767-255-6000 / 448-2681

Fax
767-448-5397

Website
www.domlec.dm

Designed by Orange Media Group Photos by 365 II Media, Marketing & Production