



The **POWER**
of VISION



2010

Dominica Electricity Services Limited
ANNUAL REPORT AND ACCOUNTS

The **POWER** of VISION



In 2010 the wind turbine at the Rosalie Bay Resort became the first renewable project to be interconnected to the Domlec grid.



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OUR THEME

The power that drives development has always come from those with the vision to see the future needs of the community and nation before they become a reality. The ready availability and security of power sources has driven location and settlement of the greatest cities in history.

Today we at Domlec see a future where the natural energy of our nation can be better tapped and delivered to drive development where all can be assured that whatever their personal vision, Domlec will provide the power. From more interactive metering to allow all to be involved in power management, to new generation and distribution methods, we will lead the way.

We invest in the technologies of the future to secure the power of the future for generations to come. We lead by example and show that cleaner, more naturally harmonious development is not only possible as a vision, but is empowering as a nation. We stride powerfully toward the vision we hold to create the path for all others to benefit from tomorrow's power.



“ The company remains poised to enter the market for renewable energy in Dominica ”

ROBERT BLANCHARD Jr.



Chairman's Report

The sales growth that the company experienced in 2009 and 2010 permitted us to avoid an application for a rate increase in either year despite the rising costs of the services and materials needed to maintain system reliability and to provide sufficient capacity to meet Dominica's growing energy needs.

This year saw the company continue its trend of marked improvement in technical performance. There was significant improvement in the reliability of our system. Both the T&D and the Generation Departments made marked progress in their respective areas and the department heads and entire staff deserve our congratulations. Both the number of outages and the length of the outages that our average customer experienced decreased. In 2010 the average customer was out of service for 29.6 hours for the year as compared to 47.2 hours in 2009. We also saw the system losses drop from 10.3% in 2009 to 9.3% in 2010 as system improvements and a sustained effort from our loss management team have continued to pay dividends.

Despite negative growth in the industrial sector, sales grew by 8.1% over 2009 driven by domestic and commercial growth. The sales growth that the company experienced in 2009 and 2010 permitted us to avoid an application for a rate increase in either year despite the rising costs of the services and materials needed to maintain system reliability and to provide sufficient capacity to meet Dominica's growing energy needs. Spending was kept within budget. However due to a \$6.1 million tax liability payable on disallowed tax exemptions taken in 2001 by CDC after the Tarou project was abandoned, the year ended with the

company recording a \$270,000 loss, instead of a profit of \$ 5.89 million.

Although small in size we have the talent and dedication to achieve great things. In 2010, the company received international recognition with two awards namely: Elster Electricity LLC's Best in Customer Service Award and Best Business Case Award by Metering International Magazine, for its implementation of the Advanced Metering Infrastructure (AMI) and the Juice software which introduced more customer friendly meters and increased our customer contact. The Commercial Manager and his team deserve our commendation for their efforts in that regard.

The company remains poised to enter the market for renewable energy in Dominica. The potential benefit of the use of geothermal energy in Dominica is well established. We are making initiatives and preparing for full involvement and participation in geothermal generation for the local market. The company was awarded some grant funding by the US Department of Energy to help develop wind energy on the island. Engineers from Quantas (a US based engineering company) have made grid impact studies to determine the effect of wind generators on our small system.



We are making initiatives and preparing for full involvement and participation in geothermal generation for the local market.

We continue to work with and interface with the Independent Regulatory Commission (IRC) on several fronts. Reporting to the IRC on financial performance and quality of service standards have become routine, as these reporting requirements have been better clarified and regularized by the commission. We finalized with the IRC our interconnection policy for small scale renewable energy producers wishing to connect to our grid. Two such small scale projects have been interconnected so far. In 2010 the IRC contracted the engineering firm R. W. Beck to undertake a technical audit of our systems. We are pleased to report that in all the areas identified by the technical auditor the company had already initiated programs for improvement which were ongoing. In the year past the IRC has invited the company to apply for separate licences for generation and transmission and distribution of electricity on the island. The IRC's invitation is currently being reviewed under advice.

In December of 2009 we filed an arbitration claim against the Government of the Commonwealth of Dominica seeking to reinstate DOMLEC's legal and economic rights under the 1996 ESA. In response, the Government, on January 8th 2010, filed an application in the High Court requesting a declaration that the arbitration proceedings were unlawful and also requesting an injunction to restrain the company from proceeding with the arbitration until the hearing of the application in the High Court. However, before the matter came up for hearing in the High Court, both parties initiated discussions with a view to settling the matter out of court.

These talks are ongoing and all litigation has been suspended pending the report by the parties to the Court on the outcome of their negotiations.

Let me thank the directors for their contribution and sound advice over the past year. I also welcome on board our newest director Mr. Alexander Stephenson who was elected to the board on May 5th 2010. I thank the management team for leading the company during this period when there were so many uncertainties. My thanks also to the staff for their dedication and tireless effort to improve the performance and image of the company.



ROBERT BLANCHARD Jr.
Chairman



AMI

ADVANCED METERING INFRASTRUCTURE



Installation



Diagnostic Testing of AMI Collector Meter



Our investment in more interactive and smart AMI meters will help our customers better understand how they consume power which will in turn enable them to use power more efficiently.

BOARD OF DIRECTORS



Mr. Robert Blanchard Jr.
Chairman



Mr. Nigel Wardle
Chairman Audit Committee



Mr. Norman Rolle
Director

“DIRECTION
WITH VISION”



Mr. Grayson Stedman
Director



Mr. Yvor Nassief
Director



Mr. Malcolm Harris
Director



Mr. Murray Skeete
Director



Mr. Alexander Stephenson
Director (from May)



DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements for the year ended 31st December 2010 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 2010 the company generated total revenue of \$90.8 million from 86.8 GWh in sales, an increase of 18.2% from the previous year. Total expenses were \$81.03 million and other losses were \$1.3 million resulting in income before tax of \$8.48 million.

Net income after the current year's tax was EC\$5.89 million. This compares to the previous year's profit of EC\$6.15 million. However, due to payment of EC\$6.16 million in back taxes net loss after tax was EC\$0.27 million. This tax liability arose from the Inland Revenue Division's re-assessment of the company's treatment of expenses from the abandoned Tarou Power Plant project in 2001.

This extraordinary tax item also affected the earnings per share which would have been EC\$0.57 per share had the back tax charge not been incurred in the current year. This resulted in loss per share of EC\$0.03.

DIVIDENDS

In 2010, the company made two dividend payments totalling 15 cents per share to shareholders on May 5th and December 30th.

DIRECTORATE

On May 5th 2010, the company held its 36th Annual General Meeting of shareholders. At that meeting the following directors were nominated by the two major shareholders, Dominica Private Power Ltd and the Dominica Social Security pursuant to the shareholders agreement between them and were elected to serve for a

term of three years: Mr. Murray Skeete, Mr. Yvor Nassief, Mr. Alexander Stephenson, Mr. Nigel Wardle, Mr. Malcolm Harris and Mr. Robert Blanchard Jr. Mr. Alexander Stephenson is new to the Board. He is Managing Director of Century National Consultants Ltd- a banking/finance /marketing consultancy and business services company which he owns. He holds a Diploma in Finance and Banking from the College of Arts Science and Technology in Jamaica (1994) and is currently enrolled with the University of Leicester to pursue the MBA in Business Administration. Mr. Stephenson has several years of experience in banking and business services which he brings to the Board.

STOCK PERFORMANCE

Trading in Domlec shares throughout 2010 brought a slight improvement in the share price from last year with trades ranging between EC\$2.25 and EC\$3.00. As at December 31st 2010, the shares were being traded at \$3.00 per share.



By Order of the Board
Ellise Darwton
COMPANY SECRETARY



MANAGEMENT TEAM



Mr. Collin Cover
General Manager



Mr. Rawlins Bruney
Chief Engineer



Mrs. Marvelin Etienne
Financial Controller



“ VISION IN ACTION ”



Ms. Ellise Darwton
Corporate Secretary/Legal Officer



Mrs. Bertilia Mc Kenzie
HR and Administration Manager



Mr. Mark Riddle
Generation Manager



Mr. Nathaniel George
Commercial Manager



Mr. Lemuel Lavinier
Engineering Transmission & Distribution Manager



Mr. Carl Maynard
IT Manager





As we move to a modern inclusive power network, we embrace those who use renewable sources to enhance their consumption. This residential solar project at Castle Comfort is the second renewable project to be interconnected to the Domlec grid.



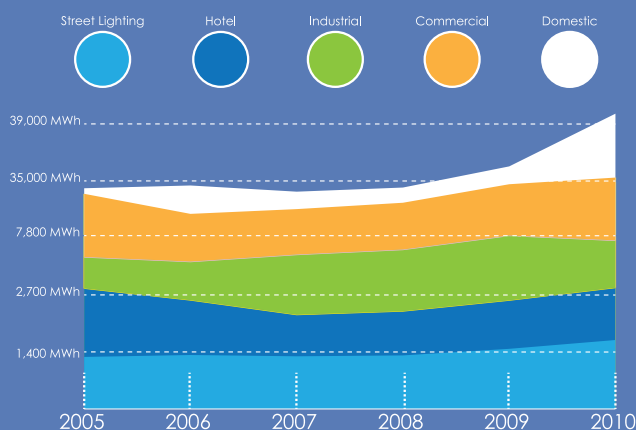
OPERATIONS REVIEW

FINANCIAL OVERVIEW

SALES

Electricity sales for the financial year ended December 31st, 2010 totaled 86.8 GWh. This represents an increase of 8.1% over unit sales in 2009. This growth was driven by the unusually hot temperature in the early part of the year. During the months of January to May the average growth was 14.20%. However for the remainder of the year the growth averaged 4.2%, and in that period there were two months that showed negative growth. The Domestic and Commercial sectors accounted for more than 90% of the growth. Growth in the Commercial sector was partially due to several significant new entrants to the sector. There were no new additional customers to the Hotel sector but growth was seen in sales to that sector also. Sales to the Industrial sector contracted in 2010. Contributing to this contraction was the cessation of a major project by the largest industrial customer.

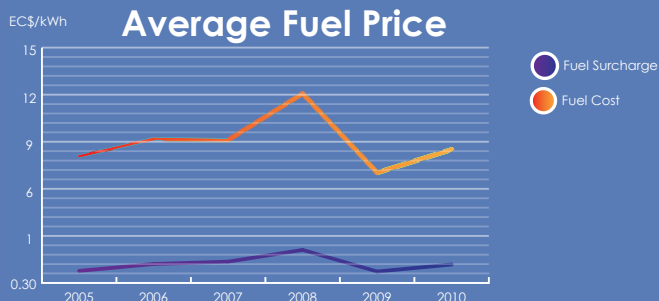
Energy Sales Growth



GROSS REVENUE

Driven by an EC\$9.7 million increase in fuel surcharge the total revenue increased by 18.2% and was EC\$14 million higher than it was in 2009. During the year fuel surcharge peaked at 38.58 cents as world oil prices rebounded from the lows of 2009 brought on by the global financial crisis, and the average price paid per imperial gallon of diesel increased to EC\$8.50 from the EC\$7.03 it was in 2009.

The 8.1% increase in units sold resulted in an increase in revenue of EC\$4.1 million, 7.4% greater than in 2009. The total revenue from sales for the 2010 year was EC\$ 58.98 million.



DIRECT EXPENSES

Direct expenses increased EC\$13.1 million from 2009. The causes of the increases are detailed as follows;

Fuel Costs

Fuel costs in 2010 totaled EC\$37.5 million, EC\$9.8 million higher than 2009 and accounts for more than 75% of the increase in direct expenses. Greater dependence on diesel generation to meet the growth in sales coupled with higher diesel fuel prices in this fiscal year were responsible for this rise in total fuel costs.

Operating Expenses

Operating expenses increased by EC\$1.5 million or 11.5% in 2010 primarily due to increases in several important areas of operations, including but not limited to plant upkeep. There were also improvements in safety, health and environmental systems. The reallocation of training costs for operational staff from administrative expenses to operating expenses was also in part responsible for this increase.

Maintenance Expenses

Maintenance expenses increased to EC\$6.65 million, or EC\$1.1 million over 2009. This was mainly due to a planned effort to do more maintenance in the 2010 year. Several house keeping initiatives and other improvements to the plant also contributed to this increase in cost. The plants have shown marked improvement in their technical performance and appearance as a result of this spending.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased in the current year by 4% to EC\$9.7 million. There has also been in the current year a reduction in provision for obsolete stock as obsolete items provided for in the previous year were written off during the year. Additionally, a reallocation of the training costs from administrative expenses to the specific department receiving the training has brought about a reduction in training expenses for



administrative purposes but has resulted in a commensurate increase in direct expenses for each department. The decreases in these areas were nullified in part by an increase in legal expenses as the company is currently engaged in arbitration with the Government of Dominica over the revocation of its license under the 2006 ESA.

OTHER INCOME

Other losses in 2010 totaled EC\$1.3 million compared to other income of EC\$0.46 million in 2009. This represents a reduction in other revenue of EC\$1.76 million. During the year the company wrote off \$1.7 million being the costs of meters disposed during meter change outs in 2009/2010 and under the ongoing AMI meter upgrade. This loss was partially offset by other income including amortization of grants and deferred revenue.

FINANCE CHARGES

Finance charges during the year was virtually unchanged from the last financial year, rising only 1.8% to EC\$3.0 million. There was an increase in borrowings to fund capital expenditure, including the AMI meter upgrade project which was started in 2009 and is expected to continue through 2012.

PROFIT

Profit before tax for the year ended December 31, 2010 stood at EC\$8.48 million, a decrease of 5.5% from 2009. Income taxes amounted to EC\$8.75 million, completely eroding the current year's profits and resulting in a loss after taxes of EC\$0.27 million compared to profit of EC\$6.2 million a year ago. Of the taxes paid in the current year, EC\$6.1 million arose as a result of the re-assessment of the income tax filings of the company for periods 2001-2004 by the Inland Revenue Division. Costs which were originally written-off in 2001 for the discontinued Tarou project were disallowed and were taxed in the 2010 fiscal year.

CUSTOMER SERVICE

AMI PROJECT

2010 was a very exciting year for the staff in the Customer Service Department because of the on-going Advanced Metering Infrastructure (AMI) project. This project started in October 2009 with the objective of replacing 27,000 electro-mechanical meters with electronic smart meters. AMI smart meters allow for two-way communication between the meters in the field and Domlec's servers located in its office.

Domlec's AMI project received two international awards during 2010. In February, the company was awarded Elster Electricity LLC's Best in Customer Service Award in South Carolina; and in March, Domlec was awarded Best Business Case at Metering International Magazine's annual conference in San Diego, California. Both awards were accepted in person by Mr. Nathaniel George, Commercial Manager and Mr. Felix



Mr. George and Mr. Julien Receiving the 2010 Elster Solutions Award for Customer Service

Julien, Commercial Engineer on behalf of Domlec.

The system is fully operational, but until all the meters have been changed it will not be available to all customers. In 2010, over 10,000 AMI meters were installed taking the total number of customers with smart meters to 13,615. The Company plans to install a further 10,000 in 2011. Customers have been very receptive of the new system and our meter technicians are warmly received by customers when they perform smart meter installations.

QUALITY OF SERVICE STANDARDS

The Independent Regulatory Commission (IRC) introduced Quality of Service Standards in late 2009. These standards took effect in January 2010. The purpose of the Quality of Service Standards is to provide customers with an indication as to the level of service which they should expect. The Company submits quarterly reports to the IRC on these standards. The Quality of Service Standards is divided into two – Guaranteed Standards and Overall Standards. The Company is required to pay compensation to customers for any breach of the Guaranteed Standards. For the year 2010, the Company achieved an overall success rate of 91% in Guaranteed Standards and 87% in Overall Standards.

PREPAYMENT SYSTEM UPGRADED

The company completed the upgrade of its prepayment system in February which has resulted in enhanced customer service and improved efficiencies. The new AMI prepaid system uses the latest telecommunications technologies to communicate with customers via text messages and e-mail. Customers receive text messages or e-mail alerts at least three days before their credit runs out. AMI Prepaid customers also enjoy no disconnection on weekends and public holidays as disconnections only take place at 12:30pm on weekdays. The system also offers customers access via the internet to their personal prepaid account where they can view consumption data in 15 minute,



daily and monthly intervals. At the end of the year, the company had over 60 vending locations island wide to serve over 9,000 prepaid customers.

TECHNICAL OPERATIONS

GENERATION

The Generation Department had several successes in 2010. Most notable was the improvement in reliability of the generating plants. The plants' forced outage rate decreased by more than 50%, mainly due to priority being placed on timely maintenance. The department was successful in removing de-rates from two high speed units, increasing the output of FC5 by 9% and significantly improving the overall performance of all diesel units during this reporting period.

On the other hand the late recommissioning of the Padu units, coupled with the extensive dry spell experienced during the first half of the year, significantly decreased the production from the hydro units. The company was only able to achieve 74% of the projected hydro output, as a result of which only 23.3% of the total energy produced (99.2 GWh) for 2010 was from hydro.

ADDITION OF A 1.4MW UNIT TO THE SUGAR LOAF STATION

The town of Portsmouth continues to experience a higher growth rate than the rest of the country. The town also suffered from poorer power quality than the rest of the country. In 2010 in an effort to meet this growth, and to improve the power quality in the north a 1.4MW unit was removed from the Fond Cole Station and relocated to the Sugar Loaf station. Since its installation the power quality in the north has seen improvement.



Refurbishment of FC 5



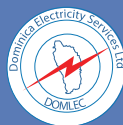
Transporting 1.4MW Unit to SugarLoaf



Installation of Spherical Valves at Trafalgar Hydro



Work to Install the 1.4MW unit at SugarLoaf



RESTORATION OF PADU

The two hydro generators at Padu were commissioned on 13th October 2010 after several mechanical set backs. It took several months and multiple visits by the manufacturer's engineering team to sort out some of the re-commissioning issues ranging from re-grouting of foundation bolts to vibration analysis and re-alignment of the units. The units performed quite well over a period of 8 weeks, making a significant contribution to total hydro production. However, on 10th December the turbine bearing on the No.2 unit failed while still under warranty. The root cause was found and corrected, but the unit's repair was not complete until January of 2011.



Work on Refurbishment of Padu

STAFF CHANGES

During the year significant effort was employed in improving staff morale, productivity and motivation. An additional supervisor was placed in the mechanical maintenance section. Since then the on time completion of outages has improved. Team Leader positions were added to both the mechanical and electrical technicians sections to enable better control of the work process.

During the year, in an effort to be better able to respond to the amount of Saturday work required to keep abreast of plant maintenance, a two shift system was introduced which saw one team working Monday to Friday and a second team working from Tuesday to Saturday. The teams alternate monthly.

ENGINEERING, TRANSMISSION & DISTRIBUTION

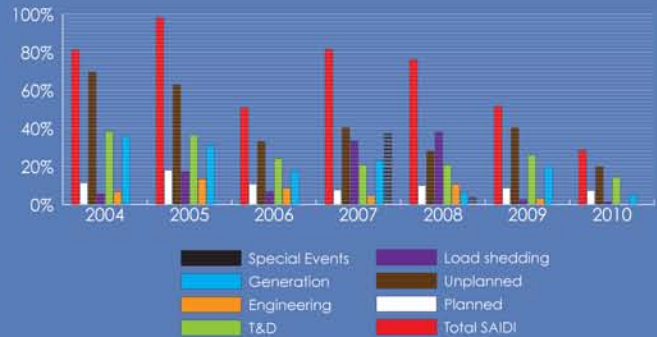
NETWORK PERFORMANCE

The recent trend of reliability improvements continued unabated in 2010. The statistics show that there was marked improvement

in all areas during the year. The staff and management are encouraged by these results and are motivated to maintain and even improve on the procedures and practices that they implemented to bring about these improvements.

The international measure for a power system's reliability is called the **System Average Interruption Duration Index (SAIDI)**. It measures how many hours the average customer is without power for the year. A customer's outage can be caused by (i) generation equipment failure (ii) unplanned T&D failure (iii) planned T&D maintenance. The graph below shows a breakdown of the SAIDI figures over the years.

SAIDI Breakdown & Comparison Chart



Not only were there less outages but the duration of load shedding interruptions for the average customer dropped from 2.56 hours in 2009 to 1.31 hours in 2010, the lowest in the past 6 years. The average customer was saved 6.53 hours of planned interruptions through utilization of hotline work, compared with 5.76 hours saved in 2009. This improvement is as a result of increased availability of hotline tools and personnel. The training of a crew of eight in hotline work which started in 2009 was completed in 2010, complementing the crew of five previously trained in the skill.

The system had a brush with Hurricane Tomas in October of the past hurricane season. Hurricane Tomas inflicted minimal damage around the island and parts of the T&D system were lost. The supply to the main part of the network was returned in a matter of hours after the storm struck and the entire system was fully restored within four days of the event.

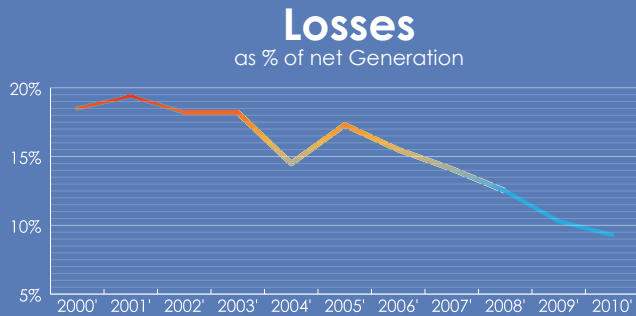
SYSTEM LOSSES

For the fifth consecutive year the company has been able to exceed the target set for loss reduction. The steady decline in the level of energy losses continued in 2010 where at year end system losses stood at 9.3% of net generation; by far the lowest on record and below the forecast figure of 10.3%. Once again this commendable result was achieved through diligent pursuit of the measures recommended in the 2005 loss reduction study. The crews have been performing one additional activity by which potential trouble spots can be detected early; namely regular infrared inspection of the lines and network equipment.



GIS

The GIS Web program which commenced in 2009 has been completed. Staff has been trained to utilize the new database to improve internal functions. The system is being configured to link transformer circuits and maintenance records. During 2011 a new initiative aimed at combining the two powerful tools of GIS and AML for system improvements will be pursued.



SCADA AND TELECOMMUNICATIONS

Three new reclosers were installed in the past year. These installations have assisted greatly in isolating faulted sections of the network and minimizing the number of customers affected by faults. Work started on replacing the dial-up communication system with up-to-date radio communication. Upon completion of this project the speed of restoration after an outage is expected to be greatly increased.

AUTOMATION OF THE HYDRD GENERATING PLANTS

In 2010 bids for the automation of the hydro power stations were received and evaluated. A contract was signed with Invensys Process Systems for installation of a hydro automation system in 2011.

INFORMATION TECHNOLOGY

UPGRADE OF FINANCIAL/ACCOUNTING SOFTWARE

Accpac, DOMLEC's financial and accounting system, was upgraded to version 5A. Training was conducted with staff on the new features and how it will impact the current workflow and procedures in the Accounts Department. The areas targeted were multi-currency accounting for purchases and payments, bank reconciliation through Accpac, purchase orders and inventory processes and GL review among others.

SAVINGS FROM VOIP SYSTEM

During 2010 the company continued to enjoy substantial savings through the use of its own telephone system and PBX. The system was installed in August 2009 and by April 2010 the entire capital costs had been recovered through the reduction in the company's telecoms cost. In the twelve-month period just prior to its introduction, telecoms expenses amounted to \$499,970. This was reduced to \$265,839 for the corresponding period (August 2009 to July 2010) yielding a savings of 47%.

CHANGE OF E-MAIL MESSAGING ADDRESS

In an effort to further enhance Domlec's presence in the public domain, the company's email addressing scheme was changed from the **domleconline.com** domain to the more simplified **domlec.dm**. The domain **.dm** is exclusive to local businesses and is aimed at developing worldwide interest and awareness of the Commonwealth of Dominica.

NEW FIBRE LINKS

The speed and reliability of intra-company communication has been greatly improved by the establishment of fiber connections between the Roseau and the Fond Cole offices, the Laudat Power Station and the Fond Cole Power Station and the Portsmouth and Roseau offices. The Roseau – Fond Cole link is essential to the flow of data between the disaster recovery sites in these buildings.

NETWORK SECURITY TESTING

To improve the overall security of the company's Wide Area Network, a network security company was contracted to perform a series of rigorous penetration and vulnerability tests on Domlec's IT system to detect any security loopholes within the network. All areas of vulnerability found were corrected.

REVAMP OF PRE-PAID POWER PLATFORM

In 2010 the software used for the prepaid program was upgraded from Suprima to a program called Juice. The new software was chosen based on its ability to satisfy the critical needs of the pre-paid system now and into the future. It is flexible enough to adapt to anticipated changes in the company's operations and has provided online and Interactive Voice Response methods of vending, accommodated AML prepaid and among other benefits, has eliminated Domlec's previous telecoms and hardware costs that were associated with vendors using the Suprima software.



HUMAN RESOURCES AND ADMINISTRATION

The finalization of the company's new Pension Plan for employees took place in the first quarter of the year. By the end of the year 155 employees were enrolled in the Plan.

The highlight of the second quarter was the Health and Safety Month which took place in May. Health and Safety Awareness sessions were held at nine primary schools across the island. A comprehensive Material Safety Data Sheet (MSDS) system for the company was also introduced during the third quarter.

In an effort to upgrade the physical facilities of the company, several construction projects were commenced in 2010. These included the renovation of a property at Portsmouth to house our commercial and technical staff, the construction of the upper floor of the Fond Cole Generation offices and the multi purpose building at the Engineering Complex in Fond Cole.

In 2010, 188 employees or 88% of the organization's employees were trained. The organization subscribed to 70 technical course and 22 non-technical courses. The following table provides additional information:

<u>Section</u>	<u>Number of Employees Trained</u>
Operations	130
Accounts and Finance	14
Commercial	32
Human Resources and Administration	12
Total	188

The three courses with most participants were: Defensive Driving - 45, Customer Service- 33 and Performance Management - 33.

SHARING OUR VISION IN COMMUNITY

In 2010 the generous hands of Domlec were extended in the community to a number of groups and organizations. Giving back to the less-fortunate of the community was paramount on our agenda, which focused on contributions to education, sports, cultural enhancement and health.

The Grotto Home for the Homeless received its annual donation of \$10,200 towards its consumption of electricity for the year, and the island's centenarians continue to enjoy the \$600.00 credited towards their use of electricity.

The Private Sector Foundation for Health a non-profit organization providing assistance to persons requiring health care overseas and locally was the beneficiary of \$25,000 as part of the company's annual contribution to that institution. The Education Trust Fund of the Ministry Of Education received \$5,000.00. Additionally, Domlec awarded a plaque and a monetary reward to one fifth former of every secondary school on island as well as a student of the Dominica State College who excelled in Physics, Chemistry, Electricity, or was awarded the student of the year prize.

Chairperson of the Fond Cole Pre-School Lucy Belle-Matthew continues to be grateful for the generosity of Domlec over the last five years. An annual contribution of \$12, 480 is made for the upkeep and further development of that early childhood learning institution. She believes that without this gift the school would have been forced to close its doors years ago.

Local sporting activities received a total contribution of \$32,000. The various disciplines which benefitted were: softball cricket, netball, basketball, football and the Primary Schools Softball Cricket Program.



Teams at Domlec Roseau Valley Football League

In 2010 Domlec teamed up with the other Windward Islands power companies and contributed \$25,000 to the Windward Islands U-19 Cricket Tournament which was held in St. Vincent.



Carnival Princes 2010 - Selena Cuffy

Our sponsorship of Carnival Princess Selena Cuffy proved to be particularly rewarding as she emerged as the Carnival Princess 2010. We created a more visible awareness of the AMI project, when we sponsored a Carnival Queen Contestant in the person of Kristelle Fagan, who was launched as Miss AMI and placed second runner up in the competition. We continued to give back to our communities as we provided support to the Ms. Teen Dominica Pageant, the Mahaut Carnival and the Portsmouth Carnival.

Other institutions which benefited from Domlec's caring hands were; The Dominica Association of People with Disabilities, the Northern District Home for the Aged, the National Drug Abuse Prevention Unit, R.E.A.C.H, Rotary, Optimist and Lions Clubs, Welfare Division, the Community Mental Health Team, the Princess Margaret Hospital, the Nature Island Literary Festival and many others.

Our drive to educate the public on the company's operations continued in earnest in 2010. A vigorous PR program to promote the Advanced Metering Infrastructure (AMI) project was pursued to inform customers about the new metering system and its many features.

Live and recorded radio and television programs, radio quizzes, the production of an AMI brochure, special audio and visual advertisements and banners formed part of the plan aimed at sharing information with the general public. Our PR program also took us on an ICT road show organized by the ICT Department of the Ministry of Information.

As we endeavor to deliver excellent service to our customers, we will continue to reach out and touch the lives of those we serve in meaningful and tangible ways.



Donation of uniforms for Primary Schools Softball Cricket 2010



Miss AMI Krystal Fagan 2nd Runner Up Carnival Queen Show





BOILING LAKE, DOMINICA

Our natural resources continue to be a major asset in the future generation of electrical power. This is why we have been undertaking reviews to determine to what extent Domlec can participate in this initiative.



March 29, 2011

PriceWaterhouseCoopers

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Castries
St. Lucia, West Indies
Telephone (758) 456-2600
Facsimile (758) 452-1061

Independent Auditors' 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** (the "Company") which comprise the balance sheet as at December 31, 2010 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 notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

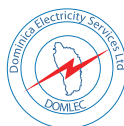
Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants

"PricewaterhouseCoopers" refers to the Eastern Caribbean firm of PricewaterhouseCoopers or, as the context requires, the PricewaterhouseCoopers global network or other member Firms of the network, each of which is a separate and independent legal entity. A full listing of the partners of the Eastern Caribbean Firm is available upon request at the above address.



Dominica Electricity Services Limited

Balance Sheet

As at December 31, 2010

(expressed in Eastern Caribbean dollars)

	2010 \$	2009 \$
Assets		
Current assets		
Cash and cash equivalents (Note 5)	506,295	563,162
Trade and other receivables (Note 6)	13,091,427	13,644,139
Inventories (Note 7)	12,335,467	10,774,818
	25,933,189	24,982,119
Capital work-in-progress (Note 8)	3,314,500	7,056,159
Property, plant and equipment (Note 9)	118,355,298	111,849,155
Total assets	147,602,987	143,887,433
Liabilities		
Current liabilities		
Borrowings (Note 10)	9,457,507	8,378,121
Trade and other payables (Note 11)	9,537,089	10,176,984
Due to related party (Note 12)	135,844	132,698
Income tax payable	1,218,452	1,896,225
	20,348,892	20,584,028
Borrowings (Note 10)	44,463,133	40,296,635
Deferred tax liabilities (Note 13)	15,903,066	15,293,718
Other non-current liabilities (Note 14)	9,694,247	8,464,818
Capital grants (Note 15)	976,576	1,197,260
Total liabilities	91,385,914	85,836,459
Equity		
Share capital (Note 16)	10,417,328	10,417,328
Retained earnings	45,799,745	47,633,646
Total equity	56,217,073	58,050,974
Total liabilities and equity	147,602,987	143,887,433

Approved by the Board of Directors on March 23, 2011

 Director

 Director

The accompanying notes form an integral part of these financial statements.



Dominica Electricity Services Limited

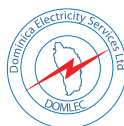
Statement of Comprehensive Income

For the year ended December 31, 2010

(expressed in Eastern Caribbean dollars)

	2010 \$	2009 \$
Revenue		
Energy sales	58,977,216	54,911,299
Fuel surcharge (Note 20)	30,108,305	20,393,259
Other revenue	1,733,786	1,505,300
	90,819,307	76,809,858
Direct expenses (Note 18)		
Fuel cost	37,545,599	27,697,284
Operating costs	14,616,451	13,111,330
Depreciation	9,487,723	8,813,250
Maintenance	6,656,089	5,595,818
	68,305,862	55,217,682
Gross profit	22,513,445	21,592,176
Administrative expenses (Note 18)	(9,717,169)	(10,122,184)
Other (expenses)/income , net (Note 21)	(1,309,433)	460,529
Operating profit	11,486,843	11,930,521
Finance costs (Note 22)	(3,008,258)	(2,955,959)
Profit before income tax	8,478,585	8,974,562
Income tax (Note 23)	(8,749,887)	(2,823,122)
(Loss)/profit and comprehensive (loss)/income for the year	(271,302)	6,151,440
(Loss)/earnings per share attributable to the equity holders of the Company during the year (Note 24)		
- basic and diluted	(0.03)	0.59

The accompanying notes form an integral part of these financial statements.



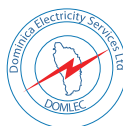
Dominica Electricity Services Limited

Statement of Changes in Equity
For the year ended December 31, 2010

(expressed in Eastern Caribbean dollars)

	Share capital (Note 16) \$	Retained earnings \$	Total equity \$
Balance at January 1, 2009	10,417,328	43,044,805	53,462,133
Total comprehensive income			
Profit for the year	—	6,151,440	6,151,440
Transactions with owners			
Dividends (Note 17)	—	(1,562,599)	(1,562,599)
Balance at December 31, 2009	10,417,328	47,633,646	58,050,974
Balance at January 1, 2010	10,417,328	47,633,646	58,050,974
Total comprehensive loss			
Loss for the year	—	(271,302)	(271,302)
Transactions with owners			
Dividends (Note 17)	—	(1,562,599)	(1,562,599)
Balance at December 31, 2010	10,417,328	45,799,745	56,217,073

The accompanying notes form an integral part of these financial statements.



Dominica Electricity Services Limited

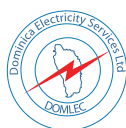
Statement of Cash Flows

For the year ended December 31, 2010

(expressed in Eastern Caribbean dollars)

	2010 \$	2009 \$
Cash flows from operating activities		
Profit before income tax	8,478,585	8,974,562
Adjustments for:		
Depreciation (Note 9)	9,487,723	8,813,250
Amortisation of capital grants (Notes 15 and 21)	(220,684)	(286,871)
Provision for inventory obsolescence (Note 18)	42,930	425,579
Provision for impairment of trade and other receivables (Note 18)	101,515	113,953
Loss/(gain) on disposal of plant and equipment (Note 21)	1,696,487	(2,578)
Unrealised foreign exchange losses	–	5,386
Finance costs (Note 22)	3,008,258	2,955,959
Operating profit before working capital changes	22,594,814	20,999,240
Decrease in trade and other receivables	451,197	3,622,084
(Increase)/decrease in inventories	(1,603,579)	1,201,105
Decrease in trade and other payables	(639,895)	(3,929,279)
Increase/(decrease) in due to related party	3,146	(162,581)
Cash generated from operations	20,805,683	21,730,569
Finance costs paid	(3,067,087)	(2,925,047)
Income tax paid	(8,818,312)	(1,643,782)
Net cash provided by operating activities	8,920,284	17,161,740
Cash flows from investing activities		
Increase in capital work-in-progress (Note 8)	(4,204,923)	(7,942,760)
Purchase of property, plant and equipment (Note 9)	(9,797,771)	(8,090,792)
Proceeds on disposal of property, plant and equipment	54,000	56,850
Net cash used in investing activities	(13,948,694)	(15,976,702)
Cash flows from financing activities		
Proceeds from borrowings	10,641,663	4,500,000
Repayment of borrowings	(7,045,802)	(6,888,066)
Dividends paid (Note 17)	(1,562,599)	(1,562,599)
Increase in other non-current liabilities	1,229,429	1,194,362
Net cash provided by/(used in) financing activities	3,262,691	(2,756,303)
Net decrease in cash and cash equivalents	(1,765,719)	(1,571,265)
Cash and cash equivalents, beginning of year	(395,945)	1,175,320
Cash and cash equivalents, end of year (Note 5)	(2,161,664)	(395,945)

The accompanying notes form an integral part of these financial statements.



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(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.

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.

Changes in accounting policy and disclosures

a) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2010 but not currently relevant to the Company*

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Changes in accounting policy and disclosures...continued

a) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2010 but not currently relevant to the Company ...continued*

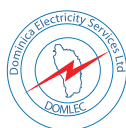
IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after July 1, 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

b) *New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2010 and not early adopted*

Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company will apply the revised standard from January 1, 2011. When the revised standard is applied, the Company will need to disclose any transactions between its subsidiaries and its associates. The Company is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

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

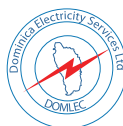
Trade receivables are carried at fair value and subsequently measured at amortised cost less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due 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 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 administrative expenses 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 its only segment from the perspective of generation, transmission and distribution of electricity. There are no other segments monitored by the Board of Directors. The reportable segment derives its revenue primarily from the generation, transmission and distribution of electricity. The Board of Directors assesses the performance of the operating segment based on earnings before tax. The segment information with regards to earnings before tax, finance costs, total assets, property plant and equipment and liabilities are consistent with amounts disclosed in the statement of comprehensive income and balance sheet.



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

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. Cost represents 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 value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

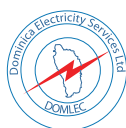
Impairment of non-financial assets

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.



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

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

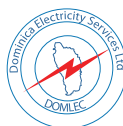
Capital work-in-progress is recorded at cost less impairment losses. The cost of completed work is transferred to property, plant and equipment upon completion.

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, 2010

(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 it is approved by the Company's shareholders.

Revenue and expense recognition

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

(a) Sale of energy

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

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

(b) Interest income

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

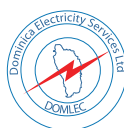
(c) Other income

Other income is recorded on an accrual basis.

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.



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Employee benefits

(a) Pension

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

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

(b) Termination benefits

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

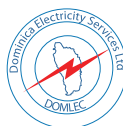
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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, 2010

(expressed in Eastern Caribbean dollars)

3 Financial risk management

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Company trades internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars, Euros and the 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.

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

At December 31, 2010, if the currency had weakened/strengthened by 10% against the Euro and GBP with all other variables held constant, post-tax loss for the year would have been \$30,686 (2009 - \$77,650) 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.

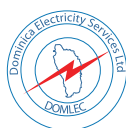
The Company's interest rate risk arises from long-term borrowings and consumer deposits. Borrowings and deposits issued at variable rates expose the Company to cash flow interest rate risk. Similarly, such facilities issued at fixed rates expose the Company to fair value interest rate risk. The Company's policy is to maintain its borrowings in fixed rate instruments thereby minimising cash flow interest rate risk. At December 31, 2010 and 2009 all of the Company's borrowings are at fixed rates.

(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, 2010.

(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 no credit rating mechanisms for financial institutions. The Company assesses the credit quality of its receivables by taking into account the individual customer's rating, past experience and other factors. Individual risk limits are set based on management credit policies. Deposits are required for new service and 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, 2010.



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(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, 2010					
Assets					
Cash and cash equivalents	506,295	–	–	–	506,295
Trade and other receivables	13,565,550	–	–	–	13,565,550
Total assets	14,071,845	–	–	–	14,071,845
Liabilities					
Borrowings	9,615,792	9,615,792	28,847,376	14,711,831	62,790,791
Trade and other payables	9,537,089	–	–	–	9,537,089
Due to a related party	135,844	–	–	–	135,844
Consumers' deposits	–	–	–	3,741,467	3,741,467
Total liabilities	19,288,725	9,615,792	28,847,376	18,453,298	76,205,191
At December 31, 2009					
Assets					
Cash and cash equivalents	563,162	–	–	–	563,162
Trade and other receivables	14,040,046	–	–	–	14,040,046
Total assets	14,603,208	–	–	–	14,603,208
Liabilities					
Borrowings	9,904,230	9,569,940	28,709,820	7,974,940	56,158,930
Trade payables	10,176,984	–	–	–	10,176,984
Due to a related party	132,698	–	–	–	132,698
Consumers' deposits	–	–	–	3,750,247	3,750,247
Total liabilities	20,213,912	9,569,940	28,709,820	11,725,187	70,218,859



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Capital risk management

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

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

The gearing ratios at December 31, 2010 and 2009 were as follows:

	2010 \$	2009 \$
Total borrowings (Note 10)	53,920,640	48,674,756
Less: cash and cash equivalents (Note 5)	(506,295)	(563,162)
Net debt	53,414,345	48,111,594
Total equity	56,217,073	58,050,974
Total capital	109,631,418	106,162,568
Gearing ratio	49%	45%

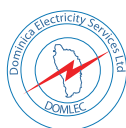
The increase in the gearing ratio during 2010 resulted primarily from loan drawdowns during the year.

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 value 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 value 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.



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements

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

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

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

Property, plant and equipment, net of accumulated depreciation, amounted to \$118,355,298 as of December 31, 2010 (2009 - \$111,849,155).



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

5 Cash and cash equivalents

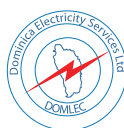
	2010 \$	2009 \$
Cash at bank	<u>506,295</u>	<u>563,162</u>

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

	2010 \$	2009 \$
Cash at bank	506,295	563,162
Bank overdraft (Note 10)	<u>(2,667,959)</u>	<u>(959,107)</u>
	<u>(2,161,664)</u>	<u>(395,945)</u>

6 Trade and other receivables

	2010 \$	2009 \$
Government	822,942	2,083,896
Other	<u>7,033,702</u>	<u>6,704,399</u>
Trade receivables, gross	7,856,644	8,788,295
Provision for impairment of trade receivables	<u>(193,748)</u>	<u>(103,050)</u>
Trade receivables, net	7,662,896	8,685,245
Accrued income	<u>1,105,495</u>	<u>1,362,425</u>
	<u>8,768,391</u>	<u>10,047,670</u>
Other receivables	4,603,411	3,889,326
Provision for impairment of other receivables	<u>(306,375)</u>	<u>(318,857)</u>
Other receivables, net	4,297,036	3,570,469
Prepayments	<u>26,000</u>	<u>26,000</u>
	<u>13,091,427</u>	<u>13,644,139</u>



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

6 Trade and other receivables...continued

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

As of December 31, 2010, trade receivables of \$6,990,151 (2009 - \$7,468,609) were fully performing. These relate to a number of independent customers for whom there is no recent history of default.

Trade receivables that are categorized as active and are less than 60 days past due are not considered impaired. As of December 31, 2010, trade receivables of \$622,116 (2009 - \$1,200,938) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2010 \$	2009 \$
61 - 90 days	305,861	272,852
91 + days	316,255	928,086
	<u>622,116</u>	<u>1,200,938</u>

As of December 31, 2010, trade receivables of \$244,377 (2009 - \$118,747) were impaired and partially provided for. The amount of the provision was \$193,748 as of December 31, 2010 (2009 - \$103,050). 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:

	2010 \$	2009 \$
Up to 12 months	168,769	107,991
Over 12 months	75,608	10,756
	<u>244,377</u>	<u>118,747</u>
Total trade receivables, gross	<u>7,856,644</u>	<u>8,788,295</u>

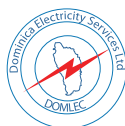
The carrying amounts of the Company's trade and other receivables are all denominated in Eastern Caribbean dollars.

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

	2010 \$	2009 \$
At beginning of year	421,907	2,434,850
Bad debt expense (Note 18)	101,515	113,953
Written off during the year	(23,299)	(2,126,896)
At end of year	<u>500,123</u>	<u>421,907</u>

The creation and release of provision for impaired receivables have been included in 'Administrative expenses' in the statement of comprehensive income (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 their fair value of each class of receivable mentioned above. The Company holds cash as security for its receivables.



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

7 Inventories

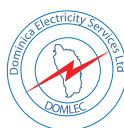
	2010 \$	2009 \$
Network spares	5,915,580	5,401,547
Generation spares	5,713,955	5,573,435
Fuel	528,319	279,698
Other	598,336	401,237
	12,756,190	11,655,917
Provision for impairment of inventories	(420,723)	(881,099)
Inventories, net	12,335,467	10,774,818

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

	2010 \$	2009 \$
At beginning of year	881,099	881,099
Provision for inventory obsolescence (Note 18)	42,930	425,579
Written off during the year	(503,306)	(425,579)
At end of year	420,723	881,099

8 Capital work-in-progress

	2010 \$	2009 \$
At beginning of year	7,056,159	21,383,638
Additions	4,204,923	7,942,760
Transferred to property, plant and equipment (Note 9)	(7,946,582)	(22,270,239)
At end of year	3,314,500	7,056,159



Dominica Electricity Services Limited

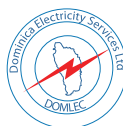
Notes to Financial Statements

December 31, 2010

(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, 2009					
Cost or valuation	58,945,711	118,099,552	3,821,267	7,734,308	188,600,838
Accumulated depreciation	(26,457,313)	(62,710,329)	(2,607,022)	(6,470,528)	(98,245,192)
Net book amount	32,488,398	55,389,223	1,214,245	1,263,780	90,355,646
Year ended December 31, 2009					
Opening net book amount	32,488,398	55,389,223	1,214,245	1,263,780	90,355,646
Additions for the year	399,672	6,733,978	346,527	610,615	8,090,792
Transfer from capital work-in-progress	94,847	22,175,392	–	–	22,270,239
Disposals	–	–	(54,272)	–	(54,272)
Depreciation	(1,559,838)	(6,187,085)	(432,821)	(633,506)	(8,813,250)
Closing net book amount	31,423,079	78,111,508	1,073,679	1,240,889	111,849,155
At December 31, 2009					
Cost or valuation	59,440,230	147,008,922	3,650,878	8,344,923	218,444,953
Accumulated depreciation	(28,017,151)	(68,897,414)	(2,577,199)	(7,104,034)	(106,595,798)
Net book amount	31,423,079	78,111,508	1,073,679	1,240,889	111,849,155
Year ended December 31, 2010					
Opening net book amount	31,423,079	78,111,508	1,073,679	1,240,889	111,849,155
Additions for the year	136,354	9,021,714	297,233	342,470	9,797,771
Transfer from capital work-in-progress	36,386	7,404,764	–	505,432	7,946,582
Disposals	–	(1,745,227)	(4)	(5,256)	(1,750,487)
Depreciation	(1,569,658)	(6,821,528)	(420,130)	(676,407)	(9,487,723)
Closing net book amount	30,026,161	85,971,231	950,778	1,407,128	118,355,298
At December 31, 2010					
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



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

9 Property, plant and equipment...continued

The Company carries insurance coverage on its main assets on a group basis with two neighbouring islands' electric utility companies. The liability is limited to \$134,000,000 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 from January 1, 2010 to May 31, 2010 and \$20,000,000 from June 1, 2010 to December 31, 2010 was arranged with a financial institution to cover the Transmission and Distribution assets.

Depreciation expense charged to direct expenses and administrative expenses amounted to \$8,811,316 (2009 - \$8,179,743) and \$676,407 (2009 - \$633,507), respectively.

No interest was capitalised during 2010 and 2009.

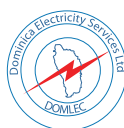
10 Borrowings

	2010 \$	2009 \$
Current		
Bank overdraft (Note 5)	2,667,959	959,107
Bank borrowings	6,789,548	7,223,394
Other financial institution borrowings	—	195,620
	<u>9,457,507</u>	<u>8,378,121</u>
Non-current		
Bank borrowings	<u>44,463,133</u>	<u>40,296,635</u>
Total borrowings	<u>53,920,640</u>	<u>48,674,756</u>

Included in the current portion of bank borrowings is interest payable of \$32,296 (2009 - \$58,829). Interest expense on bank borrowings and other financial institutions borrowings amounted to \$2,884,799 (2009 - \$2,841,815), while interest on bank overdraft amounted to \$25,479 (2009 - \$13,124) (Note 22).

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

	2010 %	2009 %
Bank overdraft	5.75	5.75
Bank borrowings	4.72	4.72
Other financial institutions	—	5.00



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

10 Borrowings...continued

Maturity of non-current borrowings:

	2010 \$	2009 \$
Between 1 and 2 years	7,189,301	7,446,922
Between 2 and 5 years	24,216,346	25,084,120
Over 5 years	13,057,486	7,765,593
	<u>44,463,133</u>	<u>40,296,635</u>

The bank borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over certain specific immovable properties of the Company. Bank borrowings have fixed interest rates and are repayable by October 30, 2015.

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

	Carrying amount		Fair value	
	2010 \$	2009 \$	2010 \$	2009 \$
Bank borrowings	44,463,133	40,296,635	45,985,492	41,037,492

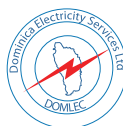
The fair values of the non-current borrowings are based on cash flows discounted using a rate based on the government bond rate of 3.5% (2009 - 3.5%).

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:

	2010 \$	2009 \$
Eastern Caribbean dollars	53,920,640	48,287,509
Euros	-	195,620
US dollars	-	191,627
	<u>53,920,640</u>	<u>48,674,756</u>

As at December 31, 2010 the Company has unused credit facilities of \$3,738,229 (2009 - \$27,712,491).



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

11 Trade and other payables

	2010 \$	2009 \$
Trade creditors	7,612,616	7,559,723
Accruals	1,459,113	2,011,683
Other	465,360	605,578
	<u>9,537,089</u>	<u>10,176,984</u>

12 Related party balances and transactions

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

Related parties and relationships are as follows:

Related parties	Relationship
Dominica Private Power Ltd.	Parent company
Dominica Social Security	Shareholder
WRB Enterprises Limited	Under common control

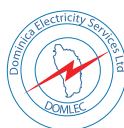
Transactions with the related parties during the year were as follows:

	2010 \$	2009 \$
Management fees: WRB Enterprises Limited	<u>339,612</u>	<u>339,612</u>
Directors' expenses, internal auditor costs, technical consultancies, feasibility studies and regulatory expenses: WRB Enterprises Limited	<u>380,946</u>	<u>576,655</u>

Transactions with related parties were carried out on commercial terms and conditions and at market prices. 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 balance of payable arising from transactions with related parties as of December 31 is as follows:

	2010 \$	2009 \$
Due to related party WRB Enterprises Limited	<u>135,844</u>	<u>132,698</u>



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

12 Related party balances and transactions...continued

Key management compensation

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

Compensation for these individuals was as follows:

	2010 \$	2009 \$
Salaries and other short-term employee benefits	1,709,057	1,613,247
Post-employment benefits	102,141	68,831
	<u>1,811,198</u>	<u>1,682,078</u>

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:

	2010 \$	2009 \$
At beginning of year	15,293,718	14,501,636
Statement of comprehensive income charge (Note 23)	609,348	792,082
At end of year	<u>15,903,066</u>	<u>15,293,718</u>

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

	2010 \$	2009 \$
Accelerated capital allowance	53,986,796	52,143,228
Capital grants	(976,576)	(1,164,168)
	<u>53,010,220</u>	<u>50,979,060</u>

Accelerated capital allowances noted above have no expiry dates.



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

14 Other non-current liabilities

	2010 \$	2009 \$
Deferred revenue	6,056,227	4,818,274
Consumers' deposits	3,632,492	3,641,016
Retirement benefit plan	5,528	5,528
	<u>9,694,247</u>	<u>8,464,818</u>

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

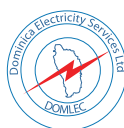
Consumers requesting energy connections are required to pay a deposit, which is refundable when service is no longer required. Interest accrues on these deposits at a rate of 3% per annum. Interest of \$97,980 (2009 – \$101,020) was charged against income (Note 22).

15 Capital grants

	2010 \$	2009 \$
At beginning of year	1,197,260	1,484,131
Amortisation (Note 21)	(220,684)	(286,871)
At end of year	<u>976,576</u>	<u>1,197,260</u>

16 Share capital

	2010 \$	2009 \$
Authorised: Ordinary shares at no par value	<u>15,000,000</u>	<u>15,000,000</u>
Issued and fully paid: 10,417,328	<u>10,417,328</u>	<u>10,417,328</u>



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

17 Dividends

The Company paid dividends of \$1,562,599 (2009 - \$1,562,599) to ordinary shareholders in respect of the year ended December 31, 2010.

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

	2010 \$	2009 \$
Dividends declared and paid	1,562,599	1,562,599
Weighted average number of ordinary shares issued	10,417,328	10,417,328
Dividend per share	0.15	0.15

18 Expenses by nature

	2010 \$	2009 \$
Fuel costs (Note 20)	37,545,599	27,697,285
Employee benefit expenses (Note 19)	13,736,384	13,520,219
Depreciation (Note 9)	9,487,723	8,813,250
Equipment and line repairs and maintenance	7,136,186	5,595,139
Legal and professional	3,304,348	3,020,227
Insurance	2,153,654	2,103,886
Office expenses	1,014,762	800,196
Travel expenses	634,013	628,347
Commercial expenses	563,403	613,837
Communication	549,682	656,377
Public relations	443,356	447,363
Security	424,134	412,058
Bank and credit card charges	332,638	248,057
Bad debt expense (Note 6)	101,515	113,953
Hurricane restoration costs	95,742	—
Provision for inventory obsolescence (Note 7)	42,930	425,579
Other expenses	456,962	244,093
Total direct and administrative expenses	78,023,031	65,339,866



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

19 Employee benefit expenses

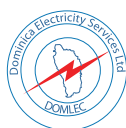
	2010 \$	2009 \$
Salaries and wages	10,618,406	10,584,115
Other staff costs	3,117,978	2,936,104
	<u>13,736,384</u>	<u>13,520,219</u>

20 Fuel cost

	2010 \$	2009 \$
Fuel cost at base price	7,503,833	7,545,580
Fuel surcharge	30,041,766	20,151,704
Total fuel cost (Note 18)	37,545,599	27,697,284
Fuel surcharge recovery	(30,108,305)	(20,393,259)
Net fuel cost	<u>7,437,294</u>	<u>7,304,025</u>

21 Other (expenses)/income, net

	2010 \$	2009 \$
(Loss)/gain on disposal of plant and equipment	(1,696,487)	2,578
Amortisation of capital grants (Note 15)	220,684	286,871
Amortisation of deferred revenue	245,373	188,751
Foreign exchange losses - net	(79,003)	(17,671)
	<u>(1,309,433)</u>	<u>460,529</u>



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

22 Finance costs

Finance costs comprise the following:

	2010 \$	2009 \$
Loan interest charges (Note 10)	2,884,799	2,841,815
Other interest charges (Note 14)	97,980	101,020
Overdraft charges (Note 10)	25,479	13,124
	<u>3,008,258</u>	<u>2,955,959</u>

23 Taxation

	2010 \$	2009 \$
Taxation		
Current	1,976,693	2,031,040
Under-accrual of prior years' income tax	6,163,846	–
Deferred charge (Note 13)	609,348	792,082
	<u>8,749,887</u>	<u>2,823,122</u>

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:

	2010 \$	2009 \$
Profit before income tax	8,478,585	8,974,562
Tax calculated at the rate of 30%	2,543,576	2,692,369
Income not subject to taxation	(66,205)	(29,784)
Expenses not deductible for tax purposes	108,670	163,358
Adjustment on deferred income tax	–	(2,821)
Under-accrual of prior years' income tax	6,163,846	–
Tax charge	<u>8,749,887</u>	<u>2,823,122</u>

Under-accrual of prior years' income tax noted above represents amounts paid to the Inland Revenue Division relating to reassessment of income tax filed for the financial periods 2001 to 2004. Profit for the current period was reduced by this charge. In the prior year the Company had objected to the Notices of Reassessment in accordance with provision of the Income Tax Act. As the final outcome of this reassessment could not have been fully determined at year end a contingent liability disclosure was included in the financial statements.



Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2010

(expressed in Eastern Caribbean dollars)

24 Earnings per share

	2010 \$	2009 \$
(Loss)/earnings for year	(271,302)	6,151,440
Weighted average number of ordinary shares issued	10,417,328	10,417,328
Basic and fully diluted (loss)/earnings per share	(0.03)	0.59

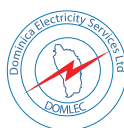
(Loss)/earnings per share have been computed by dividing profit for the year by the average number of issued ordinary shares.

25 Commitments

The Company has committed to purchase products and services in the amount of \$5,065,934 and \$5,257,179 from a number of companies as at December 31, 2010 and 2009, 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.



OPERATING STATISTICS

CAPACITY & DEMAND (kW)

Generating Plant Installed Capacity

- Hydro

- Diesel

Total

Firm* Capacity

- Hydro (Dry Season)

- Diesel

Total

*Capacity available during normal operation in a very dry month, assuming the two largest thermal units are unavailable

Peak Demand

Growth (%)

Load Factor = $\frac{\text{Average Demand}}{\text{Maximum Demand}}$

ENERGY PRODUCED (kWh x 1000)

Gross Generation

- Hydro

- Diesel

Energy Purchased

Total

Growth (%)

Diesel Fuel Used in Generation

Quantity (Imp.Gal)

Fuel Efficiency (kWh per Imp.Gal)

	2010	2009	2008	2007	2006
Generating Plant Installed Capacity					
- Hydro	6,640	4,760	4,760	7,600	7,600
- Diesel	20,060	19,460	16,570	17,170	15,890
Total	26,700	24,220	21,330	24,770	23,490
Firm* Capacity					
- Hydro (Dry Season)	3,200	2,300	2,300	3,200	3,200
- Diesel	14,860	15,500	12,330	12,930	11,650
Total	18,060	17,800	14,630	16,130	14,850
Peak Demand	16,583	15,623	14,663	14,501	14,467
Growth (%)	6.1	6.5	1.1	0.2	0.7
Load Factor = $\frac{\text{Average Demand}}{\text{Maximum Demand}}$	0.68	0.68	0.68	0.68	0.67
ENERGY PRODUCED (kWh x 1000)					
Gross Generation					
- Hydro	23,132	23,156	20,554	21,885	27,797
- Diesel	76,033	69,565	66,944	64,497	57,619
Energy Purchased	16	-	-	-	-
Total	99,181	92,721	87,498	86,382	85,416
Growth (%)	7.0	6.0	1.3	1.1	2.1
Diesel Fuel Used in Generation					
Quantity (Imp.Gal)	4,417,799	3,942,115	3,915,979	3,850,914	3,368,935
Fuel Efficiency (kWh per Imp.Gal)	17.2	17.6	17.1	16.7	17.1



OPERATING STATISTICS (cont'd)

ENERGY SOLD (kWh x 1000)

	2010	2009	2008	2007	2006
- Domestic	39,473	36,369	34,051	33,732	34,176
- Commercial	35,537	32,280	30,278	28,788	26,469
- Industrial	7,449	7,877	6,004	5,600	5,357
- Hotel	2,769	2,339	2,028	2,002	2,439
- Lighting	0	0	0	1	0
- Street Lighting	1,547	1,443	1,325	1,298	1,130
Total	86,775	80,308	73,686	71,421	69,571

Growth (%) **8.1** 9.0 3.2 2.7 2.6

OWN USE & LOSSES (kWh x 1000)

Power Station Use	2,938	2,642	2,630	2,696	2,477
Office Use	540	522	559	451	512
Losses	8,928	9,249	10,623	11,814	12,856
Losses (% of Gross Generation)	9.0	10.0	12.1	13.7	15.1
Losses (% of Net Generation)	9.3	10.3	12.5	14.1	15.5

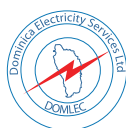
NUMBER OF CUSTOMERS AT YEAR END

- Domestic	28,984	25,904	29,183	28,388	27,436
- Commercial	3,907	3,567	4,287	4,132	3,896
- Industrial	28	30	30	27	38
- Hotel	571	477	429	392	307
- Lighting	0	0	2	2	0
- Street Lighting	496	571	430	364	331
Total	33,986	30,549	34,361	33,305	32,008

Growth (%) **11.3** (11.1) 3.2 4.1 10.3

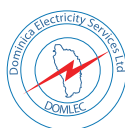
Number of Full-Time Equivalent Employees

Number of Customers per Employee **150** 138 153 160 148



5 YEAR FINANCIAL STATISTICS

	2010	2009	2008	2007	2006
UNITS SOLD (kWh x 1000)	86,775	80,308	73,686	71,421	69,571
REVENUE/UNIT SOLD (EC cents)	102.66	93.77	123.32	109.25	105.57
SUMMARIZED BALANCE SHEET (EC\$ 000)					
SHARE CAPITAL	10,417	10,417	10,417	10,417	10,417
RETAINED EARNINGS	45,800	47,634	43,045	37,003	32,487
DEFERRED CREDITS	16,880	16,491	15,986	16,471	16,888
LONG TERM LIABILITIES	54,157	48,761	50,598	34,890	35,940
	127,254	123,303	120,046	98,781	95,732
FIXED ASSETS (NET)	118,355	111,849	90,356	88,511	83,127
CAPITAL WIP	3,315	7,056	21,384	636	2,930
CURRENT ASSETS	25,933	24,982	32,107	23,863	25,463
CURRENT LIABILITIES	(20,349)	(20,584)	(23,801)	(14,229)	(15,788)
	127,254	123,303	120,046	98,781	95,732
SUMMARIZED STATEMENT OF INCOME					
EXPENSES					
FUEL	37,546	27,697	47,255	35,095	30,971
OPERATING EXPENSES	14,616	13,111	13,601	12,261	12,608
ADMINISTRATION	9,717	10,123	9,213	7,424	9,134
DEPRECIATION	9,488	8,813	7,295	6,628	6,770
MAINTENANCE	6,656	5,596	4,788	6,043	4,015
	78,023	65,340	82,152	67,451	63,498
OPERATING REVENUE					
ELECTRICITY SALES	58,977	54,911	50,265	49,397	47,384
FUEL SURCHARGE	30,108	20,393	40,601	28,627	26,063
OTHER	1,734	1,506	659	698	528
	90,819	76,810	91,525	78,722	73,975
OPERATING INCOME	12,796	11,470	9,373	11,271	10,477
INTEREST CHARGES	(3,008)	(2,956)	(2,435)	(2,240)	(2,378)
OTHER CHARGES & CREDITS	(1,696)	3	1,934	(716)	43
AMORTISATION OF CAPITAL GRANTS	466	475	439	527	764
REALISED EXCHANGE GAIN (LOSS)	(79)	(12)	8	(39)	(85)
UNREALISED EXCHANGE GAIN (LOSS)	0	(5)	59	(108)	(207)
TAXATION	(8,750)	(2,824)	(1,774)	(2,616)	(2,616)
NET INCOME	(271)	6,151	7,604	6,078	5,999
DIVIDEND	1,563	1,563	1,563	1,563	1,563
REINVESTED EARNINGS	(1,834)	4,588	6,041	4,515	4,436
RATE BASE (AVERAGE FIXED ASSETS)	115,102	101,102	89,433	85,819	83,207
RETURN ON AVERAGE FIXED ASSETS	11.12%	11.34%	10.48%	13.13%	12.59%
DEBT/EQUITY RATIO	1.61	1.46	1.66	1.35	1.55
CURRENT RATIO	1.27	1.21	1.35	1.68	1.61
COLLECTION PERIOD (DAYS)	37	49	57	57	82





2010

Dominica Electricity Services Limited
ANNUAL REPORT AND ACCOUNTS

DOMINICA ELECTRICITY SERVICES LIMITED

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WEBSITE: www.domlec.dm
EMAIL: domlec@domlec.dm

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

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