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AUDITORS
PriceWaterhouseCoopers

SOLICITORS
Cilma Dupigny, Barrister-At-Law
Lennox Lawrence, Barrister-At-Law

BANKERS
National Commercial Bank of Dominica
FirstCaribbean International Bank, Dominica

REGISTERED OFFICE
18 Castle Street, Roseau

MAILING ADDRESS
P.O. Box 1593, Roseau, Dominica, W.I.
Telephone: (767) 448-2681 • Telefax: (767) 448-5397
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Chairman's Report to the Shareholders

West Griffin Chairman

Despite continued economic difficulties in Dominica in 2002, DOMLEC turned the corner on its financial issues during the latter part of 2002 and its performance is improving steadily. During the second quarter of 2002, DOMLEC realized it needed to make some fundamental changes and developed an Improvement Program to enhance the company's performance. Key elements of the Improvement Program involved the reduction in operating costs, the elimination of high cost rental generation units, the inspection, and replacement of faulty meters that under-recorded sales, a stepped up collection program to reduce customer receivables, and the restructuring of DOMLEC's balance sheet. The key elements of this Improvement Program are all well underway and the results are beginning to be reflected in the company's income and cash flow. The company generated $4.8 million after tax during 2002 compared to a loss of $11 million in 2001.

While much more remains to be done as part of the Improvement Program, the results have been sufficiently strong to enable the Board to declare a modest $0.06/share dividend for the year 2002, payable in 2003. The support of all the shareholders, customers and employees during this trying period is much appreciated and we look forward to making continued steady progress despite the difficult environment.

Cost Reduction and Financial Restructuring

In early 2002, DOMLEC management implemented strong measures to address fiscal problems and to improve the Company's efficiency by reducing operating costs. Recognizing the need to make changes, management scrapped its original budget for 2002 and developed a new, lower-cost budget.

DOMLEC not only reduced operating costs, but restructured its balance sheet to improve liquidity and cash flow available after fixed payment obligations. An important step in DOMLEC's economic turn-around has been the refinancing of the EC$16 million overdraft facility to a term loan of EC$15 million and an overdraft of EC$3 million. In addition, DOMLEC obtained additional funding to pursue critical activities in 2002 by increasing its existing loan with First Caribbean, obtaining a limited amount of other local funding, and by arranging to defer certain payments to CDC. Settlement terms for all the outstanding Tarou claims were agreed to on a favourable basis to that provided for in the 2001 accounts. In addition, DOMLEC arranged to replace the employee retirement savings program, the Provident Fund, with a plan administered by a third party and to arrange for the funding of this obligation. This plan provides for contributions to be made by both employees as well as DOMLEC.

As a result of this financial restructuring, DOMLEC now has a solid balance sheet with its obligations scheduled so that it can meet them with minimal risk. This restructuring enables DOMLEC to achieve steady improvements in cash flow as it continues to implement the Improvement Program. The company plans to reinvest these funds in the company to further improve service and reduce costs while at the same time, providing a modest dividend that should be able to be increased over time as the Improvement Program bears further fruit.

Employees

A common focus among management and employees is critical to the success of any company, and especially one which is attempting to recover from a liquidity crisis. DOMLEC's initiation of an incentive bonus program continues to be well-received and tying a large portion of each employee's bonus to meeting their department's budget was a key factor in the success DOMLEC realized during 2002. In addition, a special note of thanks is due to all the DOMLEC employees who made a major contribution to enable the company to weather the worst portion of its liquidity crisis by deferring their incentive compensation for 2001 until the third quarter of 2002.

Collective bargaining was concluded between the National Workers Union and the Company. A new agreement covering the period 1 January 2003 to 31 December 2005 has been signed.

"At the request of the employees, it was agreed that the Staff Provident Fund be discontinued and replaced with a pension fund."

Customers

Focusing on customer debt reduction, the Company made significant strides in debt collection this past year, bringing down customer debt from $5.5 million in 2001 to $4.3 million by the close of 2002. By collecting its revenues more promptly, DOMLEC has been able to enhance the amount of funds available to reinvest in key corporate initiatives.

DOMLEC's Public Relations Program continued to achieve the objectives set out in the Public Relations Strategic Plan. The independent Customer Survey indicated that the Energy Saving Tips program, information about products and services, Community Days, and community donations provide important value-added benefits to customers. The success of the Public Relations Program has significantly assisted the company in operating effectively within the Electricity Supply Act.

Generation

A number of important generation projects were initiated to ensure reliability of supply. In addition to increasing its own generating capacity, the Company investigated purchasing electricity from independent power producers to diversify its sources of supply. In 2002, DOMLEC obtained government authorization to enter into an agreement with an independent power provider to provide power to DOMLEC at a lower rate than DOMLEC's cost of production. The government agreed to amend the Electricity Supply Act to enable this deal. Because substantial hurdles remain, the company is pursuing a back-up plan in parallel that would involve the installation of additional medium-speed generation at Fond Cole and/or Sugar Loaf.

In December of 2002, the company purchased three Caterpillar generator sets, which allowed DOMLEC to return one of the leased generator sets to Plantrac. The company will realize considerable savings through this arrangement when the remaining leased sets are returned. The new generators should be operational by the time of the Annual Meeting in 2003.

Another important upgrade to the system was the rehabilitation of Generator #5 at Fond Cole, which was completed in November, 2002. These investments ensure the long-term operability of generating facilities and the capacity required to meet the needs of our customers in the years ahead.

Key Initiatives in the New Future

While much success was achieved during 2002, more work is required to further improve the company. Key initiatives in to improve the company's performance include:

- Automation of Sugar Loaf to Facilitate the Reduction of Manpower
- Completion of PPA or Installation of Medium Speed Units at Fond Cole/Sugarloaf to Improve System Capacity
- Replacement of Meters to Further Reduce Under-Recording of Meters

With these programs, DOMLEC should be able to make steady progress in reducing operating costs, thereby helping to mitigate future electricity price increases while at the same time, improving cash flow available for dividends.

Dividends

DOMLEC sought legal advice on the issue of dividends and was advised that the declaration of 2001 dividends was not in keeping with the 1994 Companies Act. As a result no dividend was paid respecting 2001. With the initiation of dividends once more with the payment of the 2002 dividend, DOMLEC anticipates that it will be able to maintain this dividend payment in the future and make modest improvements to the dividend payment as DOMLEC continues to regain its strength.

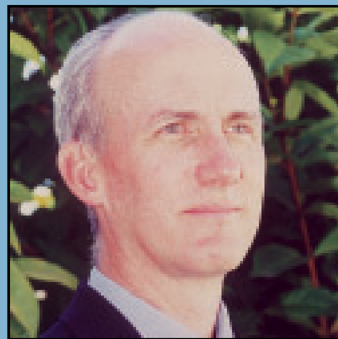
The Board would like to acknowledge the contribution of David Bishop, who resigned as a Director in August, 2002. I would personally like to thank him for his dedication and work on the Board.

As DOMLEC continues to face fiscal and technical challenges, management and staff have recognized the need to maintain their commitment to hard work. DOMLEC's strong performance in 2002 reflects the combined efforts of all staff. I want to take this opportunity to thank the staff, management and Board of Directors for helping to make these achievements possible during a difficult year.

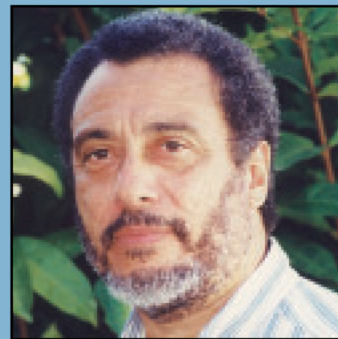
Chairman

Board of Directors

David Bishop Director
To 30 August, 2002

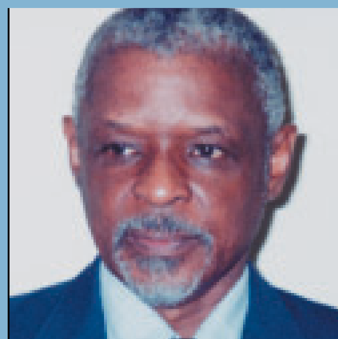


Michael Hogan Director
To 1 May, 2002



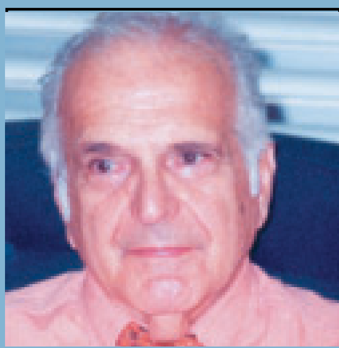
Trevor Burton Director

Hutson Best Director



Grayson Stedman Director
From 29 August, 2002

Murray Rogers Director
From 2 May, 2002



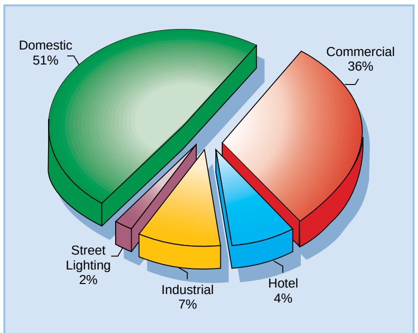
J. E Nassief Director
From 29 August 2002

Colin Johnson Director
To 1 May, 2002

Bob Watson Director
From 2 May, 2002

"The directors have approved a dividend of $0.06 per share to shareholders of record at February 25, 2003."

Directors' Report



SALES BY SECTOR - 2002

DOMINICA ELECTRICITY SERVICES LTD.

Sales 2002 (kWh x 1000)

Domestic	32,750
Commercial	22,685
Hotel	2,825
Industrial	4,587
Street Lighting	1,134
TOTAL	63,981

Financial Results

For the year ended 31 December 2002, Dominica Electricity Services Limited sold 63,981 MWh of electricity yielding $42,255,023. This resulted in net income before tax of $6,770,758 and net income after tax of $4,879,336.

The increase in hydro production and efficiency gains to reduce cost contributed to the increase in income. As a result of this efficiency drive the energy tariff for 2003 remained at the 2002 level.

During the year a loan of EC$3.3 million was obtained from First Caribbean International Bank to facilitate the purchase of three high-speed Caterpillar generator sets. These sets should be operational within the first six months of 2003.

Capital expenditure for the year amounted to $8,739,616 and the Company repaid $4,307,019 in long term loan during the year.

Dividends

The directors have approved a dividend of $0.06 per share to shareholders of record at February 25, 2003.

Directors

Since the last Annual Meeting, Mr. David Bishop retired from the Board of Directors and CDC Capital Partners nominated Mr. West Griffin to replace Mr. Bishop. The appointment was made in January 2003, in accordance with section 4.6 of the Company's By-Law.

By order of the Board

Eustace Bellevue

Company Secretary

Management Team

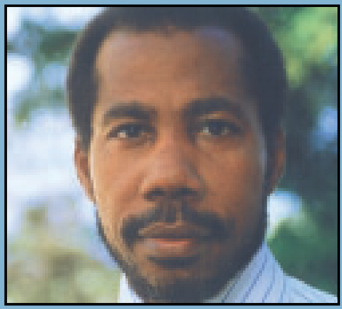
Robert Watson
General Manager

Marvelin Etienne
Financial Controller

Eustace Bellevue
Company Secretary

Bertilia McKenzie
Manager Administration & HR

Mark Riddle
Engineering Services Manager



Rawlins Bruney
Power Production Manager

Gareth Doctrove
Customer Service Manager

Wenham Dorsett
Network Services Manager

Nathaniel George
Business Planning Manager

"Street Light maintenance was contracted out beginning in November 2002, and approximately one hundred lights were repaired in the last three weeks of the year"

Operations Review

Overview of 2002 Financial Results

Net income for the year before tax & extraordinary item was $4.99 million. This represents a $3.22 million increase over the previous financial year. Net income after tax and extraordinary items was $4.88 million. Load growth in 2002 was 0.43%, and revenue increased by $0.567 million or 1%. Operating costs remained virtually unchanged, while finance charges increased $0.632 million over the previous year.

Maintenance costs declined by $1.90 million. Due to cash-flow constraints planned overhaul on some generator sets was deferred, in favour of the major rebuild of the company's largest diesel generator. Administrative expenses declined by $0.363 million or 3.7%.

Business Planning and Finance

A five-year business plan, including a generation supply strategy, was presented to the Board of Directors in November. This became the template for moving forward with the purchase of three high-speed generators and the finalization of the Ormrod contract, subject to the completion of the Environmental Impact Assessment report.

Funding was finalized with the National Commercial Bank for the conversion of the overdraft into long-term debt and with the First Caribbean International Bank for EC$3.3M to finance the purchase of the three high-speed generators.

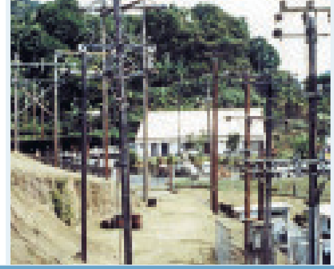
Network

The department continued its drive to improve reliability and to respond in a timely manner to customer complaints and queries. A concerted effort was made to improve the response time in Roseau, Portsmouth and their environs, and a large improvement was made. Scheduled interruptions were reduced from six (6) hours duration to five (5) hours, in an effort to improve customer satisfaction.

The maintenance program played a key role in striving to improve service to customers, but was constrained due to budget considerations. Street Light maintenance was contracted out beginning in November 2002, and approximately one hundred lights were repaired in the last three weeks of the year. Maintenance activities included pole replacement, line transfers and upgrades, switches and replacement of more of the faulty black and white service leads. Extensive tree trimming was completed by three contractors.

Customer Hours Lost associated with the distribution system was 34 hours for 2002 as compared to 38.11 hours in 2001. However, overall Customer Hours Lost including both generation and distribution was 69.84 hours as compared with a projected 40 hours, due mainly to generation problems in October and November.

The training of the Hot Line crew began to yield rewards as some live line work was performed for the first time at Domlec under the direction of a certified trainer during the year. This resulted in an improvement in our Customer Hours Lost by 1.12.



Engineering Services

The Department made significant progress in the areas of planning, design and network analysis. The following were some of the highlights for 2002:

- New Line Standards- Construction began using the new line standards developed for both the low and high voltage network in 2001. ABC system and polymeric insulators are now being used on the network.
- Protection- A Canadian consultant was contracted to help improve the protection coordination and fault clearance capability on the network. The initial phase will see a pilot project fully implemented in the first quarter of 2003.
- DCP Support- A system change to allow a portion of Domlec's load to be supplied by a one-megawatt standby generator at Dominica Coconut Products was completed. This new system helps to reduce outages to Domlec customers due to a lack of generation capacity.
- System Modelling- The department effectively utilized a software package to arrive at cost effective engineering solutions to network problems. Additional analysis on protection coordination and power quality will be done in 2003.
- AM/FM/GIS- The department has negotiated a cooperation package with another Utility Company on the island to embark on an AM/FM/GIS project. This project is expected to come on stream in 2003.
- East Coast Rehabilitation- This project has suffered once again as a result of the stringent cash flow position; however a number of remedial construction activities were conducted on the line to avert collapse. The concept of reconstruction the line to a new standard as against re-routing will be examined in 2003.

Power Production

The weather during 2002 was unusual, with an extremely wet first half, and below average precipitation in the supposedly rainy season. Hydro output followed this reversal in pattern. Overall hydro-generated energy was well above average. The 35.9 GWh (million 'units') produced by the hydro represents 44.8% of total production for 2002, compared with 27.0 GWh or 33.4% in 2001. There was significantly less fuel used during the year due to the favourable hydro results.

There was a noteworthy decline of 5.7% in peak demand over the previous year, reflecting the general state of the Dominica economy and the fact that the high value attained for 2001 was an anomaly created by an unusual set of circumstances.

The company's largest diesel generator, Fond Cole 5, underwent a complete rebuild at 40,000 hours from August to November. During that period the weather was unexpectedly dry and the reduced hydro output was a major contributory factor to the shortfall in capacity experienced at that time. Forced outage of several small generating units created a situation that required some load shedding in October and November.

One of three leased generators was returned at the end of July to coincide with the start of the rainy season. The planned return of another leased generator at the end of the FC5 rebuild was not implemented due to the lower output of the hydro and the need to 'catch up' on overdue scheduled maintenance on several of the other generating sets ahead of the onset of the 2003 dry season.

Customer Service Department

The major highlight in Customer Service was the commissioning of a new Customer Information System in May. There are many powerful features associated with the new system, and this has helped empower lower level staff to make key decisions, and improve service to customers. The most visible impact of the new system is the new bill format, which gives customers more information on their account, and an opportunity to monitor and track their monthly and daily consumption.

Customer awareness and acceptance of the new bill format was extremely high, with over 80% of respondents indicating a positive response. 72% of customers indicated that they are receiving more information on Domlec and that this information is assisting them in better managing their electricity supply.

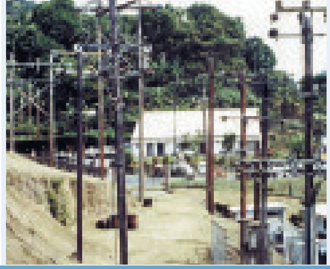
The Customer Survey indicated a need for improved handling of claims for damaged equipment. The Company has already taken measures to improve this aspect of service. Many other opportunities for improvement have been identified by the Customer Survey, and these will be a focus for 2003.

The IT Section completed 80% of the improvement tasks identified in an IT audit. The balance of the tasks will be implemented during 2003. Performance targets have been determined for IT services, and the results are now being tracked. Good progress has been made on IT services within Domlec.

Human Resource Department:

The Department accomplished a number of major achievements during 2002. A new pension plan was developed and implemented effective January 1, 2003. A new three year Collective Agreement was signed with the National Workers' Union for 2003 to December 2005. Implementation of recommendations by a safety consultant was finalized, and an AIDS/HIV Policy and Procedures document was developed. Training continued with budget constraints. Courses with the greatest participation were the Safety Basics, Defensive Driving and AIDS Sensitization Workshops

In November 2002, the Human Resources & Administration Department (excluding the functions of the Corporate Secretary) were merged to form one department called the Human Resources & Administration Department.

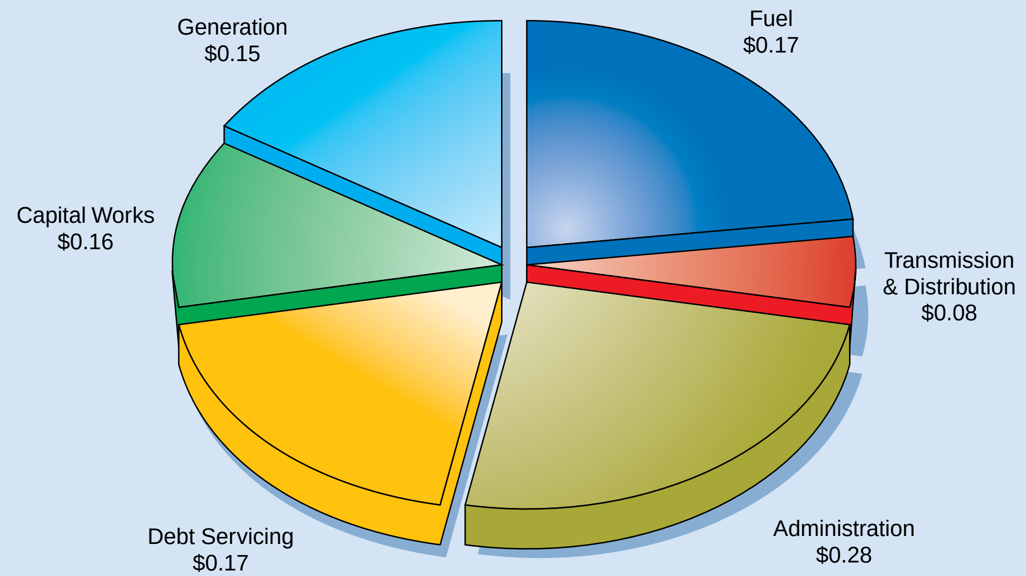


Revenue and Expenditure

MONEY COLLECTED EC$'000	2002	2001
From Electricity sales	46,466	45,959
Other	434	375
TOTAL	46,901	46,334

AMOUNT PAID OUT EC$'000	2002	2001
Fuel	7,875	10,678
Capital Works	7,508	2,175
Administration	12,915	11,473
Generation	6,802	8,893
Transmission & Distribution	3,861	5,701
Debt Servicing	7,939	7,414
	46,901	46,334

HOW EVERY DOLLAR COLLECTED WAS SPENT



PRICEWATERHOUSECOOPERS

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Auditors' Report

To the Shareholders of
Dominica Electricity Services Limited

We have audited the accompanying balance sheet of **Dominica Electricity Services Limited** as of December 31, 2002 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

PricewaterhouseCoopers

Chartered Accountants

St Lucia
February 25, 2002

Financial Report

Balance Sheet As of December 31, 2002
(expressed in Eastern Caribbean dollars)

	2002	2001
	$	$
Assets		
Current assets		
Cash and cash equivalents (note 3)	5,330,895	—
Receivables and prepayments (note 4)	11,201,354	10,094,274
Inventories	6,503,608	6,647,256
Taxation recoverable	120,388	120,388
	23,156,245	16,861,918
Deferred expenses	—	157,793
Capital work in progress (note 5)	1,682,965	3,429,762
Property, plant and equipment (note 6)	75,567,887	73,038,549
	100,407,097	93,488,022
Liabilities		
Current liabilities		
Borrowings (note 7)	4,922,504	20,749,356
Accounts payable and accruals (note 8)	8,966,925	7,686,682
Due to related party (note 9)	2,423,725	1,277,084
Dividend payable (note 11)	—	1,427,047
	16,313,154	31,140,169
Borrowings (note 7)	32,458,574	18,174,729
Deferred tax liability (note 12)	13,622,227	11,730,805
Other liabilities (note 10)	4,385,461	4,521,326
Capital grants (note 13)	4,412,858	5,012,553
	71,192,274	70,579,582
Shareholders' Equity		
Share capital (note 14)	10,416,400	10,416,400
Retained earnings	18,798,423	12,492,040
	29,214,823	22,908,440
	100,407,097	93,488,022

Approved by the Board of Directors on February 25, 2003

M.D. Rogers Director

Director

Statement of Income for the year ended December 31, 2002
(expressed in Eastern Caribbean dollars)

	2002 $	2001 $
Revenue		
Energy sales	42,255,023	39,539,350
Fuel surcharge	4,211,446	6,419,438
Other revenue	434,407	375,280
	46,900,876	46,334,068
Direct expenses		
Operating	12,558,445	12,782,996
Maintenance	1,673,607	3,575,186
Depreciation	6,366,600	5,780,445
Fuel (note 15)	7,875,448	10,677,856
	28,474,100	32,816,483
Gross profit	18,426,776	13,517,585
Administrative expenses	9,346,353	9,709,567
Net operating income	9,080,423	3,808,018
Other expenses/(income)		
Amortization of capital grants	(630,295)	(689,203)
Amortization of deferred expenses	157,793	183,260
Foreign exchange losses/(gains)	1,119,861	(293,310)
Gain on disposal of plant and equipment	(50,002)	(19,644)
	597,357	(818,897)
Net income before finance charges, exceptional items and tax	8,483,066	4,626,915
Finance charges	(3,493,002)	(2,861,072)
Exceptional item (note 16)	1,780,694	(16,511,310)
Net income/(loss) before tax	6,770,758	(14,745,467)
Income tax (note 12)	(1,891,422)	3,741,704
Net income/(loss) for the year	4,879,336	(11,003,763)
Earnings/(loss) per share (note 17)	0.47	(1.06)

Financial Report

Financial Report

Statement of Changes in Shareholders' Equity for the year ended December 31, 2002

(expressed in Eastern Caribbean dollars)

	2002 **$**	2001 $
Share capital		
Ordinary shares, beginning and end of year	10,416,400	10,416,400
Retained earnings		
At beginning of year	12,492,040	24,922,850
Net income/(loss) for the year	4,879,336	(11,003,763)
Ordinary dividends rescinded (declared)	1,427,047	(1,427,047)
At end of year	18,798,423	12,492,040
Shareholders' equity, end of year	29,214,823	22,908,440

Statement of Cash Flows for the year ended December 31, 2002
(expressed in Eastern Caribbean dollars)

	2002 $	2001 $
Cash flows from operating activities		
Net income/(loss) before tax	6,770,758	(14,745,467)
Adjustments for:		
Depreciation	6,366,600	5,780,445
Gain on disposal of property, plant and equipment	(50,002)	(19,644)
Exchange losses/(gains)	995,910	(293,310)
Amortization of capital grants	(630,295)	(689,203)
Amortization of deferred expenses	157,793	183,260
Discontinuation of capital works (note 14)	(1,780,694)	16,511,310
Interest expense	3,493,002	2,861,072
Operating profit before working capital changes	15,323,072	9,588,463
Increase in receivables and prepayments	(1,107,080)	(1,102,223)
Decrease/(increase) in inventories	143,648	(99,801)
Increase in accounts payable and accruals	2,868,901	4,570,744
Increase in due to related party	1,146,641	1,227,779
Cash generated from operations	18,375,182	14,184,962
Interest paid	(3,300,966)	(2,861,072)
Income tax paid	—	(417,966)
Net cash from operating activities	15,074,216	10,905,924
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,215,678)	(10,262,153)
Proceeds on disposal of property, plant and equipment	116,539	376,550
Grants received	30,600	151,306
Net cash used in investing activities	(7,068,539)	(9,734,297)
Cash flows from financing activities		
Proceeds from borrowings	18,403,530	—
Repayment of borrowings	(4,445,799)	(4,552,448)
Increase in other liabilities	(135,865)	442,024
Net cash generated from/(used in) financing activities	13,821,866	(4,110,424)
Net increase/(decrease) in cash and cash equivalents	21,827,543	(2,938,797)
Cash and cash equivalents, beginning of year	(16,496,648)	(13,557,851)
Cash and cash equivalents, end of year (note 3)	5,330,895	(16,496,648)

Financial Report

Financial Report

Notes to Financial Statements December 31, 2002
(expressed in Eastern Caribbean dollars)

1 Corporate status

Dominica Electricity Services Limited (the Company) was incorporated as a public limited liability company, under the laws of the Commonwealth of Dominica. The company is regulated under the Electricity Supply Act, 1996 and is responsible for electricity generation, transmission and distribution in the Commonwealth of Dominica. The company is a subsidiary of CDC Group Plc, a company incorporated in the United Kingdom.

The company's office is located at 18 Castle Street, Roseau, Commonwealth of Dominica.

2 Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The financial statements are prepared in accordance with International Accounting Standards and under the historical cost convention.

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivable. A provision for impairment of trade receivables is established when there is an objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provisions is the difference between the carrying amount and the recoverable amount. Accounts are written off when they are considered un-collectable.

Inventories

Inventories are valued at average cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the cost of selling expenses. Allowance is made for obsolete, slow-moving and damaged goods.

Notes to Financial Statements December 31, 2002
(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ...continued

Property, plant and equipment
Property, plant and equipment are stated at historical cost less accumulated depreciation.

Depreciation is provided over the estimated useful lives of depreciable assets on the straight-line basis using the following annual rates:

Buildings, headworks and pipelines	2.5 - 3 1/3%
Generator transmission and distribution	4 - 10%
Motor vehicles	14 - 33 1/3%
Furniture and fittings	12 1/2 - 33 1/3%

No depreciation is provided on capital work-in-progress until the assets involved have been completed and are put into use.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amounts.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and included in operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

Borrowings
Borrowings are recognised initially at the proceeds received net of transaction costs incurred. Interest expense is recorded on an accrual basis over the period it becomes due. No borrowing costs have been capitalised in the current financial period.

Provisions
Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred 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.

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Notes to Financial Statements December 31, 2002
(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ...continued

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. The assets are reviewed for impairment losses 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 carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

Consumer contributions
In certain specified circumstances, consumers requiring line extensions are required to contribute the estimated capital cost of the extension. These contributions are offset against the actual cost incurred. Contributions in excess of the applicable capital cost of line extensions are recorded as other revenue in the period in which they are completed; shortfalls are recorded as increases in property, plant and equipment. The capital costs of consumer line extensions are excluded from property, plant and equipment.

Leases
Leases where 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 income statement as incurred.

Share capital
Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in shareholders' equity in the period in which they become a constructive obligation.

Revenue recognition
Revenue from energy sales is based on meter readings which are carried out on a rotational basis throughout each month. The company records as unbilled electricity sales, an estimated amount representing consumption for the days unread during the final month of the year. 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 established base price of fuel. 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 sales and accrued income.

Translation of foreign currencies
Current assets and all liabilities denominated in foreign currencies are translated into Eastern Caribbean dollars at exchange rates prevailing at the balance sheet date or forward contract rates where applicable. Revenues and expenses denominated in foreign currencies are translated at exchange rates prevailing on the dates the transactions occurred. Realised and unrealised exchange gains and losses arising on translation of assets and liabilities are included in current operations.

Notes to Financial Statements December 31, 2002
(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ...continued

Financial instruments
Financial instruments carried on the balance sheet include cash and bank balances, receivables and borrowings.

Credit risk
Financial assets which potentially subject the company to concentrations of credit risk consist principally of cash, term deposits and trade receivables. The company's cash and term deposits are placed with high credit quality financial institutions. Trade receivables are presented net of the provision for doubtful receivables. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the company's customer base and their dispersion across different economic sectors. Accordingly, the company has no significant concentration of credit risk at December 31, 2002.

Interest rate risk
The interest rates on the advances made to the company and its borrowings are presented in Notes 3, 7 and 8.

Fair values
At December 31, 2002, the carrying amounts of cash and term deposits, accounts receivable, accounts payable and accrued liabilities and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities. The fair values of long-term borrowings are not materially different from the carrying amounts.

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

3 Cash and cash equivalents

	2002 $	2001 $
Cash at bank and in hand	5,330,895	—
Bank overdraft (note 7)	—	(16,496,648)
	5,330,895	(16,496,648)

Included in the cash at bank are term deposits totalling $2,710,000 (2001- Nil) that bear interest at rates ranging from 4.0% to 5.5%.

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Notes to Financial Statements December 31, 2002
(expressed in Eastern Caribbean dollars)

4 Receivable and prepayments

	2002 $	2001 $
Trade receivables	8,524,571	7,269,566
Provision for doubtful receivables	(1,155,961)	(785,057)
	7,368,610	6,484,509
Accrued income	2,166,331	2,354,886
Other receivables	1,560,770	1,207,479
Prepayments	105,643	47,400
	11,201,354	10,094,274

5 Capital work in progress

	2002 $	2001 $
At beginning of year	3,429,762	11,793,792
Additions during the year	4,279,301	18,409,433
Transferred to property, plant and equipment	(6,026,098)	(10,262,153)
Impairment losses - discontinuation of capital work (Note 16)	—	(16,511,310)
At end of year	1,682,965	3,429,762

Notes to Financial Statements December 31, 2002
(expressed in Eastern Caribbean dollars)

6 Property, plant and equipment

	Land and Buildings $	Generator, Transmission and Distribution $	Motor Vehicles $	Furniture and Fittings $	Total $
As at December 31, 2001					
Cost	53,416,002	70,854,500	3,982,153	2,891,680	131,144,335
Accumulated depreciation	16,080,165	37,247,400	2,779,775	1,998,446	58,105,786
Net book amounts	37,335,837	33,607,100	1,202,378	893,234	73,038,549
Year ended December 31, 2002					
Additions in the year	31,187	2,586,898	208,346	109,946	2,936,377
Transfer from capital work	56,871	4,085,023	—	1,884,204	6,026,098
Disposals in the year	—	—	(724,583)	(4,999)	(729,582)
Depreciation charge	1,447,116	3,605,093	400,397	913,994	6,366,600
Write-back on disposals	—	—	(658,047)	(4,998)	(663,045)
	53,504,060	77,526,421	3,465,916	4,880,831	139,377,228
As at December 31, 2002					
Cost	53,504,060	77,526,421	3,465,916	4,880,831	139,377,228
Accumulated depreciation	17,527,281	40,852,493	2,522,125	2,907,442	63,809,341
Net book value	**35,976,779**	**36,673,928**	**943,791**	**1,973,389**	**75,567,887**

The company carries insurance coverage of $250,000,000 on its assets, including the transmission and distribution system. The cover is under a joint policy combined with two neighbouring island electricity utility companies and is the limit in aggregate of the insurers' liability over all three companies. Liability on the transmissions and distribution system is limited to $30,000,000 in aggregate, per annum over all three utility companies.

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Notes to Financial Statements December 31, 2002
(expressed in Eastern Caribbean dollars)

7 Borrowings

	2002 $	2001 $
Current		
Bank overdraft (note 3)	—	16,496,648
Bank borrowings	2,175,971	823,910
Other financial institution borrowings	2,306,753	3,108,912
Related parties	439,780	319,886
	4,922,504	20,749,356
Non-current		
Bank borrowings	32,365,704	17,784,934
Related parties	92,870	389,795
	32,458,574	18,174,729
Total borrowings	37,381,078	38,924,085

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

	2002 %	2001 %
Bank overdraft	10.00	10.00
Bank borrowings	8.50	8.50
Related parties	7.93	6.73

Maturity of non-current borrowings:

	2002 $	2001 $
Between 1 and 2 years	4,835,550	3,093,182
Between 2 and 5 years	10,417,962	5,803,330
Over 5 years	17,205,062	9,278,217

The bank borrowings are secured by hypothecary obligations and mortgage debentures creating fixed charges over certain immovable properties of the company while the other financial institutions borrowings are guaranteed by the Government of the Commonwealth of Dominica. The related party borrowings are unsecured.

Notes to Financial Statements December 31, 2002
(expressed in Eastern Caribbean dollars)

8 Accounts payable and accruals

	2002 $	2001 $
Trade creditors	3,114,429	2,836,831
Accruals	2,814,328	4,849,851
Other	3,038,168	—
	8,966,925	7,686,682

Other payables include advances of $2,386,168 received from a customer of the company. The advances bear interest at the annual rate of 12.5% and are being repaid by the application of electricity charges incurred by the customer.

9 Related party balances and transactions

	2002 $	2001 $
Due to majority shareholder		
CDC Group Plc	2,423,725	1,277,084

Balances with related parties are unsecured.

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

	2002 $	2001 $
Consultancy, secondment and travel expenses	616,267	922,393
Management fees	454,676	434,233
Interest paid on borrowings	113,566	50,767
Repayment of borrowings	173,276	22,123

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Financial Report

Notes to Financial Statements December 31, 2002
(expressed in Eastern Caribbean dollars)

10 Other liabilities

	2002 $	2001 $
Consumers' deposits	2,658,372	2,370,716
Staff provident fund	1,713,855	2,137,376
Retirement benefit plan	13,234	13,234
	4,385,461	4,521,326

Staff provident fund
The Dominica Electricity Services Limited Staff Provident Fund came into effect on November 1, 1988. All monies (whether representing contributions or interest on contributions) received by the trustees were invested by a continuing loan to the company at compound interest calculated at 5% per annum. The Fund was dissolved in September 2002 and members will be paid their entitlements over a two year period, commencing in 2003. The current liability of $652,000 is included in other payables (Note 8).

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 4% per annum. Interest of $85,171 (2001- $88,615) was charged against income.

11 Dividends
The company was advised by its Solicitors that the Directors' meeting of August 29, 2001 was not properly convened and that the resolution for payment of dividends passed at that meeting was invalid.

The board therefore decided not to pay the dividend for the year ended December 31, 2001.

12 Taxation

	2002 $	2001 $
Taxation		
Current	—	—
Deferred charge/(credit)	1,891,422	(3,686,328)
Over-provision of prior years' tax	—	(55,376)
	1,891,422	(3,741,704)

Notes to Financial Statements December 31, 2002
(expressed in Eastern Caribbean dollars)

12 Taxation...continued

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:

	2002 $	2001 $
Net income/(loss) before taxation	6,770,758	(14,745,467)
Tax calculated at the rate of 30% (2001 - 30%)	2,031,227	(4,423,639)
Income not subject to tax	—	(79,808)
Expenses not deductible for tax purposes	355,295	93,910
(Over)/under provision of deferred tax in prior year	(495,100)	667,833
Tax charge	1,891,422	(3,741,704)

	2002 $	2001 $
Deferred tax liability		
At beginning of year	11,730,805	15,417,133
Income statement charge/(credit)	1,891,422	(3,686,328)
At end of year	13,622,227	11,730,805

13 Capital grants

	2002 $	2001 $
At beginning of year	5,012,553	5,550,450
Grants received	30,600	151,306
Amortizaton	(630,295)	(689,203)
At end of year	4,412,858	5,012,553

14 Share capital

	2002 $	2001 $
Authorised		
Ordinary shares at no par value	15,000,000	15,000,000
Issued and fully paid:		
10,416,400 (2001 - 10,416,400)	10,416,400	10,416,400

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Financial Report

Notes to Financial Statements December 31, 2002
(expressed in Eastern Caribbean dollars)

15 Fuel

	2002 $	2001 $
Fuel cost at base price	3,673,194	4,317,485
Fuel surcharge	4,202,254	6,360,371
Total fuel cost	7,875,448	10,677,856
Fuel surcharge recovery	(4,211,446)	(6,419,438)
Net fuel cost	3,664,002	4,258,418

16 Discontinuation of capital works
In the prior year, the Board of Directors and Senior Management determined that it was commercially prudent to defer the commencement of the new power station at Tarou Cliffs due to the slowing of the Dominica economy and expected decline demand for electricity. As a result cost of $16,511,310 was written off in the prior year.

During the current period, the company concluded negotiations with all contractors on the Tarou Cliffs projects and as a result all outstanding amounts owed to the various contractors were settled. This settlement reflected an over accrual of anticipated expenses in the prior year. This amount of $1,780,694 was taken into income in the current year.

17 Earnings per share

	2002 $	2001 $
Net income/(loss) for the year	4,879,335	(11,003,763)
Weighted average number of ordinary shares outstanding	10,416,400	10,416,400
Basic and fully diluted earnings per share	0.47	(1.06)

Earnings per share have been computed by dividing net income/(loss) income by the average number of issued ordinary shares.

18 Commitments
The company has committed to purchase products and services in the amount of $1,984,924 (2001 - $603,093) from a number of companies during 2003. Included in this amount is a commitment to purchase goods and services for its diesel generation expansion.

Notes to Financial Statements December 31, 2002
(expressed in Eastern Caribbean dollars)

19 Contingencies

Guarantees
The company has provided a guarantee to the FirstCaribbean Bank (formerly Barclays Bank Plc) in respect of car loans to employees. At December 31, 2002 the outstanding balance of these loans was $438,344 (2001 - $720,887).

Legal
The company is the defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the results of such actions will not have a material effect on the company's financial position.

20 Staff costs

	2002 $	2001 $
Salaries and wages	9,202,692	9,313,896
Other staff costs	1,148,912	1,567,309
	10,351,604	10,886,205

	2002 $	2001 $
Average number of employees during the year	200	200

Financial Report

Operating Statistics

Year	**2002**	2001	2000
Generating Plant (kW) Installed Capacity			
- Hydro	7,600	7,600	7,600
- Diesel	12,840	14,080	12,840
TOTAL	20,440	21,680	20,440
Firm* Capacity (kW)			
- Hydro (Dry Season)	3,200	3,200	3,200
- Diesel	10,000	11,240	10,000
TOTAL	13,200	14,440	13,200

*Capacity available during normal operation in a very dry month, assuming the largest generation unit breaks down

Peak Demand (kW)	13,043	13,866	12,966
Growth (%)	-0.6	6.9	-0.3
Production (kWh x 1000)			
Gross Generation			
- Hydro	35,929	27,036	31,590
- Diesel	44,203	53,929	45,925
TOTAL	80,132	80,965	77,515
Growth (%)	-1.0	4.4	3.8
Diesel Fuel Used in Generation (Imp. Gal)	2,585,509	3,099,157	2,683,510
kWh/Imperial Gallon	17.1	17.4	17.1

Operating Statistics

SALES (kWh X 1000)		2002	2001	2000
- Domestic		32,750	31,779	30,872
- Commercial		22,685	17,021	16,052
- Hotel		2,825	2,796	3,154
- Industrial		4,587	4,009	4,420
- Lighting		9	7,181	6,409
- Street Lighting		1,125	1,128	1,098
TOTAL		63,981	63,914	62,005
- Growth (%)		0.1	3.1	2.3
Power Station use (kWhx1000)		1,053	1,195	1,010
Office Use (kWh x 1000)		455	407	358
Losses (kWh x 1000)		14,643	15,449	14,142
Losses (% of Gross Generation)		18.3	19.1	18.2
Losses (% of Net Generation)		18.5	19.4	18.5
Load Factor =	Average Demand / Maximum Demand	0.70	0.67	0.68

NUMBER OF CONSUMERS AT YEAR END	2002	2001	2000
- Domestic	23210	23069	22,802
- Commercial	2992	2440	1,909
- Hotel	18	21	23
- Industrial	33	42	41
- Lighting	3	864	1,374
- Street Lighting	239	229	234
TOTAL	26495	26665	26,383
- Growth (%)	-0.6	1.0	3.0
Number of Permanent Employees	208	200	223
Number of Consumers/Employee	127	133	118

Financial Statistics

	2002	2001	2000
UNITS SOLD (Kwh x 1000)	64,194	63,914	62,005
REVENUE/UNIT SOLD (EC cents)	73.1	72.5	69.6
SUMMARIZED BALANCE SHEET (EC$ 000)			
Share Capital	10,416	10,416	10,416
Share Premium Account			
Retained Earnings	18,798	12,492	24,923
Deferred Credits	18,035	16,743	20,968
Long Term Liabilities	37,541	21,753	24,545
TOTAL	84,791	61,404	80,852
Fixed Assets (Net)	75,568	73,039	77,061
Capital Work-in-Progress	1,683	3,430	11,794
Deferred Expenses	—	158	341
Current Assets	23,156	16,861	15,539
Current Liabilities	(15,617)	(32,084)	(23,883)
TOTAL	84,791	61,404	80,852
OPERATING EXPENSES			
Fuel	7,875	10,678	9,893
Generation - O & M	6,802	8,893	6,570
T & D and System Planning	3,861	5,701	5,502
Administration & Other	12,915	11,473	8,664
Depreciation	6,317	5,761	6,497
TOTAL	37,770	42,506	37,126
OPERATING REVENUES			
Electicity Sales	42,255	39,539	37,097
Fuel Surcharge	4,211	6,420	6,032
Other	434	375	341
	46,901	46,334	43,470
OPERATING INCOME	9,130	3,828	6,344
INTEREST CHARGES	(3,493)	(2,861)	(2,476)
OTHER CHARGES & CREDITS	—	0	0
AMORTISATION OF CAPITAL GRANTS	630	689	779
AMORTISATION OF DEFERRED EXPENSES	(158)	(183)	(183)
REALISED FOREIGN EXCHANGE GAIN (LOSS)	(124)	27	113
UNREALISED FOREIGN EXCHANGE GAIN (LOSS)	(996)	266	865
DISCONTINUATION OF CAPITAL WORKS	1,781	(16,511)	0
TAXATION	(1,891)	3,742	(1275)
NET INCOME	4,879	(11,003)	4167
DIVIDEND	1,427	(1,427)	0
REINVESTED EARNINGS	6,306	(12,430)	4,167
Rate Base (Average Fixed Assets)	74,303	75,050	78,985
Return on Average Fixed Assets	12.29%	5.10%	8.03%
Debt/Equity Ratio	1/3	3/5	3/7
Current Ratio	1.48	0.53	0.65
Collection Period (Days)	84	69	64