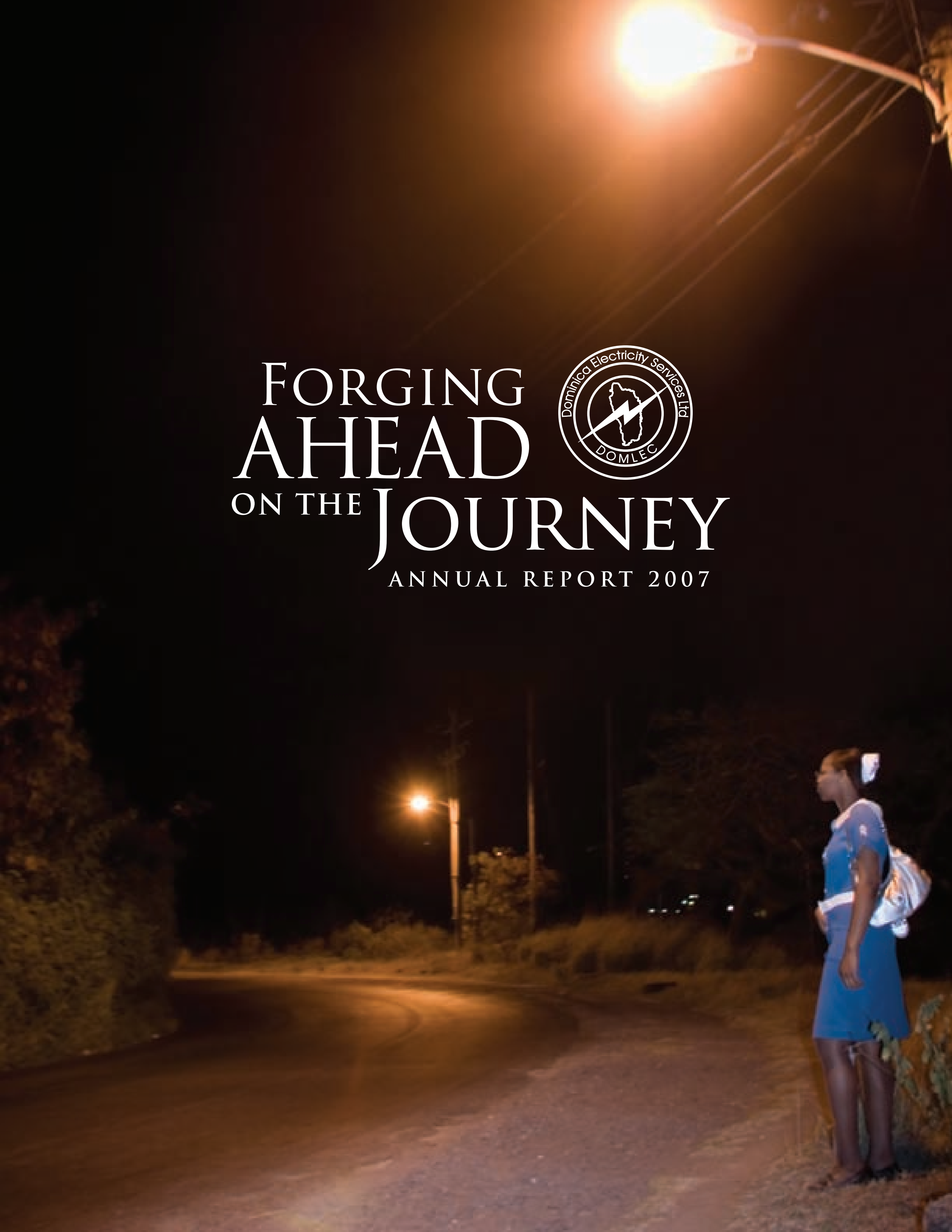
Dominica Electricity Services



Forging Ahead on the Journey

Dominica Electricity Services Ltd
DOMLEC

ANNUAL REPORT 2007

CREDITS

Auditors
PriceWaterhouseCoopers

Solicitors
Defreitas Defreitas and Baron

Bankers
National Bank of Dominica

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Chairman's Report

It is appropriate to begin my report on the 2007 operations of Domlec with mention of the passage of Hurricane Dean because of the impact of that event on the company's results and because of the important issues it has highlighted for our attention. The winds and heavy flooding brought by Dean devastated the physical infrastructure of Dominica and caused extensive though not crippling damage to our power plants and distribution lines across the island. The task of restoring normal service in the extremely difficult conditions existing after the storm could have been overwhelming but for the dedication of our staff and the contribution of many of them beyond the call of duty. Their efforts have earned for Domlec the renewed respect of the public and have already been recognized, but the appreciation of the Chairman and the Board is repeated here for the record. The company will continue its emphasis on investing in the further development of their skills and their commitment to the cause of serving the people of Dominica well.

To Domlec and to electricity users in Dominica, the most expensive loss from Dean has been that of our Padu hydroelectric plant where repair of the building and replacement of damaged turbine/generator equipment will require a full year to complete. In the process of restoring Padu we will examine afresh the possibility of increasing the output from that plant by adding more turbines and bringing in a larger flow of water to power them. If the potential for economic enhancement of hydro production from Padu is real, we will move to exploit it early to better cushion the impact of high fuel prices on the cost of electricity.

Our 2007 financial statements include expenses of EC$1.01 million incurred to date in repairing hurricane damage. The final costs to Domlec of restoring Padu hydro will be mitigated by the insurance coverage that we maintain on our assets. However, it has long been a problem for regional utilities that the availability of commercial insurance on transmission and distribution lines has been severely limited, and what little has been available has become prohibitively priced over time. Recent loss history in the region has exacerbated the situation such that utilities must now look outside of the commercial insurance markets to other strategies for ensuring sufficient amounts of cover at affordable costs. Your Board is examining the self insurance models that have been successfully used in this industry and will adopt for early implementation one that will best suit our circumstances. It remains an important objective that Domlec should always have ready access to the resources it may need to fully restore its assets and to lead in the recovery of Dominica if a major catastrophe occurs.

The unremitting rise in the price of crude oil is now an expensive fact of life for all consuming countries. Its effect on the cost of electricity in Dominica is easily illustrated by the fact that Domlec's expenditures on diesel fuel has increased from EC$7.9 million in 2002 to EC$35.1 million in 2007. The record high prices reached and sustained in 2007 have brought forward the urgency of realizing alternatives to oil even as we proceed with investment in fuel based electricity generation to secure the immediate improvements in reliability and efficiency of service that the Dominican economy demands. In this context the potential for geothermal energy production in Dominica has become a high priority option as it could offer the dual advantages of low cost generation and reliable capacity to satisfy future growth in demand. We have expressed to Government our interest in exploiting that potential as soon as it may become available for development. In the interim our investigations into wind and hydro which are already in progress will be continued and accelerated towards fruition.

With the appointment of the Independent Regulatory Commission (IRC) in June 2007 to assume the responsibilities conferred on them under the Electricity Supply Act 2006, the new relationships of the parties operating in the sector have begun to take shape. The Act makes the IRC principally responsible for electricity sector investment planning, a role which traditionally fell to Domlec as exclusive service provider. We expect that the Commission will eventually provide guidance on the power generation and transmission options that it expects licensees to implement to meet the anticipated expansion of economic activity in Dominica especially those projects planned for relatively undeveloped areas in the north and east of the island. However, we accept without reservation that as the only licensee pro tem it falls to Domlec to make those investments that are needed now to prevent deterioration of the service in the short term, and we expect to win the Commission's support to proceed with the following planned interventions.

- Installation of 3x1.5 MW of medium speed diesel capacity at Fond Cole during 2008. These units will be moved to the new diesel power plant when it is built.
- Development of a 12 MW diesel plant on a suitable new site to be operational within three years.

"The potential for geothermal energy production has become a high priority option"

- Construction of a 33kV transmission line along the west coast to be operational by the time the new diesel plant is commissioned.

We also anticipate that in the context of these discussions the IRC will address the important matter of the duration of Domlec's license and will adjust it to better suit the role that the company is expected to play as a central operator in the sector.

During the year a dialogue between the Government and the company was kept alive, centered on the shared concern to find sustainable ways of reducing the rates charged to our consumers. Domlec offered and implemented a reduction in basic rates of 2 cents per kWh, a measure which will cost the company over EC$1.5 million in annual revenues. On its side the Government has halved the excise tax on fuel for electricity generation to immediately reduce the fuel surcharge. Government also paid off all of its electricity arrears in the amount of EC$5 million and undertook to keep its accounts current so that other consumers would not be burdened with the costs of abnormally high receivables. We have also asked for the Government's support and active collaboration in a number of important areas that will allow the company to improve the cost effectiveness of its operations over time, including their assistance with the acquisition of a 15 acre site at Pointe Ronde for the purpose of building the proposed new power plant. These discussions are ongoing and are expected to gradually bear fruit as the benefits to electricity consumers become more apparent.

Even as adjustments continue to be made for the new allocation of responsibilities and for strengthening the developing new relationships between the IRC, Government and Domlec the main directions for the company's future remain clear. We will work to retain our place at the center of the electricity supply sector. The immediate priorities for action will be confirmed in consultation with the IRC; these may be summarized as:

- Reliability improvement measures, especially the new plant at Pointe Ronde.
- A new transmission grid, to reliably deliver power to existing and new users.
- Development of potentially low cost non-fuel generation options, especially geothermal.
- Continuing improvements in operational efficiencies, including line losses and fuel.

At a different level the company will continue to widen its engagement with communities across the State. In light of the needs that have been revealed by the several natural disaster events that affected Dominica last year your Board has decided that up to 5% of after tax profits will be contributed each year to charity and to support deserving community activities. We have also become a contributing member to the Private Sector Foundation for Health which seeks to improve the facilities for health care delivery on the island. Of the many donations made during 2007 I wish to single out for special mention the Montine house building project, because of its significance to the lives of the recipient family and because much of the construction work was contributed by the hands of our own staff.

The "can do" spirit shown by our employees has been alluded to twice before in this report. It remains a firm policy that their capabilities should be continually improved through training and education, and enhanced where necessary in areas of critical strategic importance such as systems planning, plant maintenance and financial management. Equal emphasis will continue to be placed on staff welfare issues, with input from the employees themselves.

A special word of appreciation is due to the Dominica-based Directors who are not only contributing fully at the strategic and oversight levels but also as effective local advocates for the company. Mr. Anthony Joseph has recently joined the Board as a DSS nominee to fill the casual vacancy left by Ms. Valda Henry. I join with my colleagues in recording our welcome to Mr. Joseph and in wishing Ms. Henry well for the future.

Robert Blanchard Jr.
CHAIRMAN

"Your Board has decided that up to 5% of after tax profits will be contributed each year to charity"

Directors' Report

Financial Results

In 2007, the company generated total revenue of EC$78.7 million from 71.4 GWh in sales, an increase of 6.4% from the previous year. Total expenses were EC$69.7 million and other losses were EC$0.3 million resulting in income before taxes of EC$8.7 million and net income after tax of EC$6.1 million, a marginal increase from net income of EC$6.0 million in 2006.

Dividends

In 2007, the company maintained its consistent payment of 15 cents per share to shareholders.

Directorate

In June 2007, directors, Mr. Norman Rolle, Mr. Grayson Stedman, Mr. Trevor Burton and Corporate Secretary Ms. Ellise Darwton successfully completed a Director Certification and Accreditation Programme developed by the Institute of Chartered Secretaries and Administrators of Canada (ICSA).

The programme which was conducted in collaboration with the Eastern Caribbean Securities Exchange, the Eastern Caribbean Central Bank and the Caribbean Corporate Governance Forum focused on training in the areas of Governance, Financial Reporting and Disclosure and Risk and Strategic Management. ICSA is the leading international governance organization which leads the way in governance education and accreditation. It is the only body in North America offering an international professional designation for corporate secretaries and corporate governance professionals, as well as professional administrators.

In May 2007, Ms. Valda Henry, one of the nominees of the Dominica Social Security on the Board, resigned. She was replaced by Mr. Anthony Joseph who was appointed to the Board at a Board meeting held on September 14th 2007, pursuant to section 4.6 of the company's By-Laws. Mr. Joseph serves until the next Annual General Meeting of shareholders. The Board appreciates the contribution made by Ms. Henry and welcomes Mr. Joseph to the team.

Securities Exchange

Domlec share value maintained the same range as over the previous year of between EC$3.50 to EC$4.00 per share over the 52 week period. As at December 31st 2007, the shares were being traded at $3.50 per share.

By Order of the Board

Ellise Darwton

Ellise Darwton
COMPANY SECRETARY

One Year Price . Feb 2007 to Jan 2008*

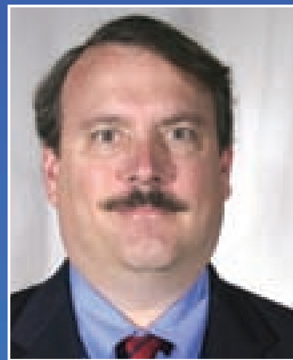
* Courtesy Eastern Caribbean Securities Exchange

Board of Directors . 2007

Robert Blanchard Jr.
Chairman

Joel Huggins
Managing Director

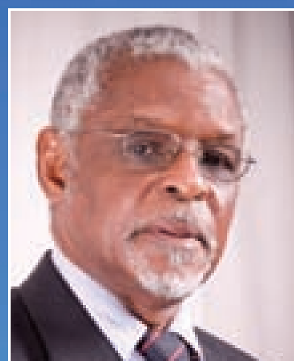
Nigel Wardle
Chairman - Audit Committee



Grayson Stedman
Director

Norman Rolle
Director

Anthony Joseph
Director
(from September 2007)



Malcolm Harris
Director

Trevor Burton
Director


Management Team . 2007

Joel Huggins
Managing Director

Marvelin Etienne
Financial Controller

Rawlins Bruney
Chief Engineer

Mark Riddle
Engineering Systems
Planning & Development
Manager

Nigel Vidal
Generation Manager

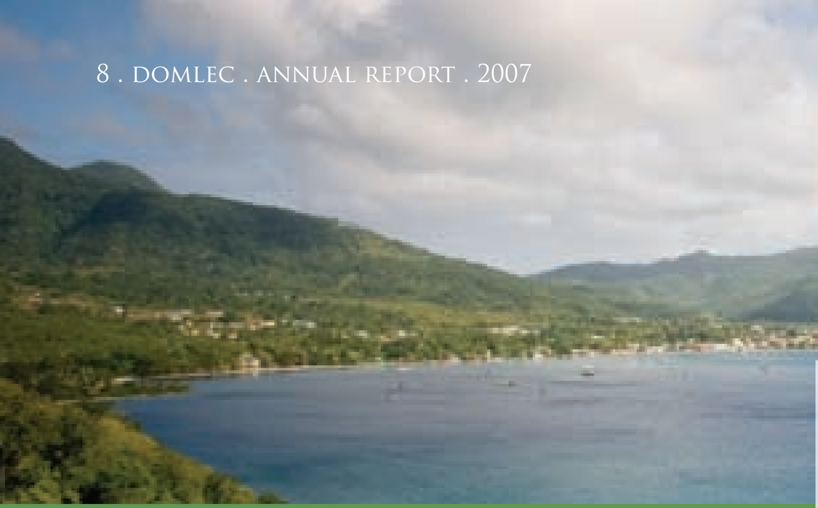
Lemuel Lavinier
Transmission and
Distribution Manager

Ellise Darwton
Corporate Secretary/
Legal Officer

Nathaniel George
Commercial Manager

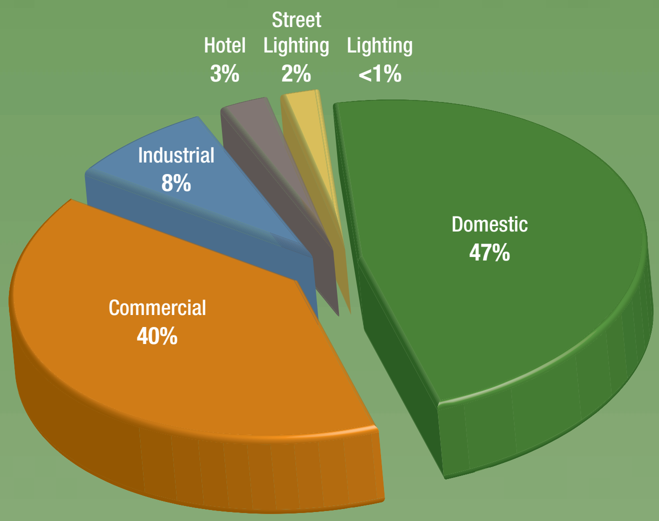
Bertilia McKenzie
Human Resources &
Administration Manager

Carl Maynard
Information Technology
Manager

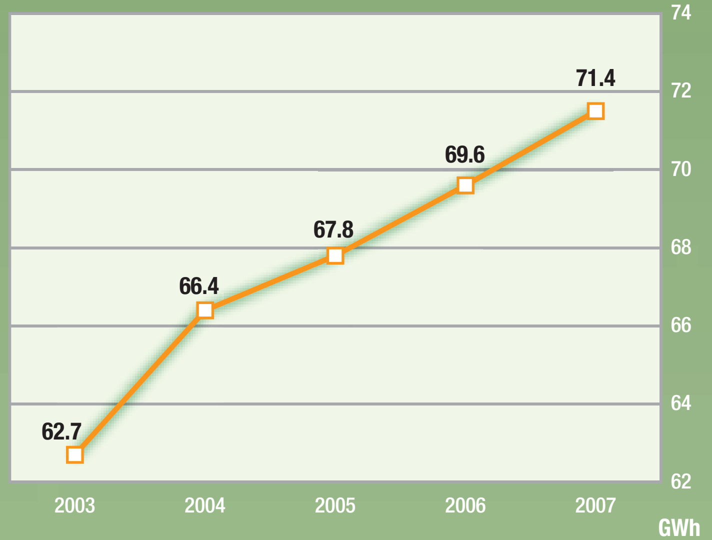


Operations Review

ENERGY SALES . 2007



SALES GROWTH . 2003 TO 2007



FINANCIAL OVERVIEW

Sales

Electricity sales for the fiscal year 2007 totaled 71.4 GWh, 2.7% higher than sales in 2006. Growth in the Commercial sector was above average at 8.8% while unit sales in the Industrial sector grew by 4.6%. The correction of metering errors and improvements in the billing function were largely responsible for the apparent growth recorded within the Commercial sector, while greater industrial activity on the island, especially in the area of mining, is believed to be responsible for the increased demand for power within the Industrial sector.

Demand within the Domestic sector fell by 1.3% in this financial year as Domestic users have continued to conserve energy in a period of rising fuel prices and escalating costs in other sectors of the economy. The performance of the Hotel sector was dismal, falling by about 18% as major players within this sector continue to self generate.

Total revenue increased in 2007 by EC$4.7 million or 6.4% over 2006. Revenue from electricity sales jumped by about EC$2.0 million notwithstanding a reduction of 2 cents per kWh in the base tariff from September 2007. This drop in rates cost the company about half a million dollars in lost revenue. Revenue from fuel surcharge increased by EC$2.6 million to EC$28.6 million driven by the rising cost of fuel as the price per barrel on the world market approached the US$100 mark during 2007. In September 2007, the Government of Dominica effected a 50% (EC$1.19 per imp. gallon) reduction in the excise tax charged on diesel used in electricity generation and this helped to stem the effects of high fuel prices. Even with this reduction, the average price paid per gallon of diesel in 2007 stands at EC$9.11, a decrease of only 8 cents from the prior year.

Direct Expenses

Direct expenses increased by EC$5.6 million in 2007 for the following reasons:

Fuel Cost — increased by EC$4.1 million or 13.3% over the previous year. Fuel prices continued to climb in the first three quarters of 2007. Further, the company utilized almost half a million more gallons of diesel in 2007 than in the previous year. Hydro output decreased by 21% in 2007 as the Padu plant was damaged during Hurricane Dean and has since not been able to generate electricity. The consequence has been that more reliance had to be placed on diesel generation, resulting in higher overall fuel usage.

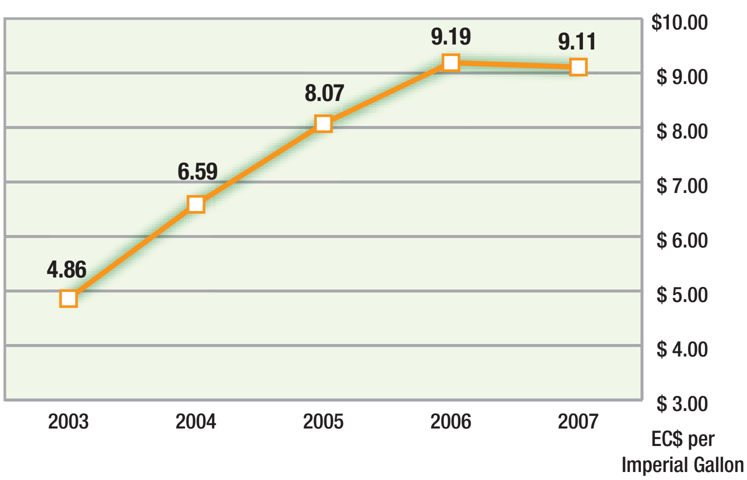
Operating Expenses — were lower in 2007 by EC$0.3 million or 2.7%. Customer claims for damaged equipment decreased in this financial year by EC$0.1 million, while contractors' fees within the Commercial function were also lower than in the previous year. In addition, although data collection has continued during 2007 to assess the viability of a wind farm on the island, this activity did not yield any expenditure in 2007 compared to 2006, when most of the expenditure for this project occurred.

Maintenance Expenses — increased in 2007 by EC$2.0 million, a rise of 50% over the prior year; due primarily to the damage caused by Hurricane Dean in August 2007 to the distribution network and Padu power station. EC$1.04 million was spent in 2007 on line repair works and preliminary works toward the restoration of Padu. Further, in 2007, four diesel generators were overhauled as compared with two in the previous year.

Administrative Expenses

Administrative expenses decreased by 18.7% to EC$7,423,813 in 2007, a drop of EC$1.7 million. In 2007, the provision for bad debts was reduced by EC$1.4 million as overall debtors have

Average Fuel Price . 2003 to 2007



Total revenue increased in 2007 by EC$4.7 million or 6.4% over 2006.

Joel Huggins, Managing Director

paid their bills in a more timely fashion, most significantly the Government of Dominica. This compared to a bad debt expense of EC$0.7 million in 2006, resulted in reduced provision for bad debt expenses this year of EC$2.2 million.

Other Gains

Other gains in 2006 stood at EC$515,669 compared with other losses in 2007 of EC$336,806 a turnaround of EC$852,555. In 2007, a high speed generating set located at the Sugar Loaf power station was retired at a loss to the company of EC$0.8 million.

Finance Charges

Finance charges declined by EC$0.1 million, a decrease of 6% from 2006. During 2007, the company paid off one of its existing loans.

Profit

Profit before tax for the financial year ended December 31st 2007 stood at EC$8.7 million, an increase of 1% from 2006. Taxes for the year amounted to EC$2.6 million resulting in Net Income of EC$6.1 million compared with EC$6.0 million in 2006.

COMMERCIAL DEPARTMENT

Customer Survey Results

The annual customer survey, which was conducted by Systematic Marketing and Research Services Inc. from Barbados, showed that during the year under review, customer satisfaction with the performance of the company increased significantly. The results of the survey indicated that the overall service quality index increased from 58% in 2006 to 75% in 2007. It also showed a major improvement in customer loyalty.

Education

At the start of the 2007 hurricane season, the company launched its hurricane preparedness programme. This commenced with customer information messages in the media informing customers about what they should do to protect their equipment and safety tips they should observe before, during and after a hurricane.

The company's hurricane preparedness plan was activated when Hurricane Dean hit Dominica on August 17th 2007. Extensive damage was done to the transmission and distribution system on the island. From its 'Command Centre' at the Fond Colé Offices, Domlec's crews were dispatched even before the official 'all clear' had been issued by the Disaster Preparedness Office. Through their diligent efforts, power was restored to the capital city by nightfall

Fuel costs increased by EC$4.1 million or 13.3% over the previous year

Marvelin Etienne, Financial Controller

on the day of the hurricane and to 99% of the island within one week after the hurricane. Management and staff have been commended for the excellent execution of the restoration efforts. The company would also like to place on record its thanks to the various agencies who collaborated with it in making such an achievement possible, including the Government of Dominica for the timely assistance of the Ministry of Public Works.

When asked about the company's performance following the passage of Hurricane Dean, 90% of those customers surveyed gave the company a rating of above fair, while 68% rated the company's performance as excellent.

Building on the success of the Hurricane Preparedness Public Relations initiative, the company launched "Power Talk," a 15-minute weekly radio programme aimed at further sensitizing the public on Domlec's operations and policies.

In the last quarter of the year, the company's website www.domlec.dm was launched to further enhance its communication and information portfolio. Customers can now access information about planned outages, electricity rates adjustments, energy saving tips and bill calculation methods on-line.

Collections

The function of the Credit Control Section has become more demanding over the years. Continuing hikes in oil prices and the resulting increase in the price of electricity have made it challenging for customers to keep current with bill payments. In 2007, there were a total of 15,676 disconnections of supply for non-payment, compared with 14,743 reconnections.

Credit Control has the tough task of managing the balance between this reality and the need to ensure that the stream of cash flows critical to enable the company to meet its financial obligations is consistent. For without timely payment, the company cannot operate effectively.

In an effort to respond to the plight of the customers, the company is exploring avenues to assist them with bill payment management. Currently the company is pursuing two options that will ensure delinquent customers are notified by mail or via telephone before their supply is disconnected. In early 2008, the existing billing system will be reconfigured to allow for better tracking of customers' collection status (credit rating) and hence customers will benefit from a greater level of service and flexibility in making payment arrangements. In addition, customers will be able to request customized bill due dates to match their income date. It is anticipated that these measures will benefit customers significantly.

Customer satisfaction with the company increased significantly...to 75% in 2007

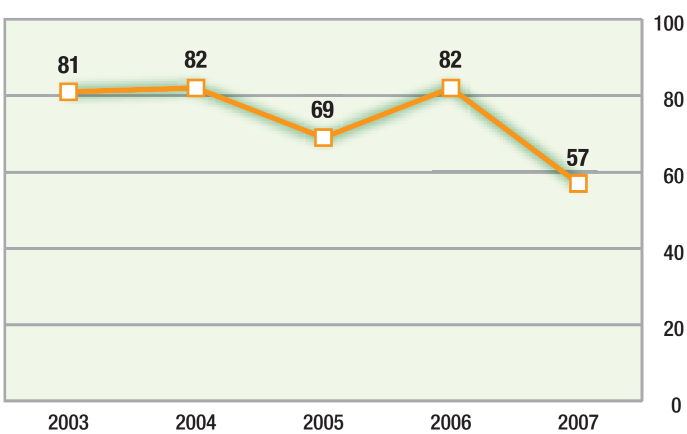
Nathaniel George, Commercial Manager

The graph below shows a downward trend in debtors days over the last six years. The marked improvement in debtors days in 2007 is largely due to the fact that the Government of Dominica made a substantial payment of $5 million during the year, and has remained fairly current since.

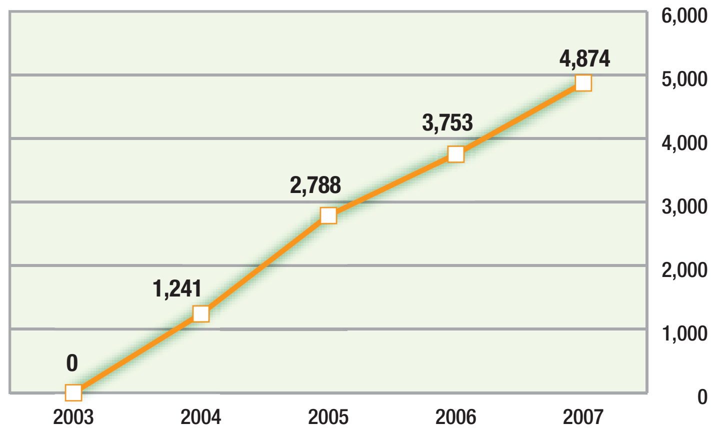
The Pay-As-You-Go (PAUG) metering has been a major contributor to reducing the level of debt by ensuring payment in advance for electricity consumption. It has also contributed to lower collection costs by eliminating bill processing costs and disconnection expenses. There was a total of 4,874 PAUG meters installed by year end and these accounted for 6,199,624 kWh or 8.67% of units sold.

The graph at the right shows the rate of meter installation which mirrors the strong and growing demand for this service. To match this demand, Domlec will be making available more convenient vending locations islandwide. We are also fueling this demand with T.V and radio advertisements to increase public awareness and promote the benefits of the PAUG System.

Debtors Days . 2003 to 2007



Pay-As-You-Go Meters Installed



Metering

During the year, the department conducted a comprehensive review of its metering strategy, the findings of which revealed the need for standardization of meters and a change from the electromagnetic technology to high tech electronic meters. To meet these objectives, the company selected from among other contenders, General Electric Corp. from the USA; a leading company with international brand recognition and decades of industry experience, as its meter provider. The GEI-210 was chosen and launched as Domlec's standard single phase meter in mid 2007. Already over 2,500 of these meters have been ordered. This meter offers a modular platform which allows for future expansion of metering functionalities without having to replace the meter. Training was conducted with all meter users, including independent contractors to familiarize everyone with the new meter, meter policy and standards.

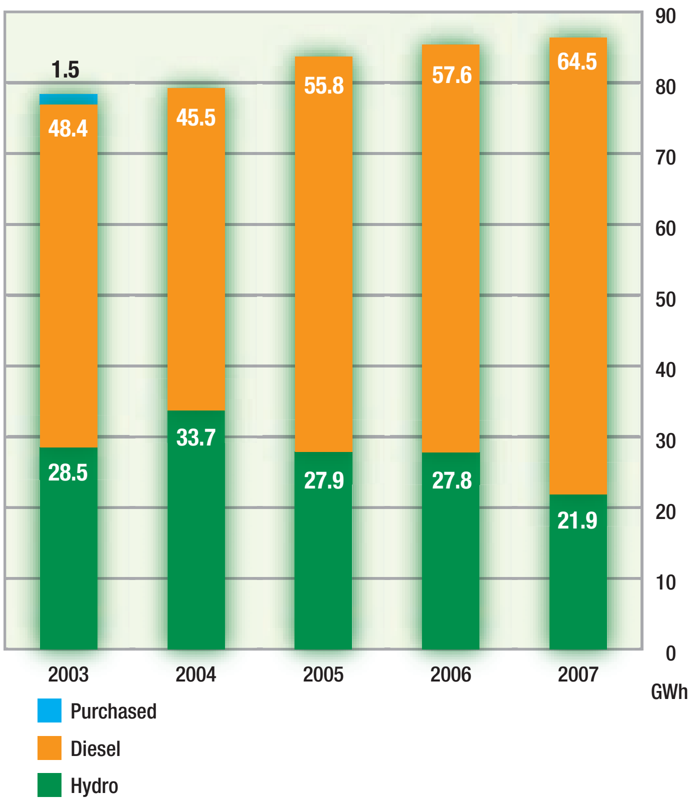
Personnel from the department conducted two site visits during the first quarter of 2007 to Grand Turk and St. Lucia to get a better understanding of how their Automatic Metering Infrastructure (AMI) system works. AMI replaces and enhances manual monthly meter reading, provides two-way communication to every meter and supports a variety of functions that

Domlec's Directors completed a Director Certification and Accreditation Programme

Ellise Darwton, Corporate Secretary/Legal Officer go beyond the billing cycle for both data collection and customer interaction. AMI systems have the potential for significant cost savings and greater efficiency by making it possible to remotely perform such activities as meter reading, disconnection/reconnection, theft detection and power quality monitoring. It can also help reduce outage restoration time and speed up outage detection from a central location.

From the information gathered, a decision was taken to undertake two pilot projects — one using Itron Technology, based on radio frequency and the other using Elster Mesh Network System. These projects are scheduled to be launched early in 2008. If these are successful, they would would put the company on the cutting edge in metering technology.

Electricity Produced



GENERATION DEPARTMENT

General

2007 saw the highest ever:

- overall peak load; 14.501 MW (daytime) in June, compared with previous highs of 14.446 MW peak in May 2006 and 14.368 MW recorded in May 2005
- number of days in a calendar month on which demand exceeded 14 MW — nine days in July.
- monthly total diesel generation and fuel consumption — 2.584 GWh & 157,166 IG and 5.955 GWh & 356,438 IG respectively in July.

This happened against the backdrop of evidence of significant amounts of self-generation by some of our major customers; leading one to believe that true peak demand on island is somewhere closer to 15 MW.

World oil prices topped US$100 per barrel, and as of December 2007 Domlec was paying about EC$10.50 per imperial gallon for diesel, even after the recent reduction by Government of the excise tax payable by Domlec on the purchase of diesel for generation. This continues a trend where the price of diesel has been increasing by approximately EC$1 per gallon per year since 2002 and is a significant obstacle to other efforts being made to hold overall electricity costs in check.

2007 saw the highest ever overall peak load; 14.501 MW (daytime) in June

Nigel Vidal, Generation Manager

Hurricane Dean

The passage of Hurricane Dean in August resulted in the destruction of the turbine house at the Padu Power Plant due to a landslide, with the attendant loss of hydro capacity. Padu #2 had only been returned to service in May following an extended outage due to exciter failure. The hurricane also caused minor damage to a number of vehicles, significant flooding at the Fond Colé plant and severely compromised roads in and around the Hydro system.

The Canefield meteorological office reported the highest ever rainfall in a twenty-four hour period during Dean but that record was short-lived as less than one month later, on September 10th, Dominica was affected by a tropical wave that produced even more intense rainfall resulting in additional material entering the Padu plant and undoing much of the early clean up work. This has since been remedied.

An expert's assessment of the damage to Padu, with recommendations for clean up, building repair and restoration of the plant to service, indicated that the process would take more than a year. The report stated that the hillside above the plant remains a significant threat to the area and that proper drainage and other civil works on this hillside to keep the site stable and reduce the chances of a repeat event, will form an essential part of the rehabilitation works.

Prior to the passage of Hurricane Dean, Hydro had its second worst June output in the last seven years, surpassed only by the June 2001 drought. This was a result of drought conditions experienced in May continuing into most of June.

Diesel Generation

In 2007, the company's concern about the aging of equipment at the Fond Colé plant was brought to the fore. In April, fire in a breaker panel caused an island-wide outage. Replacement breakers for the worst affected ones were purchased and commissioned during the restoration after the passage of Hurricane Dean.

The No. 5 Unit at Fond Colé has also been offline for the entire year as it has been beset with mechanical problems. Efforts for its restoration have focused on repair of its turbochargers, replacement of oil filters and a complete overhaul. This repair and overhaul exercise now in progress is expected to be completed before April 2008.

The Board has approved the purchase of three new medium speed diesel generators from MAN B&W to arrest these issues with aging plant. All this as a stop gap measure, pending the commissioning of the new power plant which will provide the ideal solution to upgrading the reliability and quality of supply to customers to international standards.

The Board has approved the purchase of three new medium speed diesel generators

Rawlins Bruney, Chief Engineer

ENGINEERING SYSTEMS PLANNING & DEVELOPMENT DEPARTMENT

Loss Reduction

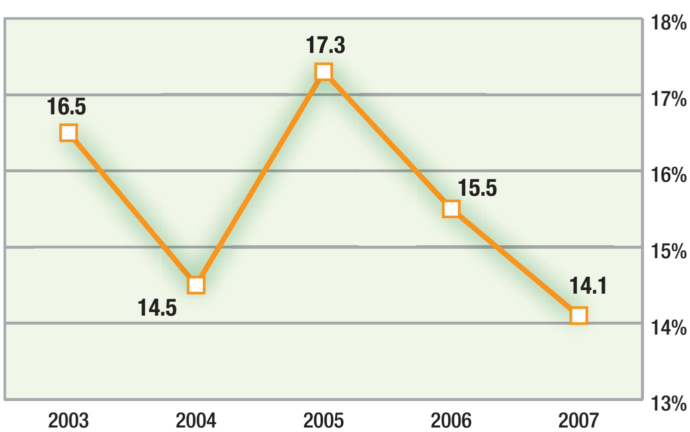
As part of the efficiency goals, the department was tasked with assisting to further reduce the total system losses below the 15.5% achieved in 2006, by leveraging on the experience gained the previous year in tackling areas of technical loss. By the end of 2007 as a result of the collective effort of the various departments the losses figure had been reduced well below the legislated level of 14.5% to 14.1%. This significant result was due to a new focus and approach adopted in 2007.

On the technical front the interventions pursued were mainly the installation of 5440kVAr of capacitor banks, the upgrade of 10 primary circuits from single to three phase and the modification of 16 secondary circuits to include downsizing of transformers and load balancing.

Reliability Improvement

The highlights for the reliability improvement programme were the re-introduction of the Upper Goodwill Feeder out of the Fond Colé busbar, providing an opportunity for demand side management; the addition of remotely operable switches,

System Losses . 2003 to 2007



extension of URD (underground) works in Roseau to Cork Street, Victoria Street and Bath Road to include the commissioning of three new padmount transformers and the completion of some 97 suspense jobs designed to improve voltage supply quality around the island.

Other Capital Works

AM/FM/GIS — The GIS project as was initially construed i.e. the collection of poles and line fixtures on the system, has progressed to 95% completion from 41% at the end of 2006. The only remaining location to be completed is in the north-east of the island.

The service of a programmer was sourced to create better operability of the GIS web software and make it more user friendly. A modification form was also designed to be used in updating asset records on the GIS.

SCADA — Work on the SCADA project suffered some setbacks in 2007. The project, which is of five years duration, is in its third year.

Work on the testing of signal propagation was hampered due to damage caused to the Micotrin tower by Hurricane Dean in August. Restoration of the tower proved difficult and was

Total system losses were reduced well below the legislated level to 14.1%

Mark Riddle, Engineering Systems Planning & Development Manager

not completed in 2007. The deployment of the Survalent software as the platform for remote operation also ran into difficulty when the company encountered service licensing issues with the provider about mid year. Those issues were resolved in November of 2007 and deployment is expected about the first quarter of 2008.

Reclosers at Strategic Locations — This project also is a phased activity which commenced in 2005 and is expected to be completed in 2009. During 2007, three new reclosers were installed, while progress was made on a fourth unit. Additionally four new units are to be installed in the second quarter of 2008.

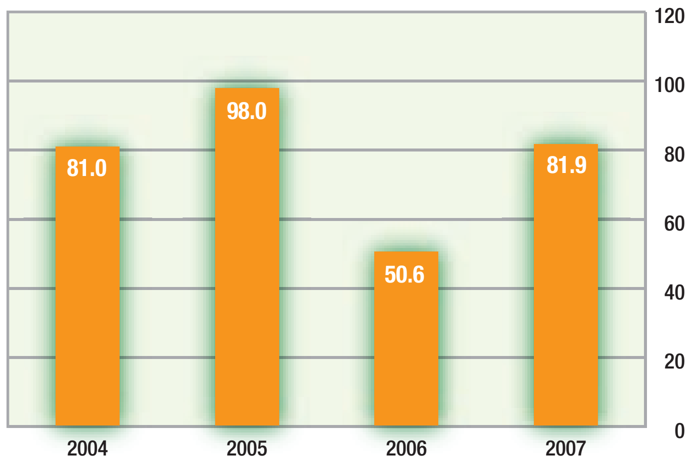
East Coast Feeder Rehabilitation — Significant progress was achieved on this project in 2007; work was completed between LaPlaine and Castle Bruce and at Pagua Bay area. The East Coast rehabilitation project commenced in 2005 and was expected to be completed in 2007, but was set back due to the depletion of materials as a result of Hurricane Dean restoration. Work is expected to recommence in 2008.

TRANSMISSION & DISTRIBUTION (T & D) DEPARTMENT

2007 has been the most difficult year in this decade for operating and maintaining the T&D system in spite of the fact that it started quite smoothly, going in excess of one month without any disturbances on the high voltage distribution system. In August the system was affected by Hurricane Dean which highlighted areas of strength and weakness on the physical network as well as in the maintenance and construction methods. One area of strength that became evident was the pre-hurricane season vegetation management programme while an area of weakness was the need to accelerate the replacement of the older distribution lines in the rural villages.

In spite of the reduction in the number of T&D related system faults, longer outages were experienced during 2007, as indicated in the System Average Interruption Duration Index (SAIDI) statistics. There was a marginal increase in the number of system failures as well as feeder failures.

System Average Interruption Duration Index (SAIDI) Hours

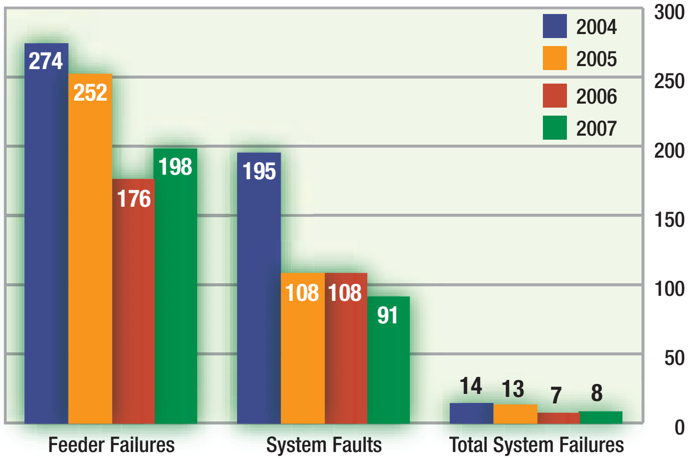


Padu plant is filled with mudslide after Hurricane Dean (right). Diver assesses damage to the valve for the outlet of the Fresh Water Lake (below).

4.53 SAIDI hours were saved through live line work, an 11.5% increase over 2006

Lemuel Lavinier,
Transmission and Distribution Manager

Primary Distribution Network Performance



In 2007 Domlec's customers experienced an increase in outage hours due to load shedding compared with 2006. Some of this occurred in March when repair work was being done at the Fresh Water Lake in preparation for the hurricane season. This was followed by the after effects of Hurricane Dean on generating capacity. Total SAIDI hours was 81.93 excluding the direct effect of Hurricane Dean which averaged 37.3 hours per customer. There were, however, 4.53 SAIDI hours saved through the execution of live line work, an 11.5% increase over 2006.

Increase in maintenance was seen through the replacement of defective poles, more than 6% increase over 2006 and street light repairs, a 6% increase over 2006 due primarily to an improvement in the method of identifying and repairing defective street lights. The vegetation management strategy has proved to be successful through the clearing of major lines prior to the start of the hurricane season. Further improvements in this strategy will ensure continued success in future years. Transformer maintenance enhancements have resulted in a 23% reduction in transformer failures over 2006 figures. 40, 628 feet of bare conductor was replaced with the more robust ABC conductor, a 19% increase from the previous year.

INFORMATION TECHNOLOGY DEPARTMENT

Challenges

One of the major challenges faced by IT during 2007 was maintaining network reliability for the remote sites in the face of faulty leased circuits. Towards the end of October 2007, some relief was experienced after close monitoring on our part and upgrades by the service provider of these leased circuits. Another challenge was curtailing rising telecommunications costs.
In this regard IT can report a measure of success in that there was a slight reduction for 2007 compared with 2006. Efforts at reduction will continue in 2008 to realise further savings.

Web-based Applications

The internal staff website, The Intranet, was launched in April 2007 after being completely redesigned. It features quite a bit more functionality than the previous version and is greatly appreciated for enhancing inter-company communications.

Domlec's Corporate Website, www.domlec.dm was launched and made available to the public in November 2007. The website boasts a wide range of features including planned outages schedule, an online customer information booklet "Living with Electricity", frequently asked questions, pertinent shareholder information, an energy calculator and "About Us" which gives a detailed description of the company and its operations. A web-based Fault Report programme was written specifically for the System Control Operators. This programme enables the operators to record, monitor, analyse and print all trouble call reports.

Network Security

A certificate server was setup to enhance the security between Domlec's e-mail server and the Internet. Once a user establishes a connection to the e-mail server via the web a secure certificate is issued which further enhances the security of the connection between the internet and the e-mail server.

Domlec's Corporate Website, www.domlec.dm was launched ... to the public in November 2007

Carl Maynard, Information Technology Manager

Network Upgrades

IT upgraded its e-mail server from Exchange 2000 to Exchange 2003. Exchange 2003 has a much improved Outlook Web Access interface, carries much more functionality than Exchange 2000 and is better suited to support the company's e-mail environment.

The company's antivirus software was upgraded from Trend Micro to MacAfee Network Associates. Laudat Power Station now forms part of Domlec's Corporate Network, with a new fibre optic link installed between the Trafalgar and Laudat power stations. This has served to enhance the quality of communications service to that location.

A Disaster Recovery/Virtual Infrastructure concept has been introduced, which will help reduce the cost of and the need for redundant server hardware. This technology now forms a major part of IT's disaster recovery plans. The whole idea is to reduce downtime to 0-15 minutes with any of the company's critical hardware or applications if a disaster were to occur.

HUMAN RESOURCES & ADMINISTRATION DEPARTMENT

Productivity

The organisation's human resource base continued to demonstrate increased productivity in 2007. There has been a steady increase in employee productivity over the past four years as measured by the Human Capital Value Added (HCVA) and Human Capital Return on Investment (ROI) ratios. The comparative figures for 2004, 2005, 2006 and 2007 are as follows:

	2007	2006	2005	2004
HCVA	$115,234	$110,730	$92,255	$78,632
Human Capital ROI	$1.90	$1.85	$1.75	$1.45

Human Resource Development

During the year under review 133 employees received training. The organisation subscribed to 58 training programmes, with the Defensive Driving workshop having the maximum number of participants. In an effort to reduce the number of vehicular accidents involving Domlec's vehicles, the Defensive Driving workshop was held where 57 employees were exposed to theoretical and practical defensive driving techniques.

Health & Safety

The organisation continued its Healthy Lifestyle Management Programme in which 40 employees participated. In this programme employees were screened for hypertension, diabetes and other lifestyle diseases, with remedial action being taken where warranted.

Co-ordination of Post-Hurricane Dean Restoration Programme

In August 2007, the department successfully coordinated the post-Hurricane Dean Restoration Programme resulting in the customers' electricity supply being reconnected in a timely fashion. During that process, employees effectively utilized the skills learnt in the Post-Hurricane Restoration Management training workshop which was conducted in 2006.

There has been a steady increase in employee productivity over four years

Bertilia McKenzie, Human Resources & Administration Manager

HELPING ON THE JOURNEY

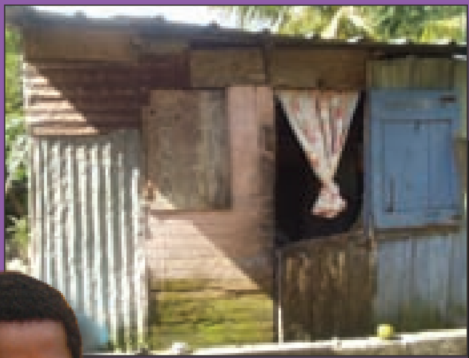
COMMUNITY OUTREACH 2007

Power Partnerships 2007

Throughout 2007, Domlec continued with its "Power Partnership" drive, reaching out into every facet of the Dominican society.

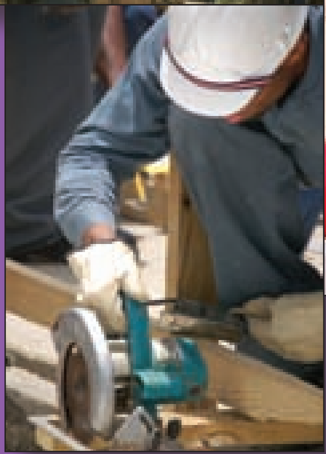
The highlight event of our community sponsorship for 2007 was very fulfilling for Domlec staff members. The construction of a two bedroomed house — at the cost of $30,000 — for Pamela Leatham and her nine children at Montine in Grand Bay was proven testimony of the company's community spirit.

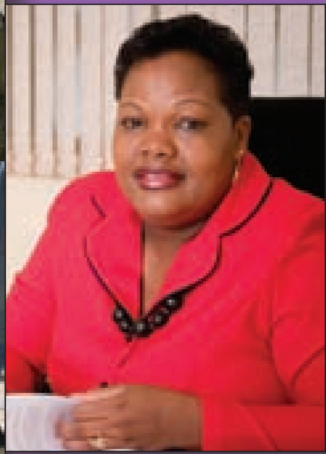
Montine Home Project



Leatham house prior to Domlec's sponsorship

Cadets lend a hand to build a new home for Pamela Leatham's family





Adina Bellot-Valentine, Domlec's new Public Relations Officer (from June 2007)

Power Partn

New India Goodwill Runners — League Champions in the Dominica Football Association Women's Football League

Domlec makes a donation of a computer to the Bright Beginning Pre-School

Staff members turned out in large numbers to undertake the project and were ably assisted by young men and women attending the Dominica Cadet Corps Summer Camp, which the company also sponsored in an amount of $10,000.

The company's interest in social welfare and development was also reflected in its sponsorship of the school feeding programme run by the Mahaut Gospel Tarbernacle in the amount of $15,000; and in its continued assistance to the Grotto Home for the Homeless in the sum of $10,200.

In 2007, the company made a huge effort in offering its assistance in the health sector when it became a member of the Private Sector Foundation for Health and made a significant contribution to the organisation of $35,000.

In sports, the Primary Schools Softball Cricket Programme benefited from over $18,000 from Domlec. The programme is aimed at teaching the students as well as conducting training sessions for coaches. Several other major sports sponsorships were undertaken, including full sponsorship of the La Plaine Basketball League and Shockers Basketball Team (who emerged League Champions), the National Netball League, the Dominica Football Association Women's Football League and the National Men's Volleyball League.

Cultural and youth advancement benefited from Domlec's full endorsement of the Miss Teen Dominica Pageant, the Convent Preparatory School Band, and our major sponsorship of the Calypso Junior Monarch, the National Princess Show, the Stardom Calypso Tent and the World Creole Music Festival.

ERSHIPS . 2007

Presenting sponsorship to Dominica Volleyball Association

Students at Mahaut Primary School are beneficiaries of the feeding programme run by the Mahaut Gospel Tabernacle

PRICEWATERHOUSECOOPERS

PriceWaterhouseCoopers
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P.O. Box 195
Castries
St. Lucia, W.I.
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(758) 452-2511
Facsimile (758) 452-1061

March 11th 2008

Independent Auditor's Report

To the Shareholders of
Dominica Electricity Services Limited

We have audited the accompanying balance sheet of **Dominica Electricity Services Limited** (the Company) as of December 31, 2007 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Company as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

Balance Sheet

Dominica Electricity Services Limited

as at December 31st, 2007 (expressed in Eastern Caribbean Dollars)

	2007 $	2006 $
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	**234,979**	377,921
Trade and other receivables (Note 6)	**15,017,253**	15,494,602
Inventories (Note 7)	**8,610,944**	9,590,510
	23,863,176	25,463,033
Capital work in progress (Note 8)	**636,452**	2,929,657
Property, plant and equipment (Note 9)	**88,511,066**	83,127,186
Total assets	**113,010,694**	111,519,876
LIABILITIES		
Current liabilities		
Borrowings (Note 10)	**6,167,014**	6,042,019
Trade and other payables (Note 11)	**7,026,789**	8,477,916
Income tax payable	**863,813**	1,136,676
Due to related party (Note 12)	**171,747**	131,201
	14,229,363	15,787,812
Borrowings (Note 10)	**28,159,458**	30,220,636
Deferred tax liability (Note 15)	**14,692,113**	14,671,384
Other liabilities (Note 13)	**6,730,252**	5,719,379
Capital grants (Note 16)	**1,779,033**	2,216,539
Total liabilities	**65,590,219**	68,615,750
SHAREHOLDERS' EQUITY		
Share capital (Note 17)	**10,417,328**	10,417,328
Retained earnings	**37,003,147**	32,486,798
Total shareholders' equity	**47,420,475**	42,904,126
Total liabilities and shareholders' equity	**113,010,694**	111,519,876

Approved by the Board of Directors on March 11th 2008

Director **Director**

Statement of Income

Dominica Electricity Services Limited

for the year ended December 31st, 2007 (expressed in Eastern Caribbean Dollars)

	2007 $	2006 $
Revenue		
Energy sales	**49,396,615**	47,383,773
Fuel surcharge (Note 23)	**28,627,183**	26,063,337
Other revenue	**698,243**	527,763
	78,722,041	73,974,873
Expenses		
Operating	**12,260,675**	12,607,830
Maintenance	**6,042,862**	4,015,348
Fuel cost (Note 23)	**35,094,796**	30,970,742
Depreciation	**6,628,356**	6,770,238
	60,026,689	54,364,158
Gross profit	**18,695,352**	19,610,715
Other operating expenses/(income)		
Administrative expenses	**7,423,813**	9,134,055
Other losses (gains), net (Note 26)	**336,806**	(515,669)
	7,760,619	8,618,386
Operating profit	**10,934,733**	10,992,329
Finance costs (Note 20)	**2,240,194**	2,377,924
Profit before income tax	**8,694,539**	8,614,405
Income tax (Note 15)	**(2,615,591)**	(2,615,680)
Profit for the year	**6,078,948**	5,998,725
Earnings per share for profit attributable to the equity holders of the Company during the year (Note 19) (expressed in EC$ per share) **- basic and diluted**	**0.58**	0.58

Statement of Changes in Shareholders' Equity

Dominica Electricity Services Limited

for the year ended December 31st, 2007 (expressed in Eastern Caribbean Dollars)

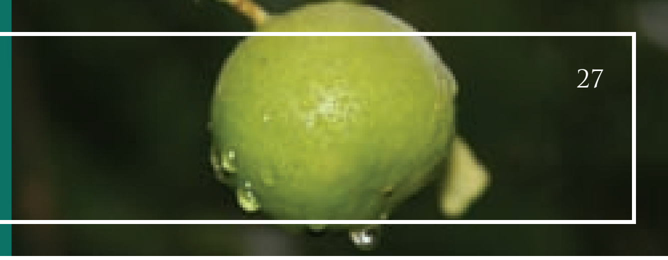
	2007 $	2006 $
Share capital		
Ordinary shares, at beginning and end of year (Note 17)	**10,417,328**	10,417,328
Retained earnings		
At beginning of year	**32,486,798**	28,050,672
Profit for the year	**6,078,948**	5,998,725
Dividends paid (Note 14)	**(1,562,599)**	(1,562,599)
At end of year	**37,003,147**	32,486,798
Shareholders' equity, end of year	**47,420,475**	42,904,126

Statement of Cash Flows

Dominica Electricity Services Limited

for the year ended December 31st, 2007 (expressed in Eastern Caribbean Dollars)

	2007 $	2006 $
Cash flows from operating activities		
Profit before income tax	**8,694,539**	8,614,405
Adjustments for:		
Depreciation (Note 9)	**6,628,356**	6,770,238
Loss/(gain) on disposal of plant and equipment	**716,361**	(43,418)
Unrealised exchange losses	**108,468**	206,932
Amortization of capital grants (Note 16)	**(437,506)**	(731,080)
Finance costs	**2,240,194**	2,377,924
Operating profit before working capital changes	**17,950,412**	17,195,001
Decrease/(increase) in trade and other receivables	**477,349**	(3,518,722)
Decrease/(increase) in inventories	**979,566**	(1,932,028)
(Decrease)/increase in trade and other payables	**(1,451,127)**	901,910
Increase in due to related party	**40,546**	131,201
Cash generated from operations	**17,996,746**	12,777,362
Income tax paid	**(2,867,725)**	(2,361,303)
Net cash from operating activities	**15,129,021**	10,416,059
Cash flows from investing activities		
Purchase of property, plant and equipment and capital works	**(10,534,257)**	(9,240,692)
Proceeds on disposal of plant and equipment	**98,865**	44,600
Net cash used in investing activities	**(10,435,392)**	(9,196,092)
Cash flows from financing activities		
Proceeds from borrowings	**3,953,000**	3,439,395
Repayment of borrowings	**(6,639,344)**	(5,084,366)
Finance costs paid	**(2,238,912)**	(2,602,612)
Dividends paid	**(1,562,599)**	(1,562,599)
Increase in other liabilities	**1,010,873**	1,392,539
Increase in capital grants	**—**	430,211
Net cash used in financing activities	**(5,476,982)**	(3,987,432)
Net decrease in cash and cash equivalents	**(783,353)**	(2,767,465)
Cash and cash equivalents, beginning of year (Note 5)	**(1,545,795)**	1,221,670
Cash and cash equivalents, end of year (Note 5)	**(2,329,148)**	(1,545,795)



1 - General Information

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

The Company operates in a fully liberalised sector under the newly enacted Electricity Supply Act of 2006. Under the Act an Independent Regulatory Commission is vested with broad regulatory oversight over all aspects of the energy sector. The Company's operations are regulated by this Commission.

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

Dominica Private Power Ltd. (thereafter "DPP"), 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.

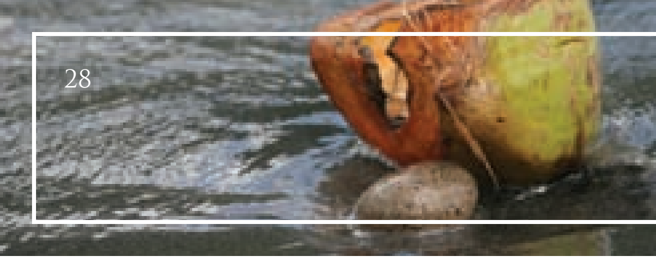
(a) Standards, amendment and interpretations effective in 2007 and adopted by the Company

- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements — Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables.
- IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Company's financial statements.
- IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Company's financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant to the Company

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Company's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.



2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...CONTINUED

(c) Interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods but that the Company has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company will apply IAS 23 (Amended) from 1 January 2009 but is currently not applicable to the Company as there are no qualifying assets.

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

  As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

- IFRIC 14, 'IAS 19 – The limit on a defined benefits asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Company's accounts.

(d) Interpretations to existing standards that are not yet effective and not relevant for the Company's operations

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

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Company's operations because the Company does not provide for public sector services.

- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Company's operations because the Company does not operate any loyalty.

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 recognised initially at original invoice amount and subsequently measured at original invoice amount, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the future collectible amount. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement 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 income statement.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...CONTINUED

Inventories

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

Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement 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	$2\frac{1}{2} – 3\frac{1}{3}$%
Generators, transmission and distribution	4 – 10%
Motor vehicles	14 – 20%
Furniture and fittings	$12\frac{1}{2} – 33\frac{1}{3}$%

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 income statement.

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.

Impairment of non-financial assets

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

Trade payables

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

Borrowings

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

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not 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.

Deferred income tax

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

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

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

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...CONTINUED

The principal temporary difference arises from depreciation on plant and equipment.

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.

Consumer contributions

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

Customer deposits

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

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement 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 recognition

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

Sale of energy

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

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

Interest income

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

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

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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...CONTINUED

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 income statement.

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

Comparatives

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

3 - FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

At 31 December 2007, if the currency had weakened/strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been $30,916 (2006: $91,897) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro denominated borrowings. Profits were more sensitive to movements in Eastern Caribbean Dollar/Euro exchange rates in 2006 than 2007 because of the decreased in the amount of the Euro denominated borrowings.

(ii) Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings and consumer deposits. Borrowings and deposits issued at variable rates exposes the Company to cash flow interest rate risk. Similarly, such facilities issued at fixed rates expose the Company to fair value interest rate risk. At year end all the Company's facilities were issued at fixed rates and as such have no significant fair value interest rate risk.

(iii) Price risk

Price risk arises primarily from exposure to equity securities, as the Company holds no such instruments, it has no price risk exposure at December 31, 2007.

(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. Customers are individually rated taking into account past experience and other factors. Individual risk limits are set based on management credit policies. Management performs periodic credit evaluations of its customers' financial condition and does not believe that significant credit risk exists at December 31, 2007.

(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.

3 - FINANCIAL RISK MANAGEMENT ...CONTINUED

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months 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 $
At 31 December 2007				
Borrowings	5,567,041	10,660,430	14,599,190	8,897,283
Trade payables	7,026,789	–	–	–
Consumer deposits	–	–	–	3,896,175
At 31 December 2006				
Borrowings	8,191,952	9,801,308	12,922,169	12,667,068
Trade payables	8,477,916	–	–	–
Consumer deposits	–	–	–	3,826,138

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.

During 2007, the Company maintained a gearing ratio within the 40% range.

	2007 $	**2006 $**
Total borrowings (Note 10)	**34,326,472**	36,262,655
Less: cash and cash equivalents (Note 5)	**(234,979)**	(377,921)
Net debt	**34,091,493**	35,884,734
Total equity	**47,420,475**	42,904,126
Total capital	**81,511,968**	78,788,860
Gearing ratio	**42%**	46%

The decrease in the gearing ratio during 2007 resulted primarily from the repayments of debts.

4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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. Management do not consider that there are estimates and assumptions that will have a significant risk, causing a material adjustment to the carrying amounts of assets and liability within the next financial year.

5 - CASH AND CASH EQUIVALENTS

	2007 $	2006 $
Cash on hand	**4,288**	2,717
Cash at bank	**230,691**	375,204
	234,979	377,921

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

	2007 $	2006 $
Cash at bank and on hand	**234,979**	377,921
Bank overdraft (Note 10)	**(2,564,127)**	(1,923,716)
	(2,329,148)	(1,545,795)

6 - TRADE AND OTHER RECEIVABLES

	2007 $	2006 $
Government	**2,263,803**	6,194,049
Other	**8,648,457**	9,161,181
Trade receivables, gross	**10,912,260**	15,355,230
Provision for doubtful receivables	**(2,440,102)**	(4,443,455)
Trade receivables, net	**8,472,158**	10,911,775
Accrued income	**1,213,828**	1,073,687
Other receivables	**5,185,063**	3,396,216
Prepayments	**146,204**	112,924
	15,017,253	15,494,602

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

As of 31 December 2007, trade receivables of $7,145,054 (2006:$9,104,188) were fully performing.

Trade receivables that are categorized as active and are less than 30 days past due are not considered impaired. As of 31 December 2007, trade receivables of $1,187,111 (2006: $1,624,428) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007 $	2006 $
61 – 90 days	**477,788**	771,957
91+ days	**709,323**	852,471
	1,187,111	1,624,428

As of 31 December 2007, trade receivables of $2,580,095 (2006: $4,626,614) were impaired and partially provided for. The amount of the provision was $2,440,102 as of 31 December 2007 (2006: $4,443,455). 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:

	2007 $	2006 $
Up to 12 months	378,081	366,318
Over 12 months	2,202,013	4,260,296
	2,580,095	4,626,614

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

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

	2007 $	2006 $
At 1 January	4,443,455	3,763,442
Bad debt (recovery)/expense	(1,999,912)	743,421
Written off during the year	(3,441)	(63,408)
At 31 December	2,440,102	4,443,455

The creation and release of provision for impaired receivables have been included in 'Administrative expenses' in the income statement (Note 18). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

7 - INVENTORIES

	2007 $	2006 $
Generation spares	4,527,887	4,803,834
Network spares	4,217,724	4,342,451
Fuel	290,555	284,870
Stationery	149,559	155,642
Other	122,221	115,072
	9,307,946	9,701,869
Provision for obsolescence	(697,002)	(111,359)
Inventories, net	8,610,944	9,590,510

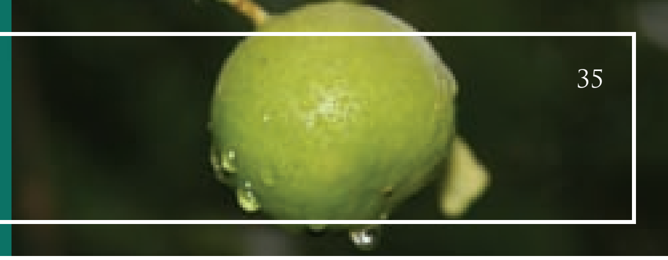
8 - CAPITAL WORK IN PROGRESS

	2007 $	2006 $
At beginning of year	2,929,657	299,834
Additions	4,434,947	5,027,733
Transferred to property, plant and equipment	(6,728,152)	(2,397,910)
At end of year	636,452	2,929,657

9 - PROPERTY, PLANT AND EQUIPMENT

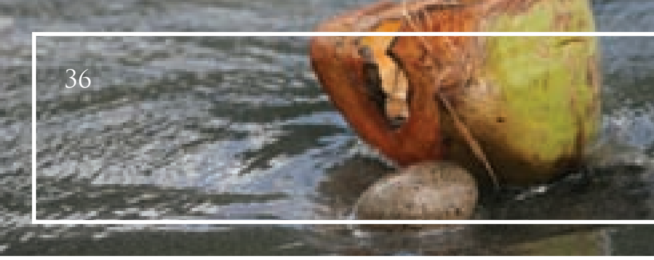
The Company carries insurance coverage on its main assets on a group basis with two neighbouring islands' electric utility companies. Transmission and distribution insurance cover is shared with one of the neighbouring islands electricity utility company. Combined liability is limited to $150,000,000 for all property excluding transmission and distribution for each and every event and in aggregate for all three utilities. Liability on the external transmission and distribution system, which is included in property, plant and equipment at an historical cost of $66,631,226 at December 31, 2007 (2006 - $58,711,139), is limited to an annual aggregate of $30,000,000 for the two utility companies. The Company also carries mechanical and electrical breakdown insurance coverage.

Depreciation expense has been charged to operating expenses $6,128,096 (2006 – $ 6,359,035), and administration expense $500,260 (2006 – $411,203).



9 - PROPERTY, PLANT AND EQUIPMENT ... CONTINUED

	Land and Buildings $	Generation, Transmission and Distribution $	Motor Vehicles $	Furniture and Fittings $	Total $
As at January 1, 2006					
Cost or valuation	55,898,427	99,060,470	3,717,305	5,984,894	164,661,096
Accumulated depreciation	(21,888,377)	(52,178,036)	(2,167,965)	(5,138,981)	(81,373,359)
Net book amount	34,010,050	46,882,434	1,549,340	845,913	83,287,737
Year ended December 31, 2006					
Opening net book amount	34,010,050	46,882,434	1,549,340	845,913	83,287,737
Additions for the year	1,657,352	4,013,189	125,790	596,575	6,392,906
Transfer from capital work	14,690	118,851	–	84,422	217,963
Disposals	–	–	(4)	(1,178)	(1,182)
Depreciation charge for the year	(1,486,055)	(4,460,108)	(412,872)	(411,203)	(6,770,238)
Closing net book amount	34,196,037	46,554,366	1,262,254	1,114,529	83,127,186
At December 31, 2006					
Cost or valuation	57,570,470	103,192,511	3,613,194	6,631,360	171,007,535
Accumulated depreciation	(23,374,433)	(56,638,145)	(2,350,940)	(5,516,831)	(87,880,349)
Net book amount	34,196,037	46,554,366	1,262,254	1,114,529	83,127,186
Year ended December 31, 2007					
Opening net book amount	34,196,037	46,554,366	1,262,254	1,114,529	83,127,186
Additions for the year	580,109	8,716,196	339,046	566,288	10,201,639
Transfer from capital work	636,088	1,977,525	–	12,210	2,625,823
Disposals	–	(815,216)	(5)	(5)	(815,226)
Depreciation charge for the year	(1,535,360)	(4,184,768)	(407,968)	(500,260)	(6,628,356)
Closing net book amount	33,876,874	52,248,103	1,193,327	1,192,762	88,511,066
At December 31, 2007					
Cost or valuation	58,786,667	112,197,888	3,578,638	7,121,206	181,684,399
Accumulated depreciation	(24,909,793)	(59,949,785)	(2,385,311)	(5,928,444)	(93,173,333)
Net book amount	**33,876,874**	**52,248,103**	**1,193,327**	**1,192,762**	**88,511,066**



10 - BORROWINGS

	2007 $	2006 $
Current		
Bank overdraft (Note 5)	**2,564,127**	1,923,716
Bank borrowings	**3,175,549**	3,155,265
Other financial institution borrowings	**427,338**	914,246
Related party (Note 12)	**–**	48,792
	6,167,014	6,042,019
Non-current		
Bank borrowings	**27,531,728**	26,701,842
Other financial institution borrowings	**627,730**	937,739
Related party (Note 12)	**–**	2,581,055
	28,159,458	30,220,636
Total borrowings	**34,326,472**	36,262,655

Included in the current portion of bank borrowings is interest payable of $ 114,201 (2006 - $112,919).

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

	2007 %	2006 %
Bank overdraft	**6.25**	6.25
Bank borrowings	**6.34**	6.35
Other financial institutions	**5.00**	6.29
Related party	**–**	7.50

Maturity of non-current borrowings:

	2007 $	2006 $
Between 1 and 2 years	**7,959,552**	7,427,907
Between 2 and 5 years	**11,376,323**	9,971,044
Over 5 years	**8,823,583**	12,821,685
	28,159,458	30,220,636

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

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

	CARRYING AMOUNT		FAIR VALUE	
	2007 $	2006 $	2007 $	2006 $
Bank borrowings	**27,531,728**	26,701,842	**24,210,340**	22,927,446
Other financial institution borrowings	**627,730**	937,739	**556,329**	933,518
Related party	**–**	2,581,055	**–**	2,455,146
	28,159,458	30,220,636	**24,766,669**	26,316,110

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.
The fair value of the non-current borrowings are based on cash flows discounted using a rate based on the government bond rate of 7.18% (2006:10.95%).

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:

	2007 $	2006 $
Eastern Caribbean Dollars	**32,562,977**	30,527,794
Euros	**1,055,068**	1,312,827
US Dollars	**708,427**	3,795,250
Other currencies	**–**	626,784
	34,326,472	36,262,655

The Company has the following undrawn borrowing facilities:

	2007 $	2006 $
Fixed rate		
- expiring beyond one year	**12,001,150**	13,395,922

11 - Trade and Other Payables

	2007 $	2006 $
Trade creditors	**4,794,992**	6,519,603
Accruals	**1,914,185**	1,629,931
Other	**317,612**	328,382
	7,026,789	8,477,916

12 - Related Party Balances and Transactions

	2007 $	2006 $
Loan from related party		
Current portion	**–**	48,792
Long term portion	**–**	2,581,055
	–	2,629,847
Due to related party		
WRB Enterprises Limited	**171,747**	131,201

Balances with related parties are unsecured.

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

	2007 $	2006 $
Management fees:		
-WRB Enterprises	**271,690**	271,690
-Dominica Social Security	**67,923**	67,923
Interest on borrowings	**94,138**	193,579
Director fees, internal auditor costs, travel expenses	**352,672**	134,115

Key management compensation

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

	2007 $	2006 $
Salaries and other short-term employee benefits	**1,556,934**	1,534,886
Post-employment benefits	**58,920**	61,599
	1,615,854	1,596,485

13 - Other Liabilities

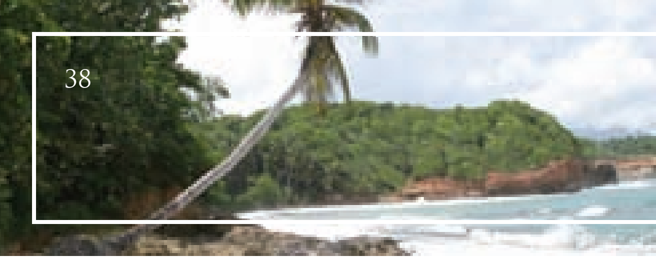
	2007 $	2006 $
Consumers' deposits	**3,782,694**	3,714,697
Retirement benefit plan	**5,528**	6,981
Deferred Revenue	**2,942,030**	1,997,701
	6,730,252	5,719,379

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 $92,024 (2006: $89,412) was charged against income.

Deferred revenue

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



14-DIVIDENDS PAID

The Company paid a dividend of $1,562,599 (2006: $1,562,599) to ordinary shareholders in respect of the year ended December 31, 2007. These dividend payments are accounted for in shareholders' equity as an appropriation of retained earnings in the year ended December 31, 2007.

15-TAXATION

	2007 $	2006 $
Taxation		
Current	**2,594,862**	2,652,890
Deferred charge	**20,729**	(37,210)
	2,615,591	2,615,680

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:

	2007 $	2006 $
Profit before income tax	**8,694,539**	8,614,405
Tax calculated at the rate of 30% (2006: 30%)	**2,608,361**	2,584,322
Income not subject to taxation	**(131,252)**	(229,204)
Expenses not deductible for tax purposes	**138,482**	260,562
Tax charge	**2,615,591**	2,615,680
Deferred tax liability		
At beginning of year	**14,671,384**	14,708,594
Expensed/(Recovered) during the year	**20,729**	(37,210)
At end of year	**14,692,113**	14,671,384

16-CAPITAL GRANTS

	2007 $	2006 $
At beginning of year	**2,216,539**	2,517,408
Addition	**–**	430,211
Amortization	**(437,506)**	(731,080)
At end of year	**1,779,033**	2,216,539

17- SHARE CAPITAL

	2007 $	2006 $
Authorised:		
Ordinary shares at no par value	**15,000,000**	15,000,000
Issued and fully paid:		
10,417,328 (2006: 10,417,328)	**10,417,328**	10,417,328

18- EXPENSES BY NATURE

	2007 $	2006 $
Employee benefit expenses (Note 25)	**12,677,295**	12,392,490
Travel expenses	**608,081**	623,501
Communication	**717,190**	719,348
Office expenses	**776,689**	855,087
Public relations	**605,029**	596,121
Legal and professional	**1,272,291**	1,179,593
Equipment and line repair/maintenance	**4,923,177**	3,661,207
Insurance	**2,768,619**	2,886,073
Bank and credit card charges	**195,037**	158,647
Security	**422,565**	428,812
Obsolete stock provision	**585,642**	–
Commercial expense	**771,663**	812,877
Bad debt (recovery)/expense	**(1,999,912)**	743,421
Other expenses	**368,614**	700,056
Hurricane restoration costs	**1,035,370**	–
Total maintenance, operating and administrative expenses	**25,727,350**	25,757,233

19- EARNINGS PER SHARE

	2007 $	2006 $
Net income for the year	**6,078,948**	5,998,725
Weighted average number of ordinary shares issued	**10,417,328**	10,417,328
Basic and fully diluted earnings per share	**0.58**	0.58

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

20-FINANCE COSTS

Finance charges comprise the following:

	2007 $	2006 $
Loan interest charges	**2,076,299**	2,259,552
Other interest charges	**92,024**	89,412
Overdraft charges	**71,871**	28,960
	2,240,194	2,377,924

21-DIVIDENDS PER SHARE

	2007 $	2006 $
Dividend declared and paid	**1,562,599**	**1,562,599**
Weighted average number of ordinary shares issued	**10,417,328**	**10,417,328**
Dividends per share	**0.15**	**0.15**

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

22-FOREIGN EXCHANGE LOSSES

	2007 $	2006 $
Realized exchange losses	**39,217**	84,829
Unrealized exchange losses	**108,468**	206,932
	147,685	291,761

23- FUEL COST

	2007 $	2006 $
Fuel cost at base price	**6,441,526**	5,561,211
Fuel surcharge	**28,653,270**	25,409,531
Total fuel cost	**35,094,796**	30,970,742
Fuel surcharge recovery	**(28,627,183)**	(26,063,337)
Net fuel cost	**6,467,613**	4,907,405

24- COMMITMENTS

The Company has committed to purchase products and services in the amount of $10,617,905 from a number of companies during 2007, of which $8,253,276 is for the purchase of three diesel generators. (2006: $1,688,217)

25- EMPLOYEE BENEFIT EXPENSES

	2007 $	2006 $
Salaries and wages	**10,067,516**	9,801,273
Other staff cost	**2,609,779**	2,591,217
	12,677,295	12,392,490

26- OTHER LOSSES/(GAINS), NET

	2007 $	2006 $
Amortization of deferred revenue	**(89,734)**	(32,932)
Amortization of capital grants (Note 16)	**(437,506)**	(731,080)
Losses/(Gains) on disposal of plant and equipment	**716,361**	(43,418)
Foreign exchange losses (Note 22)	**147,685**	291,761
	336,806	(515,669)

27- CONTINGENCIES

The income tax filings of the Company for periods 2001 to 2003 were assessed by the Inland Revenue Division which has resulted in a revised tax liability for Corporate Income Tax and Withholding Tax in amounts of $5,490,123 and $36,559 respectively. The Company has objected to the Notices of Reassessment in accordance with the provisions of the Income Tax Act and is awaiting a response. No provision has been made in the financial statements, since the final outcome cannot be fully determined at the balance sheet date.

Operating Statistics

Dominica Electricity Services Limited

December 31st, 2007 (expressed in Eastern Caribbean Dollars)

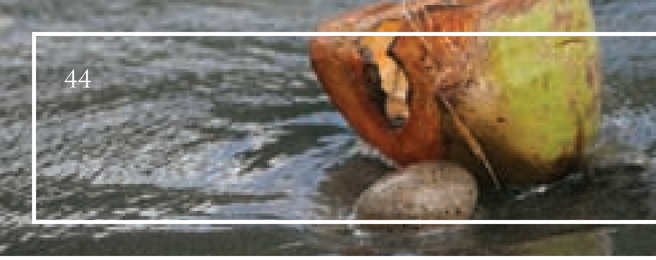
	2007	2006	2005	2004	2003
CAPACITY & DEMAND (kW)					
Generating Plant Installed Capacity					
- Hydro	**7,600**	7,600	7,600	7,600	7,600
- Diesel	**17,170**	15,890	15,890	14,440	13,590
Total	**24,770**	23,490	23,490	22,040	21,190
Firm* Capacity					
- Hydro (Dry Season)	**3,200**	3,200	3,200	3,200	3,200
- Diesel	**12,930**	11,650	11,650	11,600	10,750
Total	**16,130**	14,850	14,850	14,800	13,950
* Capacity available during normal operation in a very dry month, assuming the largest thermal unit breaks down while another is out for maintenance.					
Peak Demand	**14,501**	14,467	14,368	13,190	12,923
Growth (%)	**0.2**	0.7	8.9	2.1	–0.9
Load Factor = $\frac{\text{Average Demand}}{\text{Maximum Demand}}$	**0.68**	0.67	0.66	0.68	0.69
ENERGY PRODUCED (kWh x 1000)					
Gross Generation					
- Hydro	**21,885**	27,797	27,876	33,736	28,523
- Diesel	**64,497**	57,619	55,779	45,493	48,404
Energy Purchased	**–**	–	–	–	1,507
Total	**86,382**	85,416	83,655	79,229	78,434
Growth (%)	**1.1**	2.1	5.6	1.0	–2.1
Diesel Fuel Used in Generation					
Quantity (Imp.Gal)	**3,850,914**	3,368,935	3,207,976	2,620,375	2,771,990
Fuel Efficiency (kWh per Imp.Gal)	**16.7**	17.1	17.4	17.4	17.5

Operating Statistics

Dominica Electricity Services Limited

December 31st, 2007 (expressed in Eastern Caribbean Dollars)

	2007	2006	2005	2004	2003
ENERGY SOLD (kWh x 1000)					
- Domestic	**33,732**	34,176	33,492	33,062	32,942
- Commercial	**28,788**	26,469	24,993	24,017	21,669
- Industrial	**5,600**	5,357	5,504	5,508	4,354
- Hotel	**2,002**	2,439	2,649	2,704	2,473
- Lighting	**1**	0	1	1	2
- Street Lighting	**1,298**	1,130	1,150	1,127	1,295
Total	**71,421**	69,571	67,789	66,419	62,735
Growth (%)	**2.7%**	2.6	2.1	5.9	–2.3
OWN USE & LOSSES (kWh x 1000)					
Power Station Use	**2,696**	2,477	1,013	968	1,145
Office Use	**451**	512	523	513	508
Losses	**11,814**	12,856	14,330	11,329	14,046
Losses (% of Gross Generation)	**13.7**	15.1	17.1	14.3	17.9
Losses (% of Net Generation)	**14.1**	15.5	17.3	14.5	18.2
NUMBER OF CUSTOMERS AT YEAR END					
- Domestic	**28,388**	27,436	24,851	25,181	24,333
- Commercial	**4,132**	3,896	3,536	3,328	2,828
- Industrial	**27**	38	39	39	35
- Hotel	**392**	307	274	142	60
- Lighting	**2**	0	5	8	4
- Street Lighting	**364**	331	320	282	253
Total	**33,305**	32,008	29,025	28,980	27,513
Growth (%)	**4.1**	10.3	0.2	5.3	3.8
Number of Permanent Employees	**179**	175	180	185	189
Number of Customers per Employee	**186**	183	161	157	146



Financial Statistics

Dominica Electricity Services Limited

December 31st, 2007 (expressed in Eastern Caribbean Dollars)

	2007	2006	2005	2004	2003
SUMMARIZED BALANCE SHEET (EC$ 000)					
ENERGY SOLD (kWh x 1000)	**71,421**	69,571	67,789	66,419	62,735
REVENUE/ENERGY SOLD (EC cents)	**109.25**	105.57	98.29	87.56	82.27
Share Capital	**10,417**	10,417	10,417	10,417	10,417
Retained Earnings	**37,003**	32,487	28,051	23,145	20,171
Deferred Credits	**16,417**	16,888	17,226	17,773	18,610
Long Term Liabilities	**34,890**	35,940	35,673	33,091	31,578
	98,781	95,732	91,367	84,426	80,777
Fixed Assets (Net)	**88,511**	83,127	83,288	75,252	76,883
Capital Wip	**636**	2.930	300	710	468
Current Assets	**23,863**	25,463	20,856	20,809	20,446
Current Liabilities	**(14,229)**	(15,788)	(13,077)	(12,345)	(17,020)
	98,781	95,732	91,367	84,426	80,777
EXPENSES					
Operating Expenses	**12,261**	12,608	11,669	11,158	11,991
Fuel	**35,095**	30,971	25,884	17,698	13,471
Maintenance	**6,043**	4,015	4,465	3,324	3,096
Administration	**7,424**	9,134	8,675	11,940	10,012
Depreciation	**6,628**	6,770	6,349	6,368	6,216
	67,451	63,498	57,041	50,488	44,786
OPERATING REVENUE					
Electricity sales	**49,397**	47,384	46,458	44,837	42,918
Fuel surcharge	**28,627**	26,063	20,171	13,321	8,691
Other	**698**	528	698	644	682
	78,722	73,975	67,327	58,802	52,291
Operating Income	**11,217**	10,477	10,286	8,313	7,505
Interest Charges	**(2,240)**	(2,378)	(2,689)	(3,029)	(3,571)
Other Charges & Credits	**(716)**	43	51		
Amortization Of Capital Grants	**527**	764	632	632	632
Realised Exchange Gain (Loss)	**(39)**	(85)	172	(23)	(111)
Unrealised Exchange Gain (Loss)	**(108)**	(207)	256	(543)	(1,108)
Taxation	**(2,616)**	**(2,616)**	**(2,535)**	**(1,752)**	**(1,349)**
NET INCOME	**6,078**	5,999	6,172	3,598	1,998
Dividend	**1,563**	1,563	1,250	625	625
Reinvested Earnings	**4,516**	4,436	4,922	2,973	1,373
Rate Based (Average Fixed Assets)	**85,819**	83,207	79,270	76,068	76,226
Return On Average Fixed Assets	**13.13%**	12.59%	12.98%	10.93%	9.85%
Debt/Equity Ratio	**1.35**	1.55	1.65	1.79	2.07
Current Ratio	**1.68**	1.61	1.59	1.69	1.20
Collection Period (Days)	**57**	82	69	82	81

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