Dominica Electricity Services Limited

Financial Statements

For the year ended December 31, 2013
(Expressed in Eastern Caribbean Dollars)

Dominica Electricity Services Limited

Statement of Comprehensive Income

For the year ended December 31, 2013

(expressed in Eastern Caribbean dollars)

	2013 $	2012 $
Revenue		
Energy sales	60,830,368	61,593,011
Fuel surcharge (Note 20)	37,473,942	44,260,626
Other revenue	619,966	1,500,883
	98,924,276	107,354,520
Direct expenses		
Fuel cost (Notes 18 and 20)	43,436,628	51,660,677
Operating costs (Note 18)	15,135,189	13,107,007
Depreciation (Notes 9 and 18)	8,388,831	10,821,809
Maintenance (Note 18)	7,901,348	8,262,621
	74,861,996	83,852,114
Gross profit	24,062,280	23,502,406
Administrative expenses	(9,150,725)	(7,949,385)
Other income/(expenses) net (Note 21)	393,117	(797,728)
Operating profit	15,304,672	14,755,293
Finance costs (Note 22)	(2,601,741)	(2,944,975)
Profit before income tax	12,702,931	11,810,318
Income tax (Note 23)	(3,860,564)	(3,607,522)
Net income being comprehensive income for the year	8,842,367	8,202,796
Earnings per share attributable to the equity holders of the Company during the year (Note 24) **- basic and diluted**	0.85	0.79

The accompanying notes form an integral part of these financial statements

Dominica Electricity Services Limited
Statement of Changes in Equity
For the year ended December 31, 2013

(expressed in Eastern Caribbean dollars)

	Share capital $ (Note 16)	Retained earnings $	Total equity $
Balance at January 1, 2012	10,417,328	51,723,738	62,141,066
Net income being comprehensive income for the year	-	8,202,796	8,202,796
Transactions with owners Dividends (Note 17)	-	(2,083,466)	(2,083,466)
Balance at December 31, 2012	**10,417,328**	**57,843,068**	**68,260,396**
Net income being comprehensive income for the year	-	8,842,367	8,842,367
Transactions with owners Dividends (Note 17)	-	(2,083,466)	(2,083,466)
Balance at December 31, 2013	**10,417,328**	**64,601,969**	**75,019,297**

The accompanying notes form an integral part of these financial statements

Dominica Electricity Services Limited

Statement of Cash Flows

For the year ended December 31, 2013

(expressed in Eastern Caribbean dollars)

	2013 $	2012 $
Cash flows from operating activities		
Profit before income tax	**12,702,931**	11,810,318
Adjustments for:		
Depreciation	**8,388,831**	10,821,809
Finance costs	**2,601,741**	2,944,975
Loss on disposal of plant and equipment (Note 21)	**213,884**	1,334,138
Provision for inventory obsolescence (Note 7)	**(239,384)**	33,098
Amortisation of deferred revenue (Note 21)	**(443,648)**	(397,305)
Capital work in progress written off (Note 8)	**81,873**	7,303
Amortisation of capital grants (Notes 15 and 21)	**(133,805)**	(133,801)
Unrealised foreign exchange gains	**(10,015)**	(8,389)
Operating profit before working capital changes	**23,162,408**	26,412,146
Decrease/(increase) in trade and other receivables	**2,643,689**	(3,458,831)
Decrease in inventories	**1,507,014**	4,443,543
(Decrease)/increase in trade and other payables	**(1,387,069)**	1,730,768
(Decrease) in due to related party	**(90,120)**	(58,432)
Cash generated from operations	**25,835,922**	29,069,194
Finance costs paid	**(2,601,741)**	(2,944,975)
Income tax paid	**(1,892,291)**	(3,277,053)
Net cash provided by operating activities	**21,341,890**	22,847,166
Cash flows from investing activities		
Additions to capital work-in-progress (Note 8)	**(456,046)**	(1,302,693)
Purchase of property, plant and equipment (Note 9)	**(9,921,750)**	(12,400,511)
Proceeds on disposal of property, plant and equipment	**40,500**	12,500
Net cash used in investing activities	**(10,337,296)**	(13,690,704)
Cash flows from financing activities		
Proceeds from borrowings	**-**	2,000,000
Repayment of borrowings	**(5,372,465)**	(6,940,624)
Dividends paid (Note 17)	**(2,083,466)**	(2,083,466)
Increase in other non-current liabilities	**1,082,512**	861,696
Net cash used in financing activities	**(6,373,419)**	(6,162,394)
Net increase in cash and cash equivalents	**4,631,175**	2,994,068
Cash and cash equivalents, beginning of year	**1,948,772**	(1,045,296)
Cash and cash equivalents, end of year (Note 5)	**6,579,947**	1,948,772

The accompanying notes form an integral part of these financial statements

(expressed in Eastern Caribbean dollars)

1. General information

Dominica Electricity Services Limited (the Company) was incorporated as a public limited liability company in the Commonwealth of Dominica on April 30, 1975. The Company operates in a fully liberalised sector under the Electricity Supply Act of 2006. Under the Act an Independent Regulatory Commission is vested with broad regulatory oversight over all aspects of the energy sector. The Company's operations are regulated by this Commission. The principal activity of the Company includes the generation, distribution and transmission of electricity.

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

On April 10, 2013, Dominica Power Holdings Limited a wholly owned subsidiary of the Light & Power Holdings Limited Group acquired 52% of the ordinary share capital of the Company from Dominica Private Power Ltd.

The Dominica Social Security owns 21% of the ordinary share capital while 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.

The reporting date is December 31, 2013.

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.

2.1 Basis of preparation

The financial statements of Dominica Electricity Services Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies*…continued*

Changes in accounting policy and disclosures

New and amended standards adopted by the Company

2.1.1 Changes in accounting policy and disclosures

a) New and amended standards and interpretations adopted by the Company

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of January 1, 2013. The adoption of the revised standard did not have a significant change on the financial statements of the Company.

- **IAS 1, 'Financial Statement Presentation' - Clarification of the requirement for comparative information (Amendment).** These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Company has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- **IAS 19, '*Employee Benefits* (Amendment)'** amended June 2011. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after January 1, 2013 and will have no impact on the financial statements.

- **IFRS 13, 'Fair Value Measurement'** issued in May 2011. The standard establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative periods before the initial application of the Standard. As a result, the Company has not made any new disclosures for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

(expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *…continued*

2.1.1 Changes in accounting policy and disclosures *…continued*

a) New and amended standards and interpretations adopted by the Company*…continued*

- **IAS 16, Property, Plant and Equipment (amendment) – Servicing Equipment**. The amendment requires entities to capitalize major spare parts and standby equipment when an entity expects to use them during more than one period or if spare parts and equipment can be used only in connection with an item of property, plant and equipment. The amendment was effective for annual periods beginning on or after January 1, 2013.

  The amendment has resulted in the reclassification of major generation spares from inventory to property plant and equipment. The adjustment to the property plant and equipment was an increase of $179,033 (2012 - $3,437,555 million). The corresponding decrease was to inventory. The balance sheet and the statement of cash flows as at December 31, 2012 were restated to reflect the impact of the reclassification. There was no impact on the 2012 statement of income.

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2013 but not currently relevant to the Company (although they may affect the accounting for future transactions and events)

- **IAS 27, '*Separate Financial Statements* (as revised in 2011)'** issued in May 2011. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment has no effect on the Company's financial position, performance or disclosures.

- **IAS 28, '*Investments in Associates and Joint Ventures* (as revised in 2011)'** issued in May 2011. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment was effective for annual periods beginning on or after January 1, 2013 and has no effect on the Company's financial position, performance or disclosures.

- **IFRS 1, *'Government Loans- Amendment to IFRS 1,'*** effective January 1, 2013. The amendment has added an exception to the retrospective application of IFRS 9 Financial instruments (or IAS 39 Financial Instruments: Recognition and Measurement, as applicable) and IAS 20 Accounting for Governments Grants and Disclosure of Government Assistance. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to Government loans existing at the date of transition to IFRS. However, entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and to Government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The amendment was effective for annual periods beginning on or after January 1, 2013 and has no effect on the Company's financial position, performance or disclosures.

(expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies …*continued*

2.1.1 Changes in accounting policy and disclosures …*continued*

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2013 but not currently relevant to the Company (although they may affect the accounting for future transactions and events) …*continued*

- **IFRS 7, '*Disclosures - Offsetting Financial Assets and Financial Liabilities*'** issued December 2011. The amendments to IFRS 7 require an entity to disclose information about rights of set-off and related arrangements. The new disclosures are required for all recognized financial instruments that are set-off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32. As the Company does not have any off-setting arrangements in place, the application of the amendment did not have a material impact on the disclosures or on the amounts recognized in the financial statements.

- **IFRS 10, 'Consolidated Financial Statements'** IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is effective for annual periods beginning on or after January 1, 2013. The new standard and its amendments have had no effect on the Company's financial position, performance or disclosures.

- **IFRS 11, 'Joint Arrangements'**. IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The standard is not expected to have an effect on the Company's non-consolidated financial statements. The standard is effective for annual periods beginning on or after January 1, 2013. The new standard and its amendments have had no effect on the Company's financial position, performance or disclosures.

(expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies *…continued*

2.1.1 Changes in accounting policy and disclosures *…continued*

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2013 but not currently relevant to the Company (although they may affect the accounting for future transactions and events) *…continued*

- **IFRS 12, 'Disclosure of Interests in Other Entities'**. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The new standard and its amendments have had no effect on the Company's financial position, performance or disclosures.

- **IFRIC 20, '*Stripping costs in the production phase of a surface mine*'**. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The interpretation may require mining entities reporting under IFRS to write off stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. The new standard and its amendments has no effect on the Company's financial position, performance or disclosures.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013 and not early adopted

Management has reviewed the new standards, amendments and interpretations to existing standards that are not yet effective and have determined that the following are relevant to the Company's operations. The Company has not early adopted the new standards, amendments and interpretations:-

- **IAS 27, 'Separate Financial Statements', amended in October 2012**. The amendment to the standard is to establish a definition of an investment entity and to clarify the application of the Standard for investment entities. The amendment becomes effective for annual periods beginning on or after January 1, 2014. It is not anticipated that the standard will have an impact on the financial statements.

- **IAS 32, '*Offsetting Financial Assets and Financial Liabilities*'**, effective January 1, 2014. These amendments clarify the meaning of "currently has the enforceable right to set-off" by stating that right of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. It is not anticipated that the standard will have a significant impact on the financial statements.

(expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies …*continued*

2.1.1 Changes in accounting policy and disclosures …*continued*

c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2012 and not early adopted …*continued*

- **IAS 36, 'Impairment of Assets',** effective January 1, 2014. The overall effect of the amendment is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in recognizing or reversing impairment losses where recoverable amount is based on fair value less costs of disposal and is determined using a present value technique. It is not anticipated that the standard will have a significant impact on the financial statements.

- **IAS 39, 'Financial Instruments: Recognition and Measurement** amended', effective January 1, 2014. The amendment clarifies that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided the following criteria are met. Novation must happen as a consequence of laws or regulations or the introduction of laws or regulations. Following the novation, a central counterparty would become the new counterparty to each of the original parties to the derivative and any changes to the hedging instrument are limited to those that are necessary to effect such a replacement of the counterparty.

- **IFRS 9, '*Financial instruments*'**, issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until January 1, 2015 but is available for early adoption. The Company is yet fully to assess IFRS 9's impact. However, initial indications are that it may affect the Company's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

2.2 Foreign currency translation

Functional and presentation currency
Items included 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 also the functional and presentation currency.

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

(expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies …*continued*

2.3 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.

2.4 Trade receivables

Trade receivables are amounts due from customers for electricity. They are recognised initially at fair value and are subsequently measured at amortised cost less provision for impairment and discounts. 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 receivables. The amount of the provision is recognised in the income statement. When a trade receivable is uncollectible it is written off against income. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

2.5 Inventories

Inventory is comprised of fuel, materials and supplies valued at the lower of cost or net realisable value. Cost is determined on an average cost basis. Spares are carried at cost less provision for obsolescence.

2.6 Property, plant and equipment and intangible assets

Land and buildings comprise mainly generation plants and offices. Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and includes cost of materials, direct labour, supervision and engineering charges and interest incurred during the construction which is directly attributable to the acquisition or construction of a qualifying asset.

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

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

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

Buildings, headworks and pipelines	2.0%-2.9%
Generator transmission and distribution	2.25%-16.67%
Motor vehicles	12.5%-16.67%
Furniture and fittings	10.0%-25.0%

(expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies*…continued*

2.6 Property, plant and equipment and intangible assets*…continued*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

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

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

Intangible assets, comprising computer software, are stated at cost, less amortisation and impairment losses.

2.7 Impairment of non-financial assets

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

2.8 Trade payables

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

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

2.9 Borrowings and borrowing costs

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

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

(expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies*…continued*

2.10 Income taxes

(a) Current tax

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

(b) Deferred tax

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

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting 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.

2.11 Consumers' deposits

Commercial customers are normally required to provide security for payment. Given the long term nature of the customer relationship, customer deposits are shown in the statement of financial position as non-current liabilities (i.e. not likely to be repaid within twelve months of the reporting date). Interest on deposits is recognised using the effective interest rate method.

2.12 Leases

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

2.13 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.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Dividends

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

(expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies*…continued*

2.16 Revenue and expense recognition

Revenue derived from the sale of electricity is taken to income on a bills-rendered basis, adjusted for unbilled revenues. Revenue is recognized as follows:

(a) Sale of energy

The Company records revenue, as billed to its customers. The Company also estimates and recognizes any unbilled revenue at the end of each month. In addition to the normal tariff rates charged for energy sales, a fuel surcharge is calculated. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month.

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest rate method.

(c) Other income

Other income is recorded on an accrual basis.

(d) Costs and expenses

Costs and expenses are recognised as incurred.

2.17 Related parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Individuals or companies that directly or indirectly control or are controlled by or under common control with the Company are also considered related parties.

(expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies*…continued*

2.18 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.

(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.

2.19 Provisions

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

2.20 Contingent liabilities

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

2.21 Subsequent events

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

(expressed in Eastern Caribbean dollars)

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risks (including foreign exchange, price risk and cash flow 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

This is the potential adverse impact on the Company's earnings and economic value due to movements in exchange rates. The Company trades internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars, Euros and the Great Britain Pound (GBP). The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since July 1976.

Management has established a policy requiring the Company to manage its foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company attempts to enter into transactions that are based largely in United States dollars.

At December 31, 2013, if the currency had weakened/strengthened by 10% against the Euro and GBP with all other variables held constant, pre-tax profit for the year would have been $384 (2012 - $4,742) lower/ higher, mainly as a result of foreign exchange gains/losses on translation of Pounds Sterling and Euro denominated trade payables.

(ii) Cash flow interest rate risk

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

The Company's interest rate risk arises from long-term borrowings and consumer deposits. Borrowings and deposits issued at variable rates expose the Company to cash flow interest rate risk. Similarly, such facilities issued at fixed rates expose the Company to fair value interest rate risk (Note 10).

(iii) Price risk

Price risk arises primarily from exposure to equity securities. As the Company holds no such instruments, it has no price risk exposure at December 31, 2013.

(b) Credit risk

Credit risk is the inherent risk that counterparties may experience business failure or otherwise avoid their contractual obligations to the Company.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. Deposits are required from commercial customers upon application for a new service. The Company assesses the credit quality of its receivables by taking into account the individual customer's rating, past experience and other factors. Individual risk limits are set based on management credit policies.

(expressed in Eastern Caribbean dollars)

3. Financial risk management …*continued*

Financial risk factors…*continued*

(b) **Credit risk** …*continued*

Management performs periodic credit evaluations of its customers' financial condition and monitors credit limits regularly. Management does not believe that significant credit risk exists at December 31, 2013. The maximum credit risk exposure is as follows:

	2013 **$**	**2012** **$**
Cash and cash equivalents	6,579,947	1,948,772
Trade and other receivables	16,583,503	19,227,193
	23,163,450	21,175,965

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Company collecting its accounts receivable in a timely manner and maintaining sufficient cash and cash equivalents in excess of anticipated financial obligations. To support the cash flow position, the Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating and capital requirements.

Management monitors the Company's liquidity reserve which comprises undrawn borrowing facility to meet operational needs so that the Company does not break covenants (where applicable) on its borrowing facilities. Management monitors cash and cash equivalents (note 5), on the basis of expected cash flows and is of the view that the Company holds adequate cash and credit facilities to meet its short-term obligations. The Company's finance department monitors the Company's liquidity requirement to ensure it has sufficient cash.

(expressed in Eastern Caribbean dollars)

3. Financial risk management …*continued*

Financial risk factors…*continued*

(c) Liquidity risk …*continued*

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date 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. The amounts included in the table below for borrowings and trade and other payables will not reconcile to the balance sheet as they are the contractual cash flows.

	Less than 1 year $	Between 1 and 2 years $	Between 1 and 2 years	Over 5 years $	Total $
At December 31, 2013					
Liabilities					
Borrowings	6,780,000	6,780,000	20,340,000	16,646,756	50,546,756
Trade and other payables	12,170,968	-	-	-	12,170,968
Consumers' deposits	-	-	-	3,712,253	3,712,253
Total liabilities	18,950,968	6,780,000	20,340,000	20,359,009	66,429,977
At December 31, 2012					
Liabilities					
Borrowings	7,858,861	6,780,000	20,340,000	23,446,635	58,425,496
Trade payables	13,568,049	-	-	-	13,568,049
Due to a related party	90,120	-	-	-	90,120
Consumers' deposits	-	-	-	3,712,251	3,712,251
Total liabilities	21,517,030	6,780,000	20,340,000	27,158,886	75,795,916

(expressed in Eastern Caribbean dollars)

3. Financial risk management…*continued*

Financial risk factors…*continued*

d) Underinsurance risk

Prudent management requires that a company protect its assets against catastrophe and other risks. In order to protect its customers and investors, the Company has arranged a catastrophe standby facility with a financial institution to cover the Transmission and Distribution assets.

e) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, 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 statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at December 31, 2013 and 2012 were are follows:

	2013 **$**	**2012** **$**
Total borrowings (Note 10)	41,025,375	46,397,839
Less: cash (Note 5)	(6,579,947)	(1,948,772)
Net debt	34,445,428	44,449,067
Total equity	75,019,297	68,260,396
Total capital	109,464,725	112,709,463
Gearing ratio	31%	39%

3.2 Fair value estimation

Fair value amounts represent estimates the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

(expressed in Eastern Caribbean dollars)

4. Critical accounting estimates and judgements

The development of estimates and the exercise of judgement in applying accounting policies may have a material impact on reported assets, liabilities, revenues and expenses.

Other than in the establishment of routine provisions against trade receivables, inventories and current provisions for liabilities and other changes, no significant estimates or judgements have been required in applying accounting policies that may have a material impact on the Company's reported assets, liabilities, revenues and expenses.

4.1 Change in accounting estimate

During 2013 a depreciation rate study was conducted. A depreciation rate study reviews and analyses the average service life and remaining lives of property plant and equipment with due consideration given to physical, functional, and economic factors as well as prior practices.

As a result of the study some changes were recommended to the previous depreciation rates used by the Company and approved for use in its financial statements as at December 31, 2013. The new rates as per the study are set out in section 2.6. As required by International Accounting Standard 8 – Accounting policies, Changes in Accounting Policies & Errors, the change in rates was applied prospectively from 2013. The impact of the rate change on the statement of income for year ended December 31, 2013 was EC$2.6 million. It is expected that the impact will be consistent in future periods.

5. Cash and cash equivalents

For the purpose of the statement of cash flow, cash and cash equivalents.

	2013 **$**	**2012** **$**
Cash at bank	6,579,947	1,948,772

(expressed in Eastern Caribbean dollars)

6. Trade and other receivables

	2013 $	2012 $
Government	3,559,899	2,482,185
Other	9,354,858	11,121,865
Trade receivables, gross	12,914,757	13,604,050
Provision for impairment of trade receivables	(1,323,866)	(144,793)
Trade receivables, net	11,590,891	13,459,257
Accrued income	1,049,127	936,239
	12,640,018	14,395,496
Other receivables	3,704,491	4,826,868
Provision for impairment of other receivables	(362,922)	(21,171)
Other receivables, net	3,341,569	4,805,697
Prepayments	601,916	26,000
	16,583,503	19,227,193

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

As of December 31, 2013, trade receivables of $9,434,444 (2012 - $11,104,770) were fully performing. These relate to a number of independent customers for whom there is no recent history of default.

Trade receivables that are categorized as active and are less than 60 days past due are not considered impaired. As of December 31, 2013, trade receivables of $2,107,599 (2012 - $2,308,304) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2013 $	2012 $
61 - 90 days	1,606,119	571,420
91 + days	501,480	1,736,884
	2,107,599	2,308,304

(expressed in Eastern Caribbean dollars)

6. Trade and other receivables*…continued*

As of December 31, 2013, trade receivables of $1,372,714 (2012 - $190,976) were impaired and partially provided for. The amount of the provision was $1,323,865 as of December 31, 2013 (2012 - $144,793). 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:

	2013 **$**	**2012** **$**
Up to 12 months	48,849	60,647
Over 12 months	1,275,017	130,329
	1,323,866	190,976
Total trade receivables, gross	12,914,757	13,604,050

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

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

	2013 **$**	**2012** **$**
At beginning of year	165,964	160,302
Bad debt expenses (Note 18)	1,518,780	91,717
Written off during the year	2,043	(86,055)
At end of year	1,686,787	165,964

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

The maximum exposure to credit risk at the reporting date is the carrying values which approximates the fair value of each class of receivable mentioned above. The Company holds cash deposits as partial security for its receivables.

(expressed in Eastern Caribbean dollars)

7. Inventories

	2013 $	2012 $
Network spares	7,088,298	8,097,325
Generation spares	3,386,698	3,683,502
Fuel	576,419	639,333
Other	417,391	555,660
	11,468,806	12,975,820
Provision for impairment of inventories	(654,925)	(894,309)
Inventories, net	10,813,881	12,081,511

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

	2013 $	2012 $
At beginning of year	894,309	861,551
Provision/(Recovered) for inventory obsolescence (Note 18)	(239,384)	33,098
Written off during the year	-	(340)
At end of year	654,925	894,309

8. Capital work-in-progress

	2013 $	2012 $
At beginning of year	460,879	930,807
Additions	456,046	1,302,693
Transferred to property, plant and equipment (Note 9)	(386,410)	(1,765,318)
Written-off	(81,870)	(7,303)
At end of year	448,645	460,879

(expressed in Eastern Caribbean dollars)

9. Property, plant and equipment

	Land and Buildings $	Generation, Transmission and Distribution $	Motor Vehicles $	Furniture and Fittings $	Total $
Year ended December 31, 2012					
Opening net book amount	30,438,021	89,347,233	1,542,309	1,552,185	122,879,748
Additions for the year	113,861	11,358,566	374,195	553,889	12,400,511
Transfer from capital work-in-progress	142,746	1,554,311	-	68,261	1,765,318
Disposals	-	(1,904,227)	(43,000)	-	(1,947,227)
Disposals on accumulated Depreciation	-	557,589	42,999	-	600,588
Depreciation	(1,618,450)	(8,026,363)	(473,245)	(703,751)	(10,821,809)
Closing net book amount	29,076,178	92,887,109	1,443,258	1,470,584	124,877,129
At December 31, 2012					
Cost or valuation	61,936,703	180,159,036	4,676,749	7,433,249	254,205,737
Accumulated depreciation	(32,860,525)	(87,271,927)	(3,233,491)	(5,962,665)	(129,328,608)
Net book amount	29,076,178	92,887,109	1,443,258	1,470,584	124,877,129
Year ended December 31, 2013					
Opening net book amount	29,076,178	92,887,109	1,443,258	1,470,584	124,877,129
Additions for the year	515,645	8,724,507	228,000	453,598	9,921,750
Transfer from capital work-in-progress	286,551	54,354	-	45,505	386,410
Disposals	-	(318,747)	(161,370)	-	(480,117)
Disposals on accumulated Depreciation	-	64,365	161,367	-	225,732
Depreciation	(1,172,204)	(6,454,573)	(347,692)	(414,362)	(8,388,831)
Closing net book amount	28,706,170	94,957,015	1,323,563	1,555,325	126,542,073
At December 31, 2013					
Cost or valuation	62,738,899	188,619,150	4,743,379	7,932,352	264,033,780
Accumulated depreciation	(34,032,729)	(93,662,135)	(3,419,816)	(6,377,027)	(137,491,707)
Net book amount	28,706,170	94,957,015	1,323,563	1,555,325	126,542,073

(expressed in Eastern Caribbean dollars)

9. Property, plant and equipment…*continued*

The Company carries insurance coverage on its main assets on a group basis with two neighbouring islands' electric utility companies. The liability for the Company is limited to $150,000,000 for all property including Transmission and Distribution assets within 1,000ft from the generating plant. Transmission and Distribution assets over 1,000ft from the generating plant are not covered for wind and wind related perils. A catastrophe standby facility of $10,000,000 was arranged with a financial institution to cover the Transmission and Distribution assets.

Depreciation expense charged to direct expenses and administrative expenses amounted to $7,974,469 (2012 - $10,118,058) and $414,362 (2012 - $703,751), respectively.

No interest was capitalised during 2013 and 2012.

10. Borrowings

	2013 $	**2012 $**
Current		
Bank borrowings	4,539,667	5,359,107
	4,539,667	5,359,107
Non-current		
Bank borrowings	36,485,708	41,038,732
Total borrowings	41,025,375	46,397,839

Interest expense on bank borrowings amounted to $2,500,300 (2012 - $2,839,375), while interest on bank overdraft amounted to $0.00 (2012 - $1,324) (Note 22).

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

	2013 %	**2012 %**
Bank borrowings	**5.75**	5.75

(expressed in Eastern Caribbean dollars)

10. Borrowings…*continued*

Maturity of non-current borrowings:

	2013 $	2012 $
Between 1 and 2 years	4,807,688	4,538,969
Between 2 and 5 years	16,188,460	15,283,532
Over 5 years	15,489,560	21,216,231
	36,485,708	41,038,732

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

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

	Carrying amount		Fair value	
			2013 $	2012 $
Bank borrowings	36,485,708	41,038,732	36,499,992	39,138,579

The fair values of the non-current borrowings are based on cash flows discounted using a rate based on the government bond rate of 7% (2012 - 7.0%)

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:

	2013 $	2012 $
Eastern Caribbean dollars	41,025,375	46,397,839

As at December 31, 2013 the Company has unused credit facilities of $30,000,000 (2012 - $28,921,139).

(expressed in Eastern Caribbean dollars)

10. Borrowings…*continued*

In accordance with the Mortgage Debenture securing the borrowings, the Company is required to maintain a debt to effective equity ratio that does not exceed 80/20 and a debt service ratio of not less than 1.2. The company complied with the requirement under the debenture in 2013 and 2012.

The debt to effective equity ratio is calculated as the total debt less deferred taxes divided by equity while the debt service ratio is calculated as earnings before interest, taxes and depreciation divided by the current portion of long-term debt and interest expenses.

	2013 $	2012 $
Total liabilities	85,948,753	90,335,088
Less deferred tax liability	(19,214,446)	(17,313,615)
	66,734,307	73,021,473
Total equity	75,019,297	68,260,396
Debt effective equity ratio	47/53	52/48

The debt service ratios at December 31, 2013 and December 31, 2012 were as follows:

	2013 $	2012 $
Earnings before interest, taxes and depreciation	23,693,503	25,577,102
Bank borrowings – current	4,539,667	5,359,107
Interest charges	2,500,300	2,840,699
	7,039,967	8,199,806
Debt service ratio	3.37	3.12

11. Trade and other payables

	2013 $	2012 $
Trade creditors	8,748,051	10,242,526
Accruals	2,899,222	2,815,412
Other	523,695	510,111
	12,170,968	13,568,049

(expressed in Eastern Caribbean dollars)

12. Related party balances and transactions

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

Key related parties and relationships are as follows:

Related parties	**Relationship**
Emera Inc.	Ultimate parent company
Light & Power Holdings Limited	Indirect parent company
Light & Power Caribbean Holdings Limited	Indirect Parent company
Dominica Power Holdings Limited	Parent company
The Barbados Light & Power Company Limited	Related Party
Dominica Social Security	Non-controlling Shareholder
WRB Enterprises	Parent company up to April 9, 2013

Transactions with these parties during the year were as follows:

	2013 **$**	**2012** **$**
Management fees:		
WRB Enterprises Inc.	339,612	339,612
Director expenses, internal auditor costs, technical consultancies, feasibility studies and regulatory expenses: - WRB Enterprises	136,626	615,617
Directors expenses – Light & Power Caribbean Holdings Limited	12,103	-

Transactions with related parties were carried out on commercial terms and conditions.

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

Compensation for these individuals was as follows:

	2013 **$**	**2012** **$**
Salaries and other short-term employee benefits	1,572,325	1,489,935
Post-employment benefits	83,979	86,287
	1,656,304	1,576,222

(expressed in Eastern Caribbean dollars)

13. Deferred tax liabilities

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

	2013 $	2012 $
At beginning of year	17,313,615	16,596,696
Statement of comprehensive income charge (Note 23)	1,900,831	716,919
At end of year	19,214,446	17,313,615

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

	2013 $	2012 $
Accelerated capital allowance	64,569,855	58,367,555
Capital grants	(521,702)	(655,507)
	64,048,153	57,712,048

Accelerated capital allowances noted above have no expiry dates.

14. Other non-current liabilities

	2013 $	2012 $
Deferred revenue	8,358,469	7,738,659
Consumers' deposits	3,712,252	3,692,796
Retirement benefit plan	4,936	5,341
	12,075,657	11,436,796

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

Consumers' deposits
Consumers requesting energy connections are required to pay a deposit, which is refundable when service is no longer required. Interest accrues on these deposits at a rate of 3% per annum. Interest of $101,441 (2012 - $104,276) was charged against income (Note 22).

(expressed in Eastern Caribbean dollars)

15. Capital grants

	2013 $	2012 $
At beginning of year	655,507	789,308
Amortisation (Note 21)	(133,805)	(133,801)
At end of year	521,702	655,507

16. Share capital

	2013 $	2012 $
Authorised:		
Ordinary shares at no par value	15,000,000	15,000,000
Issued and fully paid:		
10,417,328	10,417,328	10,417,328

17. Dividends

The Company paid dividends of $2,083,466 (2012 - $2,083,466) to ordinary shareholders in respect of the year ended December 31, 2013.

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

	2013 $	2012 $
Dividends declared and paid	2,083,466	2,083,466
Weighted average number of ordinary shares issued	10,417,328	10,417,328
Dividend per share	0.200	0.200

(expressed in Eastern Caribbean dollars)

18. Expenses by nature

	2013 $	2012 $
Fuel costs (Note 20)	43,436,628	51,660,677
Employee benefit expenses (Note 19)	14,898,516	14,444,300
Depreciation (Note 9)	8,388,831	10,821,809
Equipment and line repairs and maintenance	6,581,448	6,419,543
Legal and professional	2,321,726	1,601,094
Insurance	2,097,570	2,097,285
Office expenses	1,103,339	1,017,067
Travel expenses	855,969	863,859
Commercial expenses	163,387	211,129
Communication	459,625	486,948
Public relations	442,175	467,617
Security	523,022	472,282
Bank and credit card charges	458,156	476,065
Bad debt expenses (Note 6)	1,518,780	91,717
Hurricane restoration costs	174,900	55,254
Provision for inventory obsolescence (Note 7)	(239,384)	33,098
Power purchased	101,642	115,746
Audit fees/expenses	258,025	174,385
Directors fees	81,600	76,500
Other expenses	386,766	215,124
Total direct and administrative expenses	84,012,721	91,801,499

19. Employee benefit expenses

	2013 $	2012 $
Salaries and wages	11,769,754	11,374,723
Other staff costs	3,128,762	3,069,577
	14,898,516	14,444,300

20. Fuel cost

	2013 $	2012 $
Fuel cost at base price	6,360,604	7,457,141
Fuel surcharge	37,076,024	44,203,536
Total fuel cost (Note 18)	43,436,628	51,660,677
Fuel surcharge recovery	(37,473,942)	(44,260,626)
Net fuel cost	5,962,686	7,400,051

(expressed in Eastern Caribbean dollars)

21. Other income/(expenses), net

	2013 $	2012 $
Loss on disposal of plant and equipment	(213,884)	(1,334,138)
Amortisation of capital grants (Note 15)	133,805	133,801
Amortisation of deferred revenue	443,648	397,305
Foreign exchange gains/(losses) – net	29,548	5,304
	393,117	(797,728)

22. Finance costs

Finance costs comprise the following:

	2013 $	2012 $
Loan interest charges (Note 10)	2,500,300	2,839,375
Other interest charges (Note 14)	101,441	104,276
Overdraft charges (Note 10)	-	1,324
	2,601,741	2,944,975

23. Taxation

	2013 $	2012 $
Taxation		
Current	1,958,128	2,881,463
Under-accrual of prior year's income tax	1,605	9,140
Deferred charge (Note 13)	1,900,831	716,919
	3,860,564	3,607,522

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:

	2013 $	2012 $
Profit before income tax	12,702,930	11,810,318
Tax calculated at the rate of 30%	3,810,879	3,543,095
Income not subject to taxation	(40,142)	(40,140)
Expenses not deductible for tax purposes	92,548	93,370
Adjustment on deferred income tax	(4,326)	2,057
Under-accrual of prior year's income tax	1,605	9,140
Tax charge	3,860,564	3,607,522

(expressed in Eastern Caribbean dollars)

24. Earnings per share

	2013 $	2012 $
Net income for year	8,842,367	8,202,796
Weighted average number of ordinary shares issued	10,417,328	10,417,328
Basic and fully diluted earnings per share	0.85	0.79

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

25. Commitments

The Company has committed to purchase products and services in the amount of $1,136,276 and $1,497,904 from a number of companies as at December 31, 2013 and 2012, respectively.

26. Contingent liabilities

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