

Dominica Electricity Services Limited

Financial Statements

December 31, 2003

(expressed in Eastern Caribbean dollars)

March 24th , 2004

Auditors' Report

To the Shareholders of Dominica Electricity Services Limited

We have audited the accompanying balance sheet of **Dominica Electricity Services Limited** as of December 31, 2003 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

Dominica Electricity Services Limited

Balance Sheet

As of December 31, 2003

(expressed in Eastern Caribbean dollars)

	2003 \$	2002 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	1,703,058	5,330,895
Receivables and prepayments (note 4)	12,063,027	11,201,354
Inventories	6,679,598	6,503,608
Income tax recoverable	-	120,388
	<u>20,445,683</u>	23,156,245
Capital work in progress (note 5)	467,684	1,682,965
Property, plant and equipment (note 6)	76,883,461	75,567,887
	<u>97,796,828</u>	100,407,097
Liabilities		
Current liabilities		
Borrowings (note 7)	8,966,864	4,922,504
Accounts payable and accruals (note 8)	6,155,180	8,966,925
Income tax payable	21,319	-
Due to related parties (note 9)	2,528,893	2,423,725
	<u>17,672,256</u>	16,313,154
Borrowings (note 7)	27,104,460	32,458,574
Deferred tax liability (note 12)	14,829,182	13,622,227
Other liabilities (note 10)	3,821,232	4,385,461
Capital grants (note 13)	3,781,034	4,412,858
	<u>67,208,164</u>	71,192,274
Shareholders' equity		
Share capital (note 14)	10,417,328	10,416,400
Retained earnings	20,171,336	18,798,423
	<u>30,588,664</u>	29,214,823
	<u>97,796,828</u>	100,407,097

Approved by the Board of Directors on March 24, 2004

Director

Director

Dominica Electricity Services Limited

Statement of Income

For the year ended December 31, 2003

(expressed in Eastern Caribbean dollars)

	2003 \$	2002 \$
Revenue		
Energy sales	42,918,106	42,255,023
Fuel surcharge	8,690,626	4,211,446
Other revenue	682,283	434,407
	<u>52,291,015</u>	<u>46,900,876</u>
Direct expenses		
Operating (schedule)	11,991,382	12,558,445
Maintenance (schedule)	3,096,118	1,673,607
Depreciation	6,227,750	6,366,600
Fuel (note 15)	13,470,641	7,875,448
	<u>34,785,891</u>	<u>28,474,100</u>
Gross profit	17,505,124	18,426,776
Administrative expenses (schedule)	<u>10,011,790</u>	<u>9,346,353</u>
Net operating income	<u>7,493,334</u>	<u>9,080,423</u>
Other expenses/(income)		
Amortization of capital grants	(631,824)	(630,295)
Amortization of deferred expenses	-	157,793
Foreign exchange losses	1,218,872	1,119,861
Gain on disposal of plant and equipment	(11,559)	(50,002)
	<u>575,489</u>	<u>597,357</u>
Net income before finance charges, exceptional items and tax	6,917,845	8,483,066
Finance charges	(3,571,209)	(3,493,002)
Exceptional item (note 16)	-	1,780,694
Net income before tax	3,346,636	6,770,758
Income tax (note 12)	<u>(1,348,662)</u>	<u>(1,891,422)</u>
Net income for the year	<u>1,997,974</u>	<u>4,879,336</u>
Earnings per share (note 17)	<u>0.19</u>	<u>0.47</u>

Dominica Electricity Services Limited

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2003

(expressed in Eastern Caribbean dollars)

	2003 \$	2002 \$
Share capital		
Ordinary shares, beginning of year	10,416,400	10,416,400
Adjustments made during the year	928	—
	<hr/>	<hr/>
Ordinary shares, end of year	10,417,328	10,416,400
 Retained earnings		
At beginning of year	18,798,423	12,492,040
Net income for the year	1,997,974	4,879,336
Ordinary dividends (paid) rescinded (note 11)	(625,061)	1,427,047
	<hr/>	<hr/>
At end of year	20,171,336	18,798,423
 Shareholders' equity, end of year	<hr/> 30,588,664	<hr/> 29,214,823

Dominica Electricity Services Limited

Statement of Cash Flows

For the year ended December 31, 2003

(expressed in Eastern Caribbean dollars)

	2003 \$	2002 \$
Cash flows from operating activities		
Net income before tax	3,346,636	6,770,758
Adjustments for:		
Depreciation	6,227,750	6,366,600
Gain on disposal of property, plant and equipment	(11,559)	(50,002)
Unrealised exchange losses	1,107,746	995,910
Amortization of capital grants	(631,824)	(630,295)
Amortization of deferred expenses	–	157,793
Discontinuation of capital works (note 16)	–	(1,780,694)
Increase in share capital	928	–
Interest expense	3,571,209	3,493,002
Operating profit before working capital changes	13,610,886	15,323,072
Increase in receivables and prepayments	(861,673)	(1,107,080)
(Increase)/decrease in inventories	(175,990)	143,648
(Decrease)/increase in accounts payable and accruals	(2,323,230)	2,868,901
Increase in due to related party	105,168	1,146,641
Cash generated from operations	10,355,188	18,375,182
Interest paid	(4,059,751)	(3,300,966)
Net cash from operating activities	6,295,437	15,074,216
Cash flows from investing activities		
Purchase of property, plant and equipment and capital works	(6,360,134)	(7,215,678)
Proceeds on disposal of property, plant and equipment	43,650	116,539
Grants received	–	30,600
Net cash used in investing activities	(6,316,484)	(7,068,539)
Cash flows from financing activities		
Proceeds from borrowings	–	18,403,530
Repayment of borrowings	(5,742,055)	(4,445,799)
Dividends paid	(625,061)	–
Decrease in other liabilities	(564,229)	(135,865)
Net cash (used in)/from financing activities	(6,931,345)	13,821,866
Net (decrease)/increase in cash and cash equivalents	(6,952,392)	21,827,543
Cash and cash equivalents, beginning of year	5,330,895	(16,496,648)
Cash and cash equivalents, end of year (note 3)	(1,621,497)	5,330,895

Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2003

(expressed in Eastern Caribbean dollars)

1 Corporate status

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

The registered office of the company is located at 18 Castle Street, Roseau, Commonwealth of Dominica.

2 Significant accounting policies

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

Basis of preparation

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

The preparation of financial statements in conformity with generally accepted accounting standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Cash and cash equivalents

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

Trade receivables

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

Inventories

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

Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2003

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ...continued

Property, plant and equipment

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

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

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

No depreciation is provided on capital work-in-progress until the assets involved have been completed and are put into use. Land is not depreciated.

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

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

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

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

Impairment of long-lived assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows.

Borrowings

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

Provisions

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

Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2003

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ...continued

Deferred income tax

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

Currently enacted tax rates are used in the determination of deferred income tax.

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

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 offset against the actual cost incurred. Contributions in excess of the applicable capital cost of line extensions are recorded as other revenue in the period in which they are completed; shortfalls are recorded as increases in property, plant and equipment. The capital costs of consumer line extensions are excluded from property, plant and equipment.

Leases

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

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 with discretionary dividends are classified as equity.

Dividends

Dividends on ordinary shares are recorded in the company's financial statements in the period in which they are approved by the shareholders.

Revenue recognition

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

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

Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2003

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ...continued

Pension

The company contributes to a defined benefit plan for all monthly paid employees. The assets of the plan are held separately. The pension plan is funded by payments from employees and the company, taking account of the recommendations of independent qualified actuaries.

Pension costs are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the qualified actuaries, who value the plan once every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of employees.

Translation of foreign currencies

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

Financial instruments

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

Credit risk

Financial assets which potentially subject the company to concentrations of credit risk, consist principally of cash, term deposits and trade receivables. The company's cash and term deposits are placed with high credit quality financial institutions. Trade receivables are presented net of the provision for doubtful receivables. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the company's customer base and their dispersion across different economic sectors. Accordingly, the company has no significant concentration of credit risk at December 31, 2003.

Interest rate risk

Differences in contractual repricing or maturity dates and changes in interest rates may expose may change in interest rates may expose the company to interest rate risk. The company's exposure and interest rates on its financial assets and liabilities are disclosed in Notes 3, 7, 8, 9 and 10.

Fair values

At December 31, 2003, the carrying amounts of cash and term deposits, accounts receivable, accounts payable and accrued liabilities and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities. The fair values of long-term borrowings are not materially different from the carrying amounts.

Comparatives

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

Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2003

(expressed in Eastern Caribbean dollars)

3 Cash and cash equivalents

	2003 \$	2002 \$
Cash at bank and in hand	418,164	2,620,895
Short term bank deposits	1,284,894	2,710,000
	<u>1,703,058</u>	<u>5,330,895</u>

The short- term deposits earns interest at 2% (2002 – 4.0% to 5.5%) and have an average maturity period of 60 days.

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

	2003 \$	2002 \$
Cash at bank and in hand	1,703,058	5,330,895
Bank overdraft (note 7)	(3,324,555)	–
	<u>(1,621,497)</u>	<u>5,330,895</u>

4 Receivable and prepayments

	2003 \$	2002 \$
Trade receivables	8,900,613	8,524,571
Provision for doubtful receivables	(1,222,006)	(1,155,961)
Trade receivables, net	7,678,607	7,368,610
Accrued income	2,500,046	2,166,331
Other receivables	1,835,307	1,560,770
Prepayments	49,067	105,643
	<u>12,063,027</u>	<u>11,201,354</u>

5 Capital work in progress

	2003 \$	2002 \$
At beginning of year	1,682,965	3,429,762
Additions during the year	4,209,502	4,279,301
Transferred to property, plant and equipment	(5,424,783)	(6,026,098)
At end of year	<u>467,684</u>	<u>1,682,965</u>

Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2003

(expressed in Eastern Caribbean dollars)

6 Property, plant and equipment

	Land and Buildings \$	Generation, Transmission and Distribution \$	Motor Vehicles \$	Furniture and Fittings \$	Total \$
As at January 1, 2003					
Cost or valuation	53,504,060	77,526,421	3,465,916	4,880,831	139,377,228
Accumulated depreciation	(17,527,281)	(40,852,493)	(2,522,125)	(2,907,442)	(63,809,341)
Net book amount	<u>35,976,779</u>	<u>36,673,928</u>	<u>943,791</u>	<u>1,973,389</u>	<u>75,567,887</u>
Year ended December 31, 2003					
Opening net book amount	35,976,779	36,673,928	943,791	1,973,389	75,567,887
Additions for the year	59,594	1,399,677	367,144	324,217	2,150,632
Transfer from capital work	–	5,424,783	–	–	5,424,783
Disposals	–	–	(578,635)	(5,200)	(583,835)
Write-back on disposals	–	–	546,545	5,199	551,744
Depreciation charge for the year	(1,448,858)	(3,575,636)	(320,974)	(882,282)	(6,227,750)
Closing net book amount	<u>34,587,515</u>	<u>39,922,752</u>	<u>957,871</u>	<u>1,415,323</u>	<u>76,883,461</u>
As at December 31, 2003					
Cost or valuation	53,563,654	84,350,881	3,254,425	5,199,848	146,368,808
Accumulated depreciation	(18,976,139)	(44,428,129)	(2,296,554)	(3,784,525)	(69,485,347)
Net book amount	<u>34,587,515</u>	<u>39,922,752</u>	<u>957,871</u>	<u>1,415,323</u>	<u>76,883,461</u>

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 \$84,350,881 at December 31, 2003 (2002 - \$77,526,421), 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.

Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2003

(expressed in Eastern Caribbean dollars)

7 Borrowings

	2003 \$	2002 \$
Current		
Bank overdraft (note 3)	3,324,555	–
Bank borrowings	2,485,255	2,175,971
Other financial institution borrowings	2,966,745	2,306,753
Related parties	190,309	439,780
	<u>8,966,864</u>	<u>4,922,504</u>
Non-current		
Bank borrowings	19,874,389	22,506,165
Other financial institution borrowings	7,230,071	9,859,539
Related parties	–	92,870
	<u>27,104,460</u>	<u>32,458,574</u>
Total borrowings	<u>36,071,324</u>	<u>37,381,078</u>

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

	2003 %	2002 %
Bank overdraft	10.00	10.00
Bank borrowings	8.34	8.50
Other financial institutions	6.15	6.15
Related parties	8.50	7.93

Maturity of non-current borrowings:

	2003 \$	2002 \$
Between 1 and 2 years	4,977,357	4,835,550
Between 2 and 5 years	13,025,693	10,417,962
Over 5 years	9,101,410	17,205,062

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.

Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2003

(expressed in Eastern Caribbean dollars)

8 Accounts payable and accruals

	2003 \$	2002 \$
Trade creditors	3,185,816	3,114,429
Accruals	1,595,772	2,814,328
Other	1,373,592	3,038,168
	<u>6,155,180</u>	<u>8,966,925</u>

Other payables include advances of \$596,817 (2002 - \$2,386,168) received from a customer of the company. The advances bear interest at the annual rate of 12.5% and are being repaid by the application of electricity charges incurred by the customer.

9 Related party balances and transactions

	2003 \$	2002 \$
Loan from related party		
Current portion	190,309	439,780
Long term portion	–	92,870
	<u>190,309</u>	<u>532,650</u>
Due to related parties		
CDC Group Plc	2,366,063	2,423,725
CDC Globaleq	162,830	–
	<u>2,528,893</u>	<u>2,423,725</u>

The loan from related parties is unsecured, bear an effective interest rate of 8.50% (2002 – 7.93%) and is due within the upcoming year. All other balances with related parties are unsecured.

The company has entered into a payment agreement with the CDC group to settle outstanding amounts over a two year period. Interest is charged at 5.75% per annum.

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

	2003 \$	2002 \$
Consultancy, secondment, staff cost and travel expenses	708,991	616,267
Management fees	515,495	454,676
Interest paid on borrowings	138,584	113,566
Repayment of borrowings	346,093	173,276

Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2003

(expressed in Eastern Caribbean dollars)

10 Other liabilities

	2003 \$	2002 \$
Consumers' deposits	3,004,987	2,658,372
Staff provident fund	803,011	1,713,855
Retirement benefit plan	13,234	13,234
	<hr/>	<hr/>
	3,821,232	4,385,461

Staff provident fund

The Dominica Electricity Services Limited Staff Provident Fund came into effect on November 1, 1988. All monies (whether representing contributions or interest on contributions) received by the trustees were invested by a continuing loan to the company at compound interest calculated at 5% per annum. The Fund was dissolved in September 2002 and members will be paid their entitlements over a two-year period, commencing in 2003, of \$326,000 per quarter. The current liability of \$1,304,000 is included in other payables (Note 8).

Consumers' deposits

Consumers requesting energy connections are required to pay a deposit, which is refundable when service is no longer required. Interest accrues on these deposits at a rate of 3% per annum. Interest of \$90,289 (2002 - \$85,171) was charged against income.

11 Dividends

During the year, the company paid a dividend of \$0.06 per share of \$625,061.

12 Taxation

	2003 \$	2002 \$
Taxation		
Current	141,707	-
Deferred charge	1,206,955	1,891,422
	<hr/>	<hr/>
	1,348,662	1,891,422

Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2003

(expressed in Eastern Caribbean dollars)

12 Taxation...continued

Tax on the company's net income before tax differs from the theoretical amount that would arise using the statutory tax rate of 30% as follows:

	2003 \$	2002 \$
Net income before taxation	<u>3,346,636</u>	6,770,758
Tax calculated at the rate of 30% (2002 – 30%)	1,003,991	2,031,227
Expenses not deductible for tax purposes	344,671	355,295
Over provision of deferred tax in prior year	<u>–</u>	(495,100)
Tax charge	<u>1,348,662</u>	1,891,422
Deferred tax liability		
At beginning of year	13,622,227	11,730,805
Income statement charge	<u>1,206,955</u>	1,891,422
At end of year	<u>14,829,182</u>	13,622,227

13 Capital grants

	2003 \$	2002 \$
At beginning of year	4,412,858	5,012,553
Grants received	–	30,600
Amortization	<u>(631,824)</u>	(630,295)
At end of year	<u>3,781,034</u>	4,412,858

14 Share capital

	2003 \$	2002 \$
Authorised:		
Ordinary shares at no par value	<u>15,000,000</u>	15,000,000
Issued and fully paid:		
10,417,328 (2002 – 10,416,400)	<u>10,417,328</u>	10,416,400

Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2003

(expressed in Eastern Caribbean dollars)

15 Fuel

	2003 \$	2002 \$
Fuel cost at base price	4,175,277	3,673,194
Fuel surcharge	<u>9,295,364</u>	<u>4,202,254</u>
Total fuel cost	13,470,641	7,875,448
Fuel surcharge recovery	<u>(8,690,626)</u>	<u>(4,211,446)</u>
Net fuel cost	<u>4,780,015</u>	<u>3,664,002</u>

16 Discontinuation of capital works

In 2001, the company concluded negotiations with all contractors on the Tarou Cliffs projects and as a result, all outstanding amounts owed to the various contractors were settled. This settlement reflected an over accrual of anticipated expenses in the 2001 financial year. This amount of \$1,780,694 was taken into income in the 2002 financial year.

17 Earnings per share

	2003 \$	2002 \$
Net income for the year	<u>1,997,974</u>	4,879,335
Weighted average number of ordinary shares issued	<u>10,417,328</u>	10,416,400
Basic and fully diluted earnings per share	<u>0.19</u>	0.47

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

18 Commitments

The company has committed to purchase products and services in the amount of \$1,881,377 (2002 - \$1,984,924) from a number of companies during 2004. Included in this amount is a commitment to purchase goods and services totalling \$574,743 for the rehabilitation of the Allen #3 diesel generator set.

Dominica Electricity Services Limited

Notes to Financial Statements

December 31, 2003

(expressed in Eastern Caribbean dollars)

19 Contingencies

Guarantees

The company has provided a guarantee to the bank in respect of car loans to employees. At December 31, 2003 the outstanding balance of these loans was \$335,376 (2002 - \$438,344).

20 Staff costs

	2003 \$	2002 \$
Salaries and wages	10,250,713	9,330,748
Other staff costs	<u>2,806,467</u>	<u>2,265,905</u>
	<u>13,057,180</u>	<u>11,596,653</u>
Average number of employees during the year	<u>211</u>	<u>200</u>

