Dominica Electricity Services Limited

Financial Statements
December 31, 2004
(expressed in Eastern Caribbean dollars)

February 28, 2005

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, 2004 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, 2004 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, 2004

(expressed in Eastern Caribbean dollars)

	2004 $	2003 $
Assets		
Current assets		
Cash and cash equivalents (note 5)	**2,346,272**	1,703,058
Trade and other receivables (note 6)	**11,378,397**	12,063,027
Inventories	**7,083,860**	6,679,598
	20,808,529	20,445,683
Capital work in progress (note 7)	**710,199**	467,684
Property, plant and equipment (note 8)	**75,251,613**	76,883,461
	96,770,341	97,796,828
Liabilities		
Current liabilities		
Borrowings (note 9)	**5,867,321**	8,966,864
Trade and other payables (note 10)	**3,668,383**	6,155,180
Income tax payable	**905,441**	21,319
Due to related parties (note 11)	**1,903,050**	2,528,893
	12,344,195	17,672,256
Borrowings (note 9)	**29,791,823**	27,104,460
Deferred tax liability (note 14)	**14,623,501**	14,829,182
Other liabilities (note 12)	**3,299,574**	3,821,232
Capital grants (note 15)	**3,149,210**	3,781,034
	63,208,303	67,208,164
Shareholders' equity		
Share capital (note 16)	**10,417,328**	10,417,328
Retained earnings	**23,144,710**	20,171,336
	33,562,038	30,588,664
	96,770,341	97,796,828

Approved by the Board of Directors on February 28, 2005

• ______________________________ Director ______________________________ Director

Dominica Electricity Services Limited
Statement of Income
For the year ended December 31, 2004

(expressed in Eastern Caribbean dollars)

	2004 $	2003 $
Revenue		
Energy sales	**44,837,450**	42,918,106
Fuel surcharge	**13,320,556**	8,690,626
Other revenue	**643,637**	682,283
	58,801,643	52,291,015
Direct operating expenses		
Operating	**11,157,963**	11,991,382
Maintenance	**3,324,465**	3,096,118
Depreciation	**6,388,135**	6,227,750
Fuel (note 19)	**17,697,755**	13,470,641
	38,568,318	34,785,891
Gross operating profit	**20,233,325**	17,505,124
Other operating expenses/(income)		
Administrative expenses	**11,940,428**	10,011,790
Amortization of capital grants	**(631,824)**	(631,824)
Foreign exchange losses	**566,413**	1,218,872
Gain on disposal of plant and equipment	**(20,495)**	(11,559)
	11,854,522	10,587,279
Operating profit	**8,378,803**	6,917,845
Finance costs	**(3,028,661)**	(3,571,209)
Profit before income tax	**5,350,142**	3,346,636
Income tax (note 14)	**(1,751,728)**	(1,348,662)
Profit for the year	**3,598,414**	1,997,974
Earnings per share (note 20)	**0.35**	0.19

Dominica Electricity Services Limited

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2004

(expressed in Eastern Caribbean dollars)

	2004 $	2003 $
Share capital		
Ordinary shares, beginning of year	**10,417,328**	10,416,400
Adjustments made during the year	–	928
Ordinary shares, end of year	**10,417,328**	10,417,328
Retained earnings		
At beginning of year	**20,171,336**	18,798,423
Profit for the year	**3,598,414**	1,997,974
Ordinary dividends paid (note 13)	**(625,040)**	(625,061)
At end of year	**23,144,710**	20,171,336
Shareholders' equity, end of year	**33,562,038**	30,588,664

Dominica Electricity Services Limited

Statement of Cash Flows

For the year ended December 31, 2004

(expressed in Eastern Caribbean dollars)

	2004 $	2003 $
Cash flows from operating activities		
Profit before tax	**5,350,142**	3,346,636
Adjustments for:		
Depreciation	**6,388,135**	6,227,750
Gain on disposal of property, plant and equipment	**(20,495)**	(11,559)
Unrealised exchange losses	**398,375**	1,107,746
Amortization of capital grants	**(631,824)**	(631,824)
Increase in share capital	**-**	928
Interest expense	**3,028,661**	3,571,209
Operating profit before working capital changes	**14,512,994**	13,610,886
Decrease/(increase) in trade and other receivables	**684,630**	(861,673)
Increase in inventories	**(404,262)**	(175,990)
Decrease in trade and other payables	**(2,303,097)**	(2,323,230)
Decrease in due to related parties	**(625,843)**	105,168
Cash generated from operations	**11,864,422**	10,355,188
Income tax paid	**(1,073,287)**	-
Interest paid	**(3,212,361)**	(4,059,751)
Net cash from operating activities	**7,578,774**	6,295,437
Cash flows from investing activities		
Purchase of property, plant and equipment and capital works	**(4,998,807)**	(6,360,134)
Proceeds on disposal of property, plant and equipment	**20,500**	43,650
Net cash used in investing activities	**(4,978,307)**	(6,316,484)
Cash flows from financing activities		
Proceeds from borrowings	**28,332,523**	–
Repayment of borrowings	**(26,713,429)**	(5,742,055)
Dividends paid	**(625,040)**	(625,061)
Decrease in other liabilities	**(521,658)**	(564,229)
Net cash from/(used in)financing activities	**472,396**	(6,931,345)
Net increase/(decrease) in cash and cash equivalents	**3,072,863**	(6,952,392)
Cash and cash equivalents, beginning of year	**(1,621,497)**	5,330,895
Cash and cash equivalents, end of year (note 5)	**1,451,366**	(1,621,497)

(expressed in Eastern Caribbean dollars)

1 General information

Dominica Electricity Services Limited (the Company) was incorporated as a public limited liability company under the Companies Act 1996 in the Commonwealth of Dominica on April 30, 1975. 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 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 the period 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, bank overdrafts and deposits at call with banks. The bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade receivables
Trade receivables are carried initially at fair value and subsequently measured at amortised cost using the effective interest method, 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. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

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.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

Property, plant and equipment

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

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 it's intended use. Other borrowing costs are expensed.

Impairment of 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).

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

Borrowings
Borrowings are initially recognised 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 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 taxes
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.

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 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.

Consumer 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).

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

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 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. Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are declared.

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

<u>Sale of energy</u>

Revenue from energy sales is based on meter readings which are carried out on a rotational basis throughout each month. A provision equal to 50% 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 established base price of fuel per unit as at July 1, 1973. 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.

<u>Interest income</u>

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

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 contributes 3% of each of the individual employee's monthly salary while the employee contributes a minimum of 3% of his/her monthly salary.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

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.

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 with changes in presentation in the current year.

3 Financial risk management

The Company's activities expose it to a variety of financial risk: foreign exchange risk, liquidity risk and interest rate risk.

Foreign exchange risk
The Company trades internationally. Such transactions are primarily in United States dollars. 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.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Management does not believe significant liquidity risk exists at December 31, 2004.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk
Financial assets, which potentially subject the Company to concentrations of credit risk, consist principally of bank deposits, available-for-sale financial assets and trade receivables. The Company's bank deposits and available-for-sale financial assets are placed with high credit quality financial institutions. Trade receivables are presented net of the provision for impairment of 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. Management performs periodic credit evaluations of its customers' financial condition and does not believe significant credit risk exists at December 31, 2004.

With respect to the currency swap transaction, the Company has contracted with a major international bank as the counterparty. The Company's exposure in respect of the transaction is to the extent that the Company incurs losses as a result of non-performance by this counterparty. The Company has no expectation of any losses in respect of this transaction.

Interest rate risk
Differences in contractual repricing or maturity dates and changes 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 5, 9, 10, 11 and 12.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability of funding through an adequate amount of committed credit facilities. Management does not believe significant liquidity risk exists at December 31, 2004.

Fair value estimation
Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

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.

(expressed in Eastern Caribbean dollars)

5 Cash and cash equivalents

	2004 $	2004 $
Cash at bank and on hand	**2,243,911**	418,164
Short term bank deposits	**102,361**	1,284,894
	2,346,272	1,703,058

The short- term deposits earns interest at 2% (2003 – 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:

	2004 $	2003 $
Cash at bank and on hand	**2,346,272**	1,703,058
Bank overdraft (note 9)	**(894,906)**	(3,324,555)
	1,451,366	(1,621,497)

6 Trade and other receivables

	2004 $	2003 $
Trade receivables	**11,401,038**	8,900,613
Provision for doubtful receivables	**(3,430,027)**	(1,222,006)
Trade receivables, net	**7,971,011**	7,678,607
Accrued income	**1,591,648**	2,500,046
Other receivables	**1,714,664**	1,835,307
Prepayments	**101,074**	49,067
	11,378,397	12,063,027

Trade receivables include amounts due from related parties of $25,554 (2003- Nil).

(expressed in Eastern Caribbean dollars)

7 Capital work in progress

	2004 $	2003 $
At beginning of year	**467,684**	1,682,965
Additions during the year	**3,864,776**	4,209,502
Transferred to property, plant and equipment	**(3,622,261)**	(5,424,783)
At end of year	**710,199**	467,684

8 Property, plant and equipment

	Land and Buildings $	Generation, Transmission and Distribution $	Motor Vehicles $	Furniture and Fittings $	Total $
As at January 1, 2004					
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	34,587,515	39,922,752	957,871	1,415,323	76,883,461
Year ended December 31, 2004					
Opening net book amount	34,587,515	39,922,752	957,871	1,415,323	76,883,461
Additions for the year	138,974	554,476	306,500	134,081	1,134,031
Transfer from capital work	-	3,622,261	-	-	3,622,261
Disposals	-	-	(5)	-	(5)
Depreciation charge for the year	(1,450,322)	(3,680,178)	(350,017)	(907,618)	(6,388,135)
Closing net book amount	33,276,167	40,419,311	914,349	641,786	75,251,613
As at December 31, 2004					
Cost or valuation	53,702,628	88,527,618	3,258,462	5,333,929	150,822,637
Accumulated depreciation	(20,426,461)	(48,108,307)	(2,344,113)	(4,692,143)	(75,571,024)
Net book amount	**33,276,167**	**40,419,311**	**914,349**	**641,786**	**75,251,613**

(expressed in Eastern Caribbean dollars)

8 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. 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 $88,527,618 at December 31, 2004 (2003 - $84,350,881), 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.

9 Borrowings

	2004 $	2003 $
Current		
Bank overdraft (note 5)	**894,906**	3,324,555
Bank borrowings	**2,711,387**	2,485,255
Other financial institution borrowings	**2,261,028**	2,966,745
Related parties (note 11)	**-**	190,309
	5,867,321	8,966,864
Non-current		
Bank borrowings	**23,388,889**	19,874,389
Other financial institution borrowings	**3,821,879**	7,230,071
Related parties (note 11)	**2,581,055**	–
	29,791,823	27,104,460
Total borrowings	**35,659,144**	36,071,324

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

	2004 %	2003 %
Bank overdraft	**8.00**	10.00
Bank borrowings	**8.91**	8.34
Other financial institutions	**6.02**	6.15
Related parties	**7.50**	8.50

(expressed in Eastern Caribbean dollars)

9 Borrowings*...continued*

Maturity of non-current borrowings:

	2004 $	2003 $
Between 1 and 2 years	**9,944,830**	4,977,357
Between 2 and 5 years	**11,055,707**	13,025,693
Over 5 years	**8,791,286**	9,101,410

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.

10 Accounts payable and accruals

	2004 $	2003 $
Trade creditors	**2,654,588**	3,185,816
Accruals	**950,605**	1,595,772
Other	**63,190**	1,373,592
	3,668,383	6,155,180

In the prior year "Other" included advances of $596,817 received from a customer of the company. Interest was charged at an annual rate of 12.5% per annum and was repaid by the application of electricity charges incurred by the customer.

Accruals include interest payable of $301,657 (2003- $485,357).

(expressed in Eastern Caribbean dollars)

11 Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party by making financial or operational decisions.

	2004 $	2003 $
Loan from related party		
Current portion	**-**	190,309
Long term portion	**2,581,055**	–
	2,581,055	190,309
Due to related parties		
WRB	**59,533**	–
CDC Group Plc	**1,843,517**	2,366,063
CDC Globaleq	–	162,830
	1,903,050	2,528,893

The loan from the related party is unsecured and convertible to common shares, bear an effective interest rate of 7.50% (2003 – 8.5%) and has no specific repayment terms. All other balances with related parties are unsecured.

The company has entered into a payment agreement with the CDC Group PLC to settle outstanding amounts over a two year period. Interest is charged at 10% per annum. This is recorded in borrowings at year end.

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

	2004 $	2003 $
Consultancy, secondment, staff cost and travel expenses	**211,645**	708,991
Management fees	**346,813**	515,495
Interest paid on borrowings	**296,905**	138,584
Repayment of borrowings	**190,309**	346,093

(expressed in Eastern Caribbean dollars)

12 Other liabilities

	2004 $	2003 $
Consumers' deposits	**3,288,316**	3,004,987
Staff provident fund	**-**	803,011
Retirement benefit plan	**11,258**	13,234
	3,299,574	3,821,232

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 are being paid their entitlements over a two-year period, commencing in 2003, at $326,000 per quarter. The current liability of $154,498 (2003-$1,304,000) is included in other payables (Note 10).

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 $98,760 (2003 - $90,289) was charged against income.

13 Dividends

In the financial statements for the year ended December 31, 2004, $625,040 (2003- $625,061) was appropriated from retained earnings relating to the 2003 dividend. At a meeting on February 28, 2005, a dividend of $0.06 per share was approved by the Board of Directors. This dividend will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending December 31, 2005.

14 Taxation

	2004 $	2003 $
Taxation		
Current	**1,957,409**	141,707
Deferred charge	**(205,681)**	1,206,955
	1,751,728	1,348,662

(expressed in Eastern Caribbean dollars)

14 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:

	2004 $	2003 $
Profit before income tax	**5,350,141**	3,346,636
Tax calculated at the rate of 30% (2003 – 30%)	**1,605,042**	1,003,991
Expenses not deductible for tax purposes	**146,686**	344,671
Tax charge	**1,751,728**	1,348,662
Deferred tax liability		
At beginning of year	**14,829,182**	13,622,227
Income statement charge	**(205,681)**	1,206,955
At end of year	**14,623,501**	14,829,182

15 Capital grants

	2004 $	2003 $
At beginning of year	**3,781,034**	4,412,858
Amortization	**(631,824)**	(631,824)
At end of year	**3,149,210**	3,781,034

16 Share capital

	2004 $	2003 $
Authorised:		
Ordinary shares at no par value	**15,000,000**	15,000,000
Issued and fully paid:		
10,417,328 (2003 – 10,417,328)	**10,417,328**	10,417,328

(expressed in Eastern Caribbean dollars)

17 Expenses by nature

	2004 $	2003 $
Depreciation (Note 8)	**6,388,135**	6,227,750
Employee benefit expense (Note 18)	**12,036,229**	13,144,018
Public relations	**535,750**	503,484
Insurance	**2,930,922**	3,323,315
Telephone and fax	**874,486**	975,279
Line maintainance	**481,227**	623,225
Equipment, repairs and maintenance	**3,372,705**	2,447,161
Printing, postage and stationery	**573,613**	703,692
Utilities and fuel	**17,697,755**	13,470,641
Bank and credit card charges	**484,601**	384,841
Legal and professional fees	**1,168,495**	998,996
Motor and travel	**562,885**	562,158
Bad debts	**2,562,222**	533,542
Other expenses	**839,721**	899,578
	50,508,746	44,797,681

18 Employee benefit expense

	2004 $	2003 $
Salaries and wages	**9,350,871**	10,250,713
Other staff costs	**2,685,358**	2,806,467
	12,036,229	13,057,180

The average number of employees in 2004 was 185 (2003 – 211).

(expressed in Eastern Caribbean dollars)

19 Fuel

	2004 $	2003 $
Fuel cost at base price	**4,473,252**	4,175,277
Fuel surcharge	**13,224,503**	9,295,364
Total fuel cost	**17,697,755**	13,470,641
Fuel surcharge recovery	**(13,320,556)**	(8,690,626)
Net fuel cost	**4,377,199**	4,780,015

20 Earnings per share

	2004 $	2003 $
Net income for the year	**3,598,414**	1,997,974
Weighted average number of ordinary shares issued	**10,417,328**	10,417,328
Basic and fully diluted earnings per share	**0.35**	0.19

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

21 Commitments

The company has committed to purchase products and services in the amount of $2,672,036 (2003 - $1,881,377) from a number of companies during 2005.

22 Contingencies

Guarantees
The company has provided a guarantee to the bank in respect of car loans to employees. At December 31, 2004 the outstanding balance of these loans was $109,219 (2003 - $335,376).