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In accordance with Costa Rican legislation, all corporations must record a legal reserve equal to 5% of the net income for the year until reaching 10% of the common share capital.

Dividends

On June 2014 the Company declared dividends in cash for US\$1,450,000, equivalent to US\$0.75 per quota (2013: US\$1,000,000 equivalent to US\$0.52 per quota).

12. Decommissioning provision

The Company has recognized a provision for decommissioning obligations associated with its wind farm. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. Plantas Eólicas estimates that the decommissioning costs would be realized in 6 years' time upon the expiration of the PPA. The Company calculates the provision using the discounted cash flow method based on the following assumptions: a) current estimated range of cost per wind turbine, and b) discount rate.

The rollover of the decommissioning provision is as follows:

	2014	2013
Balance at beginning of year	\$ 527,563	\$ 550,236
Unwinding of discount and changes in the discount rate	43,885	(22,673)
Balance at year end	<u>\$ 571,448</u>	<u>\$ 527,563</u>

13. Income tax

Plantas Eólicas is subject to income tax, therefore tax returns are prepared and filed with the corresponding tax authorities. The income tax rate in effect for the fiscal years ending December 31, 2014 and 2013 was 30%.

A breakdown of the income tax components presented in the statement of comprehensive income is provided below:

	2014	2013
Current income	\$ 712,360	\$ 393,710
Recognition and reversal of temporary differences	8,004	6,802
	<u>\$ 720,364</u>	<u>\$ 400,512</u>

The current income tax calculation is presented in the reconciliation below:

	2014	2013
Income before tax	\$ 2,207,029	\$ 1,308,571
Add—non-deductible expenses	139,732	14,862
Deduct—non-taxable income	(457)	(16,890)
Differences in exchange rates between the financial and tax basis	54,910	28,498
Taxable income	<u>\$ 2,401,214</u>	<u>\$ 1,335,041</u>
Current income tax at effective rate of 30% in 2014 (2013: 30%)	<u>\$ 720,364</u>	<u>\$ 400,512</u>

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