

MONTERRAT UTILITIES LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

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ALLEN, THOMAS & ASSOCIATES Inc. Chartered Accountants

P.O. Box 2670
High Street,
St. John's, Antigua
West Indies.

Tel: (268) 562-1870
Fax: (268) 562-1871
e-mail: tomaln@hotmail.com

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INDEPENDENT AUDITORS' REPORT **To the Directors of the Montserrat Utilities Limited** **Report on the Audit of the Financial Statements**

Opinion

We have audited the financial statements of the Montserrat Utilities Limited ("Company"), which comprise the statement of financial position as at 31st December 2016, the statements of comprehensive income, changes in fund balance and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory Information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at 31st December 2016, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Antigua and Barbuda and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITORS' REPORT (cont'd)
To the Directors of the Montserrat Utilities Limited

Auditors' Responsibilities for the Audit of the Financial Statements

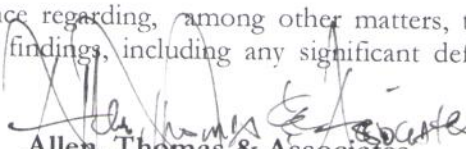
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Antigua and Barbuda:
25th February 2019


Allen, Thomas & Associates
Chartered Accountants

MONTSERRAT UTILITIES LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER 2016

(Expressed in Eastern Caribbean Dollars)

Assets	Notes	2016	2015
Cash in hand and at bank	4	6,921,631	5,919,324
Short-Term Investments	5	-	136,703
Accounts Receivable & Prepayments	6	2,694,390	2,645,838
Inventory	7	2,651,715	2,874,702
Goods in Transit	8	121,183	94,331
Mortgages Receivable	9	-	50,120
Total Current Assets		12,388,919	11,721,018
Non-Current Assets			
Available-For-Sale Investment	10	250,000	250,000
Accounts Receivable – Infrastructure	11	1,008,476	1,055,110
Property, Plant and Equipment	12	35,465,166	29,112,863
Total Non-Current Assets		36,723,642	30,417,973
Total Assets		\$49,112,561	\$42,138,991
Liabilities and Shareholder's Equity			
Current Liabilities			
Accounts payable and accruals	13,14b	2,422,323	2,174,060
Total Current Liabilities		2,422,323	2,174,060
Non -Current Liabilities			
Provision for Pension	14	3,087,775	3,532,600
Consumers' Refundable Deposits	15	1,590,288	1,544,743
Long Term Loan	16	3,290,367	3,290,367
Total Non-Current Liabilities		7,968,430	8,367,710
Total Liabilities		10,390,753	10,541,770
Deferred Income	17	7,529,148	4,251,411
Shareholder's Equity			
Share Capital	18	2	2
Contributed Capital	19	32,851,484	29,056,432
Donated Capital	20	667,546	500,000
Accumulated deficit (Page 4)		(2,326,372)	(2,210,624)
Total Shareholder's Equity		31,192,660	27,345,810
Total Liabilities and Shareholder's Equity		\$49,112,561	\$42,138,991

Approved on behalf of the Board:

: Director

: Director

The attached notes on pages 7 to 28 form part of these Financial Statements.

MONTSERRAT UTILITIES LIMITEDSTATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Expressed in Eastern Caribbean Dollars)

	<u>2016</u>	<u>2015</u>
Revenue		
Water Division	3,181,583	3,374,088
Electricity Division	6,217,968	5,893,122
	-----	-----
Fuel Surcharge	9,399,551	9,267,210
Reimbursed Sewage Costs	5,556,113	6,550,091
	280,420	240,988
	-----	-----
	15,236,084	16,058,289
	-----	-----
Less: Production Costs		
Generation Costs	2,728,132	2,127,240
Fuel Cost Covered by Surcharge	5,748,318	6,388,451
Transmission and Distribution	1,481,387	1,564,838
Water Division	2,206,680	1,906,194
Sewage	220,526	277,245
Vehicles	269,132	262,179
	-----	-----
Total Production Costs	12,654,175	12,526,147
	-----	-----
Gross Profit	2,581,909	3,532,142
Other Income (Page 29)	802,492	834,703
	-----	-----
Total Income	3,384,401	4,366,845
	-----	-----
Less: Expenses		
Administrative(Page 30)	3,424,676	3,163,559
Other(Page 31)	75,473	82,318
	-----	-----
	3,500,149	3,245,877
	-----	-----
Total Comprehensive (Loss)/Income for the year (Page 5)	\$(115,748)	\$1,120,968
	=====	=====

The attached notes on pages 7 to 28 form an integral part of these financial statements.

MONTSERRAT UTILITIES LIMITEDSTATEMENT OF CHANGES IN SHAREHOLDERS EQUITYFOR YEAR ENDED 31ST DECEMBER 2016

(Expressed in Eastern Caribbean Dollars)

	Share Capital	Contributed Capital	Donated Capital	Accumulated Deficit	Total
Equity at - 31 st December 2014	2	23,936,944	500,000	(3,331,592)	21,105,354
Additions	-	5,119,488	-	-	5,119,488
Comprehensive Loss for the year (Page 4)			-	1,120,968	1,120,968
Equity at - 31 st December 2015	2	29,056,432	500,000	(2,210,624)	27,345,810
Additions	-	3,795,052	167,546	-	3,962,598
Comprehensive loss for the year (Page 4)			-	(115,748)	(115,748)
Equity at - 31 st December 2016	\$2	\$32,851,484	\$667,546	\$(2,326,372)	\$31,192,660

MONTERRAT UTILITIES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2016
(Expressed in Eastern Caribbean Dollars)

	<u>2016</u>	<u>2015</u>
<u>Cash flows from operating activities</u>		
Comprehensive (Loss)/Income for the year	(115,748)	1,120,968
Adjusting items:		
Depreciation	1,048,199	1,122,250
	-----	-----
Operating profit before changes in working capital	932,451	2,243,218
Changes in Working Capital		
Change in accounts receivable	(48,551)	1,195,939
Change in goods in transit	(26,852)	(71,755)
Change in inventory	222,987	(32,464)
Change in accounts payable and accruals	248,261	(542,779)
Change Pension Provision	(444,824)	(449,849)
Change in accounts mortgage receivable	50,120	59,114
Change in Vacant Lots	46,634	(75,157)
	-----	-----
Net Change in Working Capital	47,775	83,049
	-----	-----
Net cash provided by operating activities	980,226	2,326,267
	-----	-----
<u>Cash flows from financing activities</u>		
Change in Consumer Refundable Deposits	45,545	60,236
Change in Deferred Income	3,277,737	(13,079)
Long Term Loan	-	3,290,367
Change in Donated Capital	167,546	-
Change in Contributed Capital	3,795,052	5,119,488
	-----	-----
Net cash provided by financing activities	7,285,880	8,457,012
	-----	-----
<u>Cash flows from investing activities</u>		
Change in property, plant and equipment	(7,400,502)	(6,989,962)
Change in Investment	136,703	(1,093)
	-----	-----
Net cash used in investing activities	(7,263,799)	(6,991,055)
	-----	-----
Net change in cash	1,002,307	3,792,224
Cash at the beginning of year	5,919,324	2,127,100
	-----	-----
Cash at the end of year	\$6,921,631	\$5,919,324
	=====	=====
<u>Cash and cash equivalent</u>		
Cash in hand and at bank	\$6,921,631	\$5,919,324
	=====	=====

MONTERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Expressed in Eastern Caribbean Dollars)

1. Reporting Entity and Principal Activities

Montserrat Utilities Limited ("the Company") was incorporated as a private Limited Company on 18th October 2001 under the Companies Act of Montserrat Chapter 11.12 and registered at Folio 99 of the Register of Companies. It is solely owned by the Government of Montserrat.

Effective 1st July 2008, the assets and liabilities of the Montserrat Electricity Services Limited and the Montserrat Water Authority were vested in the Company, which then began operating under the Montserrat Utilities Limited Act Chapter 18.01 and the Licensing of Utility Services Act Chapter 18.02. Under the Montserrat Utilities Limited Act Chapter 18.01, the Company is authorized to (a) generate, transmit, distribute or supply electricity (b) prospect or harness geothermal power or any other source of energy (c) collect, treat, distribute or supply piped drinking water (d) collect, treat or dispose of waste water and sewage.

The registered office of the Company is located at Bank's, Montserrat.

2. Basis of Preparation

a) Statement of Compliance:

The opening statement of financial position has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policy disclosures primarily follow the guidelines in the Financial and Accounting Policies and Procedures Manual of the Company.

These financial statements were approved for issue by the Board of Directors on 7th February 2019.

b) Basis of Measurement

The financial statements have been prepared under the historic cost convention.

c) Functional and Presentation Currency

These financial statements are presented in Eastern Caribbean Dollars, which is the functional currency of the Company. All financial information has been rounded to the nearest dollar.

d) Use of Estimates and Judgment

The preparation of financial statement in conformity with the IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

MONTERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

2. Basis of Preparation – Continued

d) Use of Estimates and Judgment

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following Notes:-

- Notes 3 (e) and (f) Impairment losses on Investments
- Note 3 (k) Determination of fair values
- Note 12 Estimated useful lives of Property, Plant and Equipment

e) New Standards and Interpretations of and Amendments to existing standards effective during the year

Some new IFRS and interpretations of, and amendments to, existing standards which were in issue and were relevant to the Company came into effect for the current financial year. None of these pronouncements had a material effect on the financial statements.

f) New Standards and Interpretations to Existing Standards that are not yet effective

At the date of authorization of the financial statements, certain new standards, and amendments to interpretations of existing standards, have been issued which are not yet effective and which the Company has not early adopted. The Company has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations, has determined that the following may be relevant to the operations and has concluded as follows:

IFRS 9. Financial Instruments. This IFRS is effective for annual reporting periods beginning on or after 1st January 2013. The standard retains but simplifies the mixed measurements model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The Company is assessing the impact on the 2016 financial statements.

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

2. Basis of Preparation – Continued

- g) New Standards and Interpretations to Existing Standards that are not yet effective
 IFRS 9, Financial Instruments (2010). The revised IFRS supersedes the previous version of IFRS 9 issued in 2009 and is effective for accounting periods beginning on or after 1st January 2013. The revised standard now includes guidance on classification and measurement of financial liabilities designed as fair value through profit or loss and incorporates certain existing requirements of IAS 39 Financial Instruments.

Recognition and Measurement on the Recognition and De-recognition of Financial Assets and Financial Liabilities. The Company is assessing the impact that the standard will have on the 2016 financial statements.

IFRS 13, Fair Value measurement. This IFRS which is effective for annual reporting periods beginning on or after 1st January 2013 defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure the fair value and is applicable to assets, liabilities and an entity's own equity instrument that, under other IFRSs, are required or permitted to be measured at fair value, or when disclosure or fair value is provided. It does not introduce new fair value measurements, nor does it eliminate the practicality exceptions to fair value measurements that currently exist in certain standards. The Company is assessing the impact this standard will have from the effective date on its financial statements.

IAS 24, Related Party Disclosures Revised effective 1st January 2011. This IAS introduces changes to the related party disclosure requirements for Government related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure.

Disclosures – Transfer of financial Assets (Amendments to IFRS 7) is effective for accounting periods beginning on or after 1st July 2011. The amendments require disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are derecognized in their entirety and the associated liabilities and to evaluate the nature of and risk associated with the entity's continuing involvement in these derecognized assets.

New information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies

a) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into the Company's functional currency at the exchange rate prevailing at the Statement of Financial Position date. Transactions denominated in foreign currencies are translated into the Company's functional currency at the rates prevailing at the dates of the transaction, and the resulting gain or loss is included in the Statement of Comprehensive Loss.

b) Accounts Receivable

Accounts receivable are carried at original invoice amount less provision made for the impairment of these receivables. Such provisions for impairment of accounts receivables are established if 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.

c) Property, Plant and Equipment

Property, Plant and Equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located

The cost of repairs and replacements of a routine nature are charged to earnings while those expenditure, which improve or extend the useful life of the assets are capitalized.

The gain or loss on the disposal of an item of Property, Plant and Equipment is determined by comparing the proceeds from disposal with the carrying amount of the item and is recognised within "Other Income" in the Statement of Comprehensive Income/Loss.

d) Depreciation

Depreciation is recognised in the Statement of Comprehensive Loss on a straight line basis over the estimated useful life of each item of Property, Plant and Equipment. Land is not depreciated. No depreciation is provided on Work-in-Progress until the assets involved have been completed and are available for use. Depreciation methods, useful lives and residual values are reviewed each reporting date and adjusted if appropriate. The annual rates for depreciation are as follows:-

Furniture and Fittings	12.5-33%
Motor Vehicles	6-20%
Plant & Machinery	4% and 20%
Buildings	2-5%
Reservoirs	3.33%

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies

e) Impairment

The carrying amounts of the Company's non-financial assets, other than Inventories, are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the Statement of Comprehensive Income.

f) Investments

i) Investment Securities Held to Maturity

Investment securities with fixed maturity profiles where management has both the intent and the ability to hold to maturity are classified as held to maturity. Securities held to maturity are measured at fair value and are subsequently re-measured at amortized cost less provision for impairment losses. Interest income earned while holding securities is reported as interest income.

ii) Investment Securities Available for Sale

Investment securities intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. Available for sale financial assets are initially measured at fair value and are subsequently re-measured at fair value based on quoted bid prices.

iii) Unquoted Investments

Unquoted equity instruments for which fair values cannot be reliably measured are recognised at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the Statement of Comprehensive Loss as gains or losses from investments.

g) Interest Income

Interest income is recognised on the accruals basis in the Statement of Comprehensive Loss, using the effective interest method.

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies

h) Taxation

The Company is owned by the Government of Montserrat and is exempted from several taxes. Under section 5 of the Montserrat Utilities Act Chapter 18.01, an exemption was granted from the payment Customs Duty, Consumption Tax, Income Tax, Property Tax and Stamp Duty.

i) Related Parties

A party is related to the Company if:-

- i) Directly or indirectly through one or more intermediaries the party controls, is controlled by, or is under common control with, the Company (this includes, parents, subsidiaries and fellow subsidiaries); has an interest in the Company that gives it significant influence over the Company; or has joint control over the Company.
- ii) The party is an associate of the Company.
- iii) The party is a joint venture in which the Company is a venture.
- iv) The party is a member of the key management personnel of the Company or its parent.
- v) The party is a close member of the family or any individual referred to in (i) or (iv).
The party is the entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- vi) The party is the entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- vii) The party is a postemployment benefit plan for the benefit of employees of the Company or of any Company that is a related party of the Company.

j) Financial Instruments

In accordance with the provisions of IFRS No. 7, disclosure is required regarding credit risk, interest rate risk, currency risk and the fair value of financial assets and liabilities. With the exception of property, plant and equipment, inventory, deferred tax and income tax payable, all of the Company's assets and liabilities are financial instruments.

Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies– Continued

j) Financial Instruments - continued

Financial Risk Management - continued

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and it also assesses financial and control risks to the Company.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company's Board of Directors oversee how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company.

i) Credit Risk

Credit risk arises from the possibility that counter parties may default on their obligations to the Company. The Company has made adequate provision for any potential credit losses and the amount of the Company's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

	<u>2016</u>	<u>2015</u>
Cash in hand and at bank	6,921,631	5,919,324
Investment -Available to Maturity-Unquoted	-	136,703
Accounts Receivable	2,694,390	2,645,838
Mortgage Receivable	-	50,120
Investment - Available - for - Sale	250,000	250,000
	-----	-----
	\$9,866,021	\$9,001,985
	=====	=====

Accounts and Other Receivables

The Company's exposure to credit risk is influenced mainly by the customers' ability to meet their obligations to the company and this largely depends on the state of the local economy.

MONTERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies– Continuedj) Financial Instruments - continuedFinancial Risk Management - continuedCash and Cash Equivalents

Cash and cash equivalents are held with reputable financial institutions, which represent minimum risk of default.

ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial assets and liabilities excluding the impact of netting arrangements:

Assets	<u>2016</u>	<u>2015</u>
Cash in hand and at bank	6,921,631	5,919,324
Investment -Available to Maturity-Unquoted	-	136,703
Accounts Receivable	2,694,390	2,645,838
Mortgage Receivable	-	50,120
Investment - Available - for - Sale	250,000	250,000
	-----	-----
	\$9,866,021	\$9,001,985
	=====	=====
Liabilities		
Accounts payable and accruals	2,422,323	2,174,060
	-----	-----
Total Liabilities	\$2,422,323	\$2,174,060
	=====	=====
Liquidity Gap	\$7,443,698	\$6,827,925
	=====	=====

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies– Continued

j) Financial Instruments - continued

Financial Risk Management - continued

iii) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and price risk will affect the value of the Company's assets, its liabilities and/or income. Market risk arises from fluctuations in the value of liabilities and the value of investments held. The Company is exposed to market risk on certain of its financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

a) Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting the entire instrument traded in the market. The Company has no quoted instruments consequently there is no significant exposure to price risk.

b) Interest Rate Risk

Some of the Company's financial assets and liabilities are interest bearing. The company's interest bearing assets and liabilities generally carry fixed rates of interest and therefore there is no significant exposure to interest rate risk.

c) Currency Risk

Substantially all the Company's transactions, assets and liabilities are denominated in either its functional currency or United States Dollars. The United States Dollar has been formally pegged to the Company's functional currency at EC\$2.70 = US\$1.00 since 1976, therefore, the Company has no significant exposure to currency risk.

k) Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies– Continued

k) Determination of Fair Values

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. With the exception of cash in hand and at bank, none of the Company's financial instruments are traded in a formal market. Estimated fair values are assumed to approximate their carrying values due to their short-term nature. Dividends and related per-share amounts are disclosed either on the face of the statements of changes in shareholder's equity or in the notes.

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the bank's market assumption. These two types of inputs have created the following fair value hierarchy:

- Level 1–Quoted prices in active markets for identical assets or liabilities. This level includes listed debt instruments listed on exchanges
- Level 2 – Inputs other than quoted prices included within level that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

l) Accounts Receivable

Trade and other receivables are carried initially at fair value and subsequently measured less a provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all due according to the original terms of the receivable. The amount of the provision is recognised in the Statement of Comprehensive Income. Trade and other receivables, being short-term, are not discounted.

m) Non-derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies– Continued

m) Non-derivative Financial Liabilities

The fair value of cash in hand and at bank, accounts receivable, due from related parties, accounts payable and accruals and due to related parties are not materially different from their carrying amount due to their short-term period to maturity.

n) Revenue Recognition

Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. A provision for the current month's billings, excluding the fuel surcharge, is made to record unbilled energy sales at the end of each month. This estimate is based upon actual information for the preceding month and is adjusted monthly. 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 cost of fuel used to generate energy sales in the current month and a deemed base price of \$0.2601 as at 1st January 1974. The surcharge is recovered by applying the month's surcharge rate to units billed in the following month. The provision for unbilled fuel surcharge revenue/rebate is included in accrued income.

o) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Allowance is made for slow-moving and damaged goods.

p) Goods in-transit

Goods-in-transit are stated at their invoice cost.

MONTSERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2016**(Continued)****(Expressed in Eastern Caribbean Dollars)**

4. Cash in hand and at bank	<u>2016</u>	<u>2015</u>
Current Accounts -Royal Bank of Canada	408,752	1,241,675
-Bank of Montserrat Limited	2,332,095	1,354,783
Savings Accounts -Bank of Montserrat Limited	261,760	256,575
-Government Savings Bank	-	24,775
- Royal Bank of Canada	663,432	507,614
- Royal Bank of Canada	3,143,240	2,422,012
- Montserrat Building Society	111,683	111,129
Cash at Bank	6,920,962	5,918,563
Cash in Hand	669	761
Total (Page 3)	\$6,921,631	\$5,919,324
	=====	=====

The Savings Account at Bank of Montserrat Limited attracted interest at 3.0% per annum on the lowest quarterly balance, until 30th April 2015, following which it was reduced to 2.0% per annum, while the interest rate on the Savings Account at the Montserrat Building Society remained at 1.0% per annum. No interest was earned on the on the Savings Account at the dissolved Government Savings Bank, and the funds remained in an account in the name of Government Savings Bank at the Bank of Montserrat.

5. Short-Term Investments – Held to Maturity	<u>2016</u>	<u>2015</u>
Trinidad and Tobago Unit Trust Corporation		
Opening Balance	-	135,610
Add Interest earned during the year	-	1,093
Withdrawals	-	-
Total (Page 3)	\$-	\$136,703
	=====	=====

MONTserrat UTILITIES LIMITEDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

6. Accounts Receivable and Prepayments	<u>2016</u>	<u>2015</u>
Trade Receivables	1,595,494	1,584,591
Staff Loans	172,154	163,056
Other Debtors	753,268	771,096
Prepayments	173,474	127,095
	-----	-----
Total (Page 3)	\$2,694,390	\$ 2,645,838
	=====	=====
 7. Inventory	 <u>2016</u>	 <u>2015</u>
Generation	407,565	558,057
Transmission and Distribution	957,066	1,149,432
Motor Vehicles	218,978	179,568
General Stores	78,909	60,285
Diesel	250,019	186,641
Tools and general equipment	120,153	115,219
Stationery	62,122	34,462
Water	556,903	591,038
	-----	-----
Total (Page 3)	\$2,651,715	\$2,874,702
	=====	=====

Stores are assets in the form of spares, supplies etc., and expected to be consumed in the generation, transmission and distribution of water and electricity. Material spares were on hand to facilitate major repairs to Plant and Machinery at the Statement of Financial Position date.

8. Goods in Transit		<u>2016</u>	<u>2015</u>	
Goods in Transit	(Page 3)	\$121,183	\$94,331	
		=====	=====	
9. Mortgages and Loan Receivable				
	Current	Non Current	<u>2016</u>	<u>2015</u>
	\$-	\$-	\$-	\$50,120
	=====	=====	=====	=====

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

9. Mortgages and Loan Receivable

The company established a Mortgage Plan for its senior employees who have been employed for a minimum of ten (10) years within the Electricity Division. As a result an Agreement was signed by the Company and the Bank of Montserrat for the Bank to be the administering Agent for the Mortgage Plan.

Mortgage

The Agreement stipulates inter alia that the Agent shall:

- i) Administer the mortgage application process and the mortgages, using reasonable skill and care as if they were using its own funds, and in accordance with best international banking practice and standards.
- ii) Charge a commitment fee of 2% or \$10,000 of the amount to be loaned, payable in advance.
- iii) Be entitled to charge an annual administration fee of 1% of the amount of the balance outstanding on 31st December each year in respect of all mortgages made under the Agreement, provided that such administration fee shall not be less than \$10,000.

Repayment Terms

Mortgages are repayable monthly at various amounts inclusive of interest which is charged at the rate of 7 ½ % per annum.

Security

Mortgages are secured by a first charge note on the land certificate in favour of the Company.

Outstanding

One (1) mortgages were outstanding at the Statement of Financial Position date.

10. Available for Sale Investment

Eastern Caribbean Securities Exchange Limited

25,000 shares of \$10 each

(Page 3)

2016

2015

\$250,000

\$250,000

=====

=====

The Available for Sale Investment is stated at Cost at Statement of Financial Position date.

11. Accounts Receivable - Infrastructure

Distribution Infrastructure

(Page 3)

2016

2015

\$1,008,476

\$1,055,110

=====

=====

MONTERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

12. Property, Plant and Equipment

	<u>Fixtures & Fittings</u>	<u>WIP</u>	<u>Motor Vehicles</u>	<u>Plant & Machinery</u>	<u>Total</u>
Cost					
At 1 st January 2016	804,191	12,559,488	2,244,219	26,737,994	42,345,892
Additions	61,731	7,114,218	-	224,553	7,400,502
Disposals	-	-	(64,610)	-	(64,610)
31st December 2016	865,922	19,673,706	2,179,609	26,962,547	49,681,784
Accumulated Dep.					
At 1 st January 2016	695,941	-	2,002,878	21,358,345	24,057,164
Charge back	-	-	(64,610)	-	(64,610)
Charge for the year	35,793	-	84,069	705,866	825,728
	731,734	-	2,022,337	22,064,211	24,818,282
Net Book Value					
31st December 2016	\$134,188	\$19,673,706	\$157,272	\$4,898,336	\$24,863,502
	=====	=====	=====	=====	=====

	<u>Building</u>	<u>Land</u>	<u>Reservoirs</u>	<u>Total</u>
Cost				
At 1 st January 2016	3,648,126	4,681,269	4,276,374	12,605,769
31st December 2016	3,648,126	4,681,269	4,276,374	12,605,769
Accumulated Dep.				
At 1 st January 2016	798,068	-	983,567	1,781,635
Charge for the year	79,924	-	142,546	222,470
31st December 2016	877,992	-	1,126,113	2,004,105
Net Book Value				
31st December 2016	\$2,770,134	\$4,681,269	\$3,150,261	\$10,601,664
	=====	=====	=====	=====

MONTserrat UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016****(Continued)****(Expressed in Eastern Caribbean Dollars)****12. Property, Plant and Equipment**

	<u>Fixtures & Fittings</u>	<u>WIP</u>	<u>Motor Vehicles</u>	<u>Plant & Machinery</u>	Total
Cost					
At 1 st January 2015	761,401	5,844,124	2,176,419	26,573,987	35,355,931
Additions	42,790	6,715,365	67,800	164,007	6,989,962
31st December 2015	804,191	12,559,489	2,244,219	26,737,994	42,345,893
Accumulated Dep.					
At 1 st January 2015	649,355	-	1,924,013	20,584,017	23,157,385
Charge for the year	46,586	-	78,865	774,328	899,779
	695,941	-	2,002,878	21,358,345	24,057,164
Net Book Value					
31st December 2015	\$108,250	\$12,559,489	\$241,341	\$5,379,649	\$18,288,729
	=====	=====	=====	=====	=====
		Building	Land	Reservoirs	Total
Cost					
At 1 st January 2015		3,648,126	4,681,269	4,276,374	12,605,769
31st December 2015		3,648,126	4,681,269	4,276,374	12,605,769
Accumulated Dep.					
At 1 st January 2015		718,143	-	841,021	1,559,164
Charge for the year		79,925	-	142,546	222,471
31st December 2015		798,068	-	983,567	1,781,635
Net Book Value					
31st December 2015		\$2,850,058	\$4,681,269	\$3,292,807	\$10,824,134
		=====	=====	=====	=====
Page 3					\$29,112,863
					=====

MONTERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016****(Continued)****(Expressed in Eastern Caribbean Dollars)****13. Accounts Payable and Accruals**

	<u>2016</u>	<u>2015</u>
Trade payables	1,676,379	1,318,548
Accrued expenses	511,232	587,445
Gratuity payable	146,535	117,282
Other Accounts Payable	88,177	150,785
	-----	-----
Total (Page 3)	\$2,422,323	\$2,174,060
	=====	=====

14. Pension

The company contributes to a defined benefit plan and a defined contribution plan for management and all other permanent staff respectively.

14a. Provision for Contingency

	<u>2016</u>	<u>2015</u>
Employee Pension (Page 3)	\$3,087,775	\$3,532,600
	=====	=====

The Company contributes on a bipartite basis to a defined contribution plan administered by CLICO International Life Insurance Limited (CIL) under a Deposit Administration Contract for the employees of the former Montserrat Electricity Services Limited. The Company contributes 7% of members' salaries and members contribute 5%. The benefits are based on years of service and the employees' average pensionable salary prior to retirement, and the administration expenses are currently being met by surpluses arising when members withdraw from the plan with less than ten (10) years of service and as such are not entitled to 100% refund of the Company's contributions plus interest accrued thereon.

The latest actuarial review carried out as at 29th February 2013 by the Actuaries and Consultants Bacon Woodrow & De Souza Limited revealed that the plan was in surplus by \$621,000 corresponding to a funding level of 118%. However 96% of the plan's assets are held in investments in CIL, which fell into financial difficulties in early 2009 and it is still not clear whether the value of the plan's investments would be impaired. This will only be known once a decision has been made regarding the future of CIL and how policyholders will be treated. CIL is now under judicial management; Deloitte Consulting Limited of Barbados is the Judicial Manager for Anguilla, Antigua, Barbados, Dominica, Grenada, KPMG (BVI) acts for Montserrat, and PKF acts on behalf of St. Kitts and Nevis and St. Vincent.

The Company's management in early 2012 suspended its contributions to the plan with CIL and executed the following:-

(a) Continued its contributions to the plan, but which are currently held internally and earning 2% per annum based on a management decision. The accumulated amount at 31st December 2016 was \$663,432 (2015, \$507,614) as disclosed in Note 4 "Cash in hand and at bank".

(b) Fund the accumulated back service contributions for members leaving and the monthly pension to a retired member, supported by a letter of undertaking from the relevant former members that any funds subsequently received from CIL would accrue to the Company.

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

14. Pension – Continued

14b. Other Pension

Other Pension is reported on in Accounts payable- Accrued expense at note 13.

(1) The Company also contributes on a bipartite basis to a defined contribution plan administered by Sagicor Life Inc. for the employees of the former Montserrat Water Authority and those persons employed in the merged company after 1st July 2008. Both the Company and the members contribute 7.5% of members' salaries. The benefits and funding of the administration expenses are identical to the CIL plan noted above.

Sagicor Life Inc. established a Unit Trust in the Eastern Caribbean, namely the Sagicor (Eastern Caribbean) Fund. Investment in this Unit Trust is restricted to Eastern Caribbean registered pension plans, giving the Unit Trust tax exempt status in most territories. The assets of the Unit Trust are held apart from Sagicor's general fund. At present pension funds of eighty nine (89) companies in the Eastern Caribbean, including the Company's, are invested in this fund.

(2) The Company also contributes to the regional CDC Caribbean Pension Scheme administered by Sagicor Life Inc., which is a defined benefit plan, for two of its management staff. The other current participating employers are Anguilla Electricity Company Limited, St. Lucia Electricity Services Limited and St. Vincent Electricity Services Limited. Under the defined benefit plan the Company contributes such sums that are required to provide the benefit under the rules for and in respect of members and former members to preserve the solvency of the plan based on periodic actuarial reviews. Members are not required to contribute to this plan.

The last valuation of the Scheme was carried out as at 1st January 2015 by the Actuarial and Consulting firm Eckler Limited, and indicated that the fair value of the plan assets at that date was US\$14,552,066 and the defined benefit obligation was determined to be US\$15,073,780, resulting in an actuarial deficit of US\$521,714. The Company was required to increase its contribution to the Scheme from 29.55% to 34.12% of members' salaries with effect from 1st January 2015 in order to fund the existing unfunded liability over the next ten (10) years. Based on a letter dated November 22, 2017, the company was again required to increase its contribution from 34.120% to 83.02% effective January 1, 2016.

The Company has ceased accepting new members to the Scheme.

15. Non-Current Payable

		<u>2016</u>	<u>2015</u>
Consumers' Refundable Deposits	(Page 3)	\$1,590,288	\$1,544,743
		=====	=====

Given the long-term nature of the customer relationship, Consumers' Refundable Deposits which are not immediately repayable have been shown as a Non-Current Liability.

MONTSERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016****(Continued)****(Expressed in Eastern Caribbean Dollars)****16. Long-term Loan**

CDB Loan

2016	2015
\$3,290,367	\$3,290,367
=====	=====

Under a Loan Agreement of 23rd August 2011 between Caribbean Development Bank, Government of Montserrat and the Company, US\$2.5m is being provided to part finance the Montserrat Power Station Expansion Project, the largest component of which under a turnkey contract is the construction of a permanent power station at Brades Estate outfitted with a 1.5MW medium-speed diesel generator. Consultancy services are also included to provide for construction supervision, to undertake a Cost of Service and Tariff Study and to develop an Environmental Health and Safety Management System.

The CDB Loan bears interest at 2.5% per annum on the amount withdrawn and outstanding from time to time, and is repayable in eighty (80) equal or approximately equal and consecutive quarterly instalments commencing after the expiry of ten (10) years following the date of the Loan Agreement or on such later date as the Caribbean Development Bank may specify in writing.

Two (2) disbursements, in aggregate USD (\$1,211,074.10) One million, two hundred and eleven thousand , seventy four dollars and ten cents have been made on (July 15, 2015 and October 22, 2015) by Caribbean Development Bank direct to Angelique International Limited, the main contractor for Engineering Procurement and Construction.

17. Deferred IncomeContributions, Plant & Machinery
Amortization

2016	2015
12,543,096	8,863,572
(5,013,948)	(4,612,161)
-----	-----
\$7,529,148	\$4,251,411
=====	=====

Total (Page 3)

Provided to finance the purchase of specific assets are credited to Non-Current Deferred Income, and is realized over the useful life of the assets in the Statement of Comprehensive Income. Grants provided for revenue purposes or related to Income are credited to income for Non Deferred Income in accordance with IAS 20 paragraphs 13-15 which also states that Grants must be recognised as Income over the periods necessary to match them with related costs which they are intended to compensate, on a systematic basis. It must also be recognised on an accrual basis. In addition paragraphs 17-22 expanded the provisions to cover periods over which the Income and Expenditures associated with Government Grants are to be recognized.

MONTSERRAT UTILITIES LIMITEDNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

18. Share Capital		<u>2016</u>	<u>2015</u>
Authorised			
10,000 Common Shares of \$1 each		\$10,000	\$10,000
		=====	=====
Issued and Fully Paid			
2 Common Shares of \$1 each	(Page 3)	\$2	\$2
		===	===
19. Contributed Capital		<u>2016</u>	<u>2015</u>
Government of Montserrat	(Page 3)	\$32,851,484	\$29,056,432
		=====	=====

This represents the amount which Government of Montserrat had initially injected into the operations of the new company which commenced operations on 1st July 2008, and reflects the net surplus due to Government of Montserrat as the owner of the two quasi Government institutions which combined to form the new entity, plus additional contributions from Government of Montserrat and the Department for International Development towards the Montserrat Power Station Expansion Project– See Note 22(a)

20. Donated Capital		<u>2016</u>	<u>2015</u>
Government of Montserrat	(Page 3)	\$667,546	\$500,000
		=====	=====

Government Loan Repayment

By letter dated 20th May 2016, the Ministry of Finance & Economic Management (MoFEM) acknowledged that there was an agreement in 2006 between the Government of Montserrat and the Company whereby a generator had been procured by the Company using existing funds, and confirmed that MoFEM would service the loan on the following terms:-

- (a) Balance Due \$1,665,571, after a payment of \$500,000 on March 21, 2014.
- (b) Interest Rate 3.5%
- (c) Tenor 10 years
- (d) Payments Blended quarterly \$56,213 Principal, plus Interest, commencing April 2016, in accordance with an amortization schedule attached to the MoFEM letter under reference.
- (e) Paying Agent Treasury Department

MONTSERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016**

(Continued)

(Expressed in Eastern Caribbean Dollars)

21. Related Party Transactions	<u>2016</u>	<u>2015</u>
Key Management Compensation	822,306	511,715
Director's Fees	5,100	6,092
	-----	-----
	\$827,406	\$517,807
	=====	=====
 22. Capital Commitment & Contingent Liability	 <u>2016</u>	 <u>2015</u>
Budgeted Estimates - Mechanical & Electrical	16,891,000	16,891,000
Budgeted Estimates - Civil & Building Works	6,978,000	6,978,000
Budgeted Estimates - Other Capital Works	12,265,000	12,265,000
	-----	-----
	\$36,134,000	\$36,134,000
	=====	=====

a. Capital Commitment

The Montserrat Power Station Expansion Project consists of the construction of a new fully functional power station and ancillary works. The project is being financed by a loan and grant from the Caribbean Development Bank, grant from the Department for International Development and contributions from Government of Montserrat and the Company. The main contractor for the Engineering Procurement and Construction of the New Power Station is Angelique International Limited and the Consulting Engineers are Mott MacDonald Ireland. The capital commitment subsequent to the Statement of Financial Position date is in the order of \$13.0m

b. Contingent Liability

As further explained in Note 14, the Company may be liable for any shortfall of the Deposit Administration Pension Plan. The company has committed itself to the settlement of all employee Pension liabilities, in the absence of Pension fund assets to meet employee obligation on retirement. All Pension Fund obligations settled by Montserrat Utilities Limited will remain an obligation of the Fund, and should be settled if and when the Fund has the financial resources so to do.

23. Taxation

The Company is exempt from payment of any liability to all income tax and other taxes based on income or profits under Section 5 of the Montserrat Utilities Limited Act Chapter 18.01.

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

24. Operational Risk

i. Volcanic Activity

The island of Montserrat experienced continuous volcanic activity in July 1995. The continuous eruptions created severe hardships and dislocations and affected living conditions on the island. Consequently, this risk factor should be considered in analyzing these Financial Statements.

ii. Insurance

Because of the difficulty experienced by the Company in obtaining adequate and reasonably

MONTSERRAT UTILITIES LIMITEDSCHEDULE OF OTHER INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

	<u>2016</u>	<u>2015</u>
Mortgages and Loans Interest	18	14,545
Interest	6,532	8,201
Rent	23,218	20,244
Sundry	331,068	12,533
Sale of Stores	2,471	34,797
Connection / reconnection Fee	38,545	43,450
Recoveries	-	314,224
Contributions & Grants	400,640	386,709
	-----	-----
	\$802,492	\$834,703
	=====	=====

MONTSERRAT UTILITIES LIMITEDSCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

	<u>2016</u>	<u>2015</u>
Salaries & Wages	2,160,700	2,029,502
Gratuity	21,862	14,656
Insurances	200,679	209,987
Vehicles	26,828	20,733
Repairs & Maintenance	79,571	119,457
Rent, Rates, Taxes & Water	201,535	188,292
Telephone Postage and Fax	93,052	80,822
Stationery	51,528	83,399
Bank Charges	7,635	5,893
Technical Fees	-	5,069
Entertainment	24,462	10,465
Travelling	28,171	27,689
Advertising	5,233	3,946
Staff Training and Recruitment	60,715	28,492
Uniform/Protective Clothing	19,582	40,175
Medical	12,353	7,064
Canteen	2,614	2,117
Legal Fees	17,008	33,362
Subscription and Donations	97,378	38,782
Other administrative	49,477	18,716
Depreciation	115,715	126,511
Bad Debts	148,578	68,430
	-----	-----
	\$3,424,676	\$3,163,559
	=====	=====

MONTSERRAT UTILITIES LIMITEDSCHEDULE OF OTHER EXPENSES
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Continued)

(Expressed in Eastern Caribbean Dollars)

	<u>2016</u>	<u>2015</u>
Directors Fees	5,100	6,092
Audit and Professional Fees	70,373	71,226
Agency Fee	-	5,000
	-----	-----
	\$75,473	\$82,318
	=====	=====