

MONTSERRAT UTILITIES LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

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INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF MONTSERRAT UTILITIES LIMITED

We have audited the accompanying financial statements of Montserrat Utilities Limited, which comprise the Statement of Financial Position as at 31st December 2013, Statement of Comprehensive Income, Statement changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility


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 an audit to obtain reasonable assurance that 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. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Montserrat Utilities Limited, as at 31st December 2013 and the results of its financial performance for the year then ended; in accordance with International Financial Reporting Standards.

Antigua & Barbuda:
November 7th 2016


Allen, Thomas & Associates
Chartered Accountants

MONTERRAT UTILITIES LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER 2013
(Expressed in Eastern Caribbean Dollars)

		<u>2013</u>	<u>Restated 2012</u>
Assets	Notes		
Cash in hand and at bank	4	1,404,693	879,370
Short-Term Investments	5	1,094,837	1,188,465
Accounts Receivable & Prepayments	6	3,684,584	3,072,165
Inventory	7	2,756,920	1,091,479
Goods in Transit	8	109,241	21,781
Mortgages Receivable	9	46,132	47,600
Total Current Assets		9,096,407	6,300,860
Non-Current Assets			
Mortgages Receivable	9	88,110	98,096
Available-For-Sale Investment	10	250,000	250,000
Accounts Receivable – Infrastructure	11	924,116	839,498
Property, Plant and Equipment	12	21,807,394	19,287,382
Total Non-Current Assets		23,069,620	20,474,976
Total Assets		\$32,166,027	\$26,775,837
Liabilities and Shareholder's Equity		=====	=====
Current Liabilities			
Accounts payable and accruals	13	5,143,332	2,157,037
Total Current Liabilities		5,143,332	2,157,037
Non -Current Liabilities			
Provision for Pension	14	4,554,217	4,238,604
Consumers' Refundable Deposits	15	1,413,934	1,333,910
Total Non-Current Liabilities		5,968,151	5,572,514
Total Liabilities		11,111,483	7,729,551
Deferred Income	16	4,421,890	4,507,359
Shareholder's Equity			
Share Capital	17	2	2
Contributed Capital	18	19,276,152	19,276,152
Accumulated Deficit (Page 5)		(2,643,500)	(4,737,227))
Total Shareholder's Equity		16,632,654	14,538,927
Total Liabilities and Shareholder's Equity		\$32,166,027	\$26,775,837
		=====	=====

Approved on behalf of the Board:

: Director

: Director

The attached notes on pages 7 to 26 form part of these Financial Statements.

MONTERRAT UTILITIES LIMITED**STATEMENT OF COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31ST DECEMBER 2013
(Expressed in Eastern Caribbean Dollars)

	<u>2013</u>	<u>Restated</u> <u>2012</u>
Revenue		
Water Division	3,796,930	2,902,636
Electricity Division	5,763,423	5,368,018
	-----	-----
	9,560,353	8,270,654
Fuel Surcharge	9,815,200	9,565,299
Reimbursed Sewage Costs	373,319	340,155
	-----	-----
	19,748,872	18,176,108
	-----	-----
Less: Production Costs		
Generation Costs	2,451,289	2,196,375
Fuel Cost Covered by Surcharge	9,586,086	9,606,328
Transmission and Distribution	1,422,802	3,613,855
Sewage	349,685	313,038
Vehicles	295,967	433,835
	-----	-----
Total Production Costs	14,105,829	16,163,431
	-----	-----
Gross Profit	5,643,043	2,012,675
Other Income(Page 27)	608,337	1,219,641
	-----	-----
Total Income	6,251,380	3,232,318
	-----	-----
Less: Expenses		
Administration(Page 28)	4,064,603	4,032,157
Other(Page 29)	93,050	92,715
	-----	-----
	4,157,653	4,124,872
	-----	-----
Total Comprehensive Income(Loss) for the year (Page 5)	2,093,727	(892,554)
	=====	=====

The attached notes on pages 7 to 26 form an integral part of these financial statements.

MONTSEERRAT UTILITIES LIMITED**STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY**
FOR YEAR ENDED 31ST DECEMBER 2013
(Expressed in Eastern Caribbean Dollars)

	Share Capital	Contributed Capital	Accumulated Deficit	Total
Equity at 31 st December 2011	2	30,532,847	(3,843,342)	26,689,507
Comprehensive loss for the year (Page 4)			(1,310,253)	(1,310,253)
Equity at – 31 st December 2012	2	\$30,532,847	\$(5,153,595)	\$25,379,254
Prior year adjustment (Page 26)	-	(11,256,695)	416,368	(10,840,327)
Equity at – 31 st December 2012 restated	2	19,276,152	(4,737,227)	14,538,927
Comprehensive profit for the year (Page 4)	-	-	2,093,727	2,093,727
Equity at - 31 st December 2013	\$2	\$19,276,152	(2,643,500)	16,632,654
	==	=====	=====	=====

MONTERRAT UTILITIES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2013
(Expressed in Eastern Caribbean Dollars)

	<u>2013</u>	<u>Restated 2012</u>
<u>Cash flows from operating activities</u>		
Comprehensive Income/(Loss) for the year	2,093,727	(892,554)
Adjusting items:		
Depreciation	1,306,763	1,616,284
	-----	-----
Operating profit before changes in working capital	3,400,490	723,730
 <u>Changes in Working Capital</u>		
Change in accounts receivable	(612,419)	(655,834)
Change in goods in transit	(87,460)	16,338
Change in inventory	(1,665,441)	25,368
Change in accounts payable and accruals	2,986,301	(423,196)
Change Pension Provision	315,613	578,880
Change in accounts mortgage receivable	11,454	65,379
Change in Vacant Lots	(84,618)	(74,369)
	-----	-----
Net Change in Working Capital	863,430	(467,434)
	-----	-----
Net cash provided by operating activities	4,263,920	256,296
	-----	-----
<u>Cash flows from financing activities</u>		
Change in Consumer Refundable Deposits	80,024	70,100
Change in Deferred Income	(85,469)	629,432
	-----	-----
Net cash provided by financing activities	(5,445)	699,531
	-----	-----
<u>Cash flows from investing activities</u>		
Change in property, plant and equipment	(3,826,780)	(1,264,296)
Change in Investment	93,628	290,520
	-----	-----
Net cash used in investing activities	(3,733,152)	(973,776)
	-----	-----
Net change in cash	525,323	(17,948)
	-----	-----
Cash at the beginning of year	879,370	897,318
	-----	-----
Cash at the end of year	\$1,404,693	\$879,370
	=====	=====
 <u>Cash and cash equivalent</u>		
Cash in hand and at bank	\$1,404,693	\$879,370
	=====	=====

MONTERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2013
(Expressed in Eastern Caribbean Dollars)**1. Reporting Entity and Principal Activities**

Montserrat Utilities Limited was incorporated as a private Limited Company on 18th October 2001 under the Companies Act of Montserrat No. 25 of 1998 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 into Montserrat Utilities Limited. The company operates under the licensing of the Utility Services Act 2007 (*NO.3 of 2007*) and the Montserrat Utilities Act 2007, and has the license for the generation, transmission, distribution and supply of electricity and piped drinking water; and collection, treatment and disposal 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 of the Montserrat Utilities Limited Financial and Accounting Policies and Procedures Manual.

These financial statements were approved by the Board of Directors on June 14th, 2016.

b) Basis of Measurement

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

c) Functional and Presentation Currency

These financial statements are prepared in Eastern Caribbean Currency Dollars, which is the functional currency of the reporting entity.

d) Use of Estimates and Judgment

The preparation of financial statement in conformity with the International Financial Reporting Standards (IFRS) 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.

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

2. Basis of Preparation – Continued

d) Use of Estimates and Judgment - continued

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

In particular, significant areas of estimating, uncertainty and critical judgments in applying accounting policies that have the most significant effect in the amounts recognized in the financial statements are the following:

- | | |
|--|--------------------|
| 1. Impairment losses on Investments | Note 3 (d) and (e) |
| 2. Estimated useful lives of Property, Plant and Equipment | Note 12 |
| 3. Determination of fair values on Financial Instruments | Note 3 (k) |

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 2013 financial statement.

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.

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

2. Basis of Preparation – Continued

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

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 2013 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 of 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 derecognised in their entirety and the associated liabilities and to evaluate the nature of and risk associated with the entity's continuing involvement in these derecognised 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.

3. Statement of Accounting Policies

a) Foreign Currencies

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

MONTERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2013**(Continued)****(Expressed in Eastern Caribbean Dollars)****3. Statement of Accounting Policies– Continued****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 stated at cost less accumulated depreciation. 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. Land is not depreciated. Depreciation is provided using the straight line method at rates sufficient to write off the cost of the assets over their estimated useful lives as follows:

Furniture and Fittings	20%
Motor Vehicle	20 %
Plant & Machinery	4% and 20%
Building	2%

d) Impairment

The carrying amount of the Company's assets is reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each Statement of Financial Position date. 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.

MONTSERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2013**(Continued)****(Expressed in Eastern Caribbean Dollars)****3. Statement of Accounting Policies– Continued****e) 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 initially recognized at cost 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 recognised at cost 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 Income, using the effective interest method.

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 2007, an exemption was granted from the payment Consumption Tax, Customs Duty, Income Tax, Property Tax and Stamp Duty.

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

3. Statement of Accounting Policies– Continued

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).
- 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 the International Accounting Standard No. 32, 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, deferred tax and income tax payable, all of the Company's assets and liabilities are financial instruments.

a) **Financial Risk Factors**

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 2013**(Continued)****(Expressed in Eastern Caribbean Dollars)****3. Statement of Accounting Policies– Continued****i) Financial Instruments - 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 analyse 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>2013</u>	<u>Restated</u> <u>2012</u>
Cash in hand and at bank	1,404,693	879,370
Accounts Receivable	3,684,584	3,072,165
Mortgage Receivable	134,242	145,696
Investment - Available to Maturity-Unquoted	1,094,837	1,188,465
Investment – Available - for - Sale	250,000	250,000
	<u>\$6,568,356</u>	<u>\$5,535,696</u>

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 depends on the state of the economy and the demographics of the Company's customer base.

MONTSERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2013**(Continued)****(Expressed in Eastern Caribbean Dollars)****3. Statement of Accounting Policies – Continued****i) Financial Instruments – continued****Cash and Cash Equivalents**

Cash and cash equivalents are held with established 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:

	<u>2013</u>	<u>Restated</u> <u>2012</u>
Assets		
Cash in hand and at bank	1,404,693	879,370
Accounts Receivable	3,684,584	3,072,165
Mortgage Receivable	134,242	145,696
Investments- Held to Maturity	1,094,837	1,188,465
Investments- Available - for - Sale	250,000	250,000
	-----	-----
Total Assets	\$6,568,356	\$5,535,696
	-----	-----
Liabilities		
Accounts payable and accruals	5,143,332	2,157,083
Provision for Pension	4,554,217	4,238,604
	-----	-----
Total Liabilities	9,697,549	6,395,877
	-----	-----
Liquidity Gap	\$(3,129,193)	\$(860,181)
	=====	=====

MONTSERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

3. Statement of Accounting Policies– Continued

i) **Financial Instruments – 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.

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**

The Company's financial assets and liabilities are noninterest 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 Eastern Caribbean or United States Dollars. 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.

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.

MONTERRAT UTILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

3. Statement of Accounting Policies– Continued

k) Determination of Fair Values - continued

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

The fair value of accounts and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

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.

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 is recognized on the accruals basis. Revenue is reflected in the Statement of Comprehensive Income when significant risk and rewards of the ownership of services have been transferred to customers and the amount of revenue derived can be measured reliably.

MONTERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

	<u>2013</u>	<u>2012</u>
4. Cash in hand and at bank		
Current Accounts -Royal Bank of Canada	864,333	319,968
-Bank of Montserrat Limited	194,396	147,360
Savings Accounts -Bank of Montserrat Limited	201,902	180,035
-Montserrat Savings Bank	24,409	23,698
-Royal Bank of Canada	-	115,102
-Royal Bank of Canada US\$ A/C	10,110	1,344
Montserrat Building Society	108,929	91,149
	-----	-----
Cash at Bank	1,404,079	878,656
Cash in Hand	614	714
	-----	-----
Total (Page 3)	\$1,404,693	\$879,370
	=====	=====

The savings account at Bank of Montserrat Limited and Montserrat Building Society attract interest of 3% on the lowest quarterly balance. Funds held with the Montserrat Savings Bank earn an interest of 3%. The interest rate on the savings account at Bank of Montserrat Limited was reduced from 3 ½ % to 3% during the year.

	<u>2013</u>	<u>2012</u>
5. Short-Term Investments – Held to Maturity		
Trinidad and Tobago Unit Trust Corporation	1,188,465	1,478,985
Opening Balance	10,769	14,504
Add: Interest earned during the year	-----	-----
	1,199,234	1,493,489
Withdrawals	(104,397)	(305,024)
	-----	-----
Total (Page 3)	\$1,094,837	\$1,188,465
	=====	=====

The interest on this investment is paid quarterly and varied from 0.80% to 1.00% over the financial year 2013.

	<u>2013</u>	<u>Restated</u> <u>2012</u>
6. Accounts Receivable and Prepayments		
Trade Receivable	2,860,099	2,459,089
Staff Loans	138,263	152,062
Other Debtors	654,177	434,014
Prepayments	32,045	27,000
	-----	-----
Total (Page 3)	\$3,684,584	\$3,072,165
	=====	=====

MONTSERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2013**(Continued)****(Expressed in Eastern Caribbean Dollars)**

	<u>2013</u>	<u>Restated 2012</u>
7. Inventory		
Generation Cost	381,261	199,294
Transmission and Distribution	1,647,864	347,774
Motor Vehicles'	198,610	59,607
General Cost	103,921	89,423
Diesel	247,403	274,453
Tools and general equipment	120,600	82,463
Stationery	57,261	38,465
	-----	-----
Total (Page 3)	\$2,756,920	\$1,091,479
	=====	=====

Stores are assets in the form of spares, supplies etc., 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.

	<u>2013</u>	<u>2012</u>
8. Goods in Transit		
Goods in Transit (Page 3)	109,241	21,781
	=====	=====

	Current	Non Current	<u>2013</u>	<u>2012</u>
9. Mortgages and Loan Receivable				
Mortgages	46,132	88,110	134,242	145,696
	=====	=====	=====	=====

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.

MONTserrat UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2013**(Continued)****(Expressed in Eastern Caribbean Dollars)****9. Mortgages and Loan Receivable – Continued****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.

10. Available for Sale Investment**2013****2012**

Eastern Caribbean Securities Exchange Limited
25,000 shares of \$10 each **(Page 3)**

\$250,000
=====

\$250,000
=====

The Investment is stated at Cost at the Statement of Financial Position date.

11. Accounts Receivable -Infrastructure**2013****2012**

Distribution Infrastructure

(Page 3)

\$924,116
=====

\$839,498
=====

MONTERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2013

(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 2013	700,852	759,501	2,086,919	25,403,962	28,951,234
Additions	33,425	3,736,245	-		3,769,670
Transfer	5,400	(768,068)	-	762,668	-
	-----	-----	-----	-----	-----
31st December 2013	739,677	3,727,678	2,086,919	26,166,630	32,720,904
	-----	-----	-----	-----	-----
Accumulated Dep.					
At 1 st January 2013	434,553	-	1,754,952	18,909,454	21,098,959
Charge for the year	129,946	-	91,003	863,076	1,084,025
	-----	-----	-----	-----	-----
	564,499	-	1,845,955	19,772,530	22,182,984
	-----	-----	-----	-----	-----
Net Book Value					
31st December 2013	\$175,178	\$3,727,678	\$240,964	\$6,394,100	\$10,537,920
	=====	=====	=====	=====	=====
		Building	Land	Reservoirs	Total
Cost					
At 1 st January 2013		3,648,126	4,624,159	4,276,374	12,548,659
Additions			57,110		57,110
		-----	-----	-----	-----
31st December 2013		3,648,126	4,681,269	4,276,374	12,605,769
		-----	-----	-----	-----
Accumulated Dep.					
At 1 st January 2013		557,628	-	555,929	1,113,557
Charge for the year		80,192	-	142,546	222,738
		-----	-----	-----	-----
31st December 2013		637,820	-	698,475	1,336,295
		-----	-----	-----	-----
Net Book Value					
31st December 2013		\$3,010,306	\$4,681,269	\$3,577,899	\$11,269,474
		=====	=====	=====	=====
Page 3					\$21,807,394
					=====

MONTSERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013****(Continued)****(Expressed in Eastern Caribbean Dollars)****12. Property, Plant and Equipment-Restated**

	<u>Fixtures & Fittings</u>	<u>WIP</u>	<u>Motor Vehicles</u>	<u>Plant & Machinery</u>	Total
Cost					
At 1 st January 2012	545,561	59,489	711,228	22,828,736	24,145,014
Additions	38,466	700,012	-	480,440	1,218,918
Reappraisal adjustments	116,825	-	1,375,691	2,094,786	3,587,302
31st December 2012	700,852	759,501	2,086,919	25,403,962	28,951,234
Accumulated Dep.					
At 1 st January 2012	288,326	-	349,837	3,489,215	4,127,378
Reappraisal adjustments	32,890	-	1,298,432	14,268,502	15,599,824
Charge for the year	113,337	-	106,683	1,151,737	1,371,757
	434,553	-	1,754,952	18,909,454	21,098,959
Net Book Value					
31st December 2012	\$266,299	\$759,501	\$331,967	\$6,494,508	\$7,852,275
	=====	=====	=====	=====	=====
		Building	Land	Reservoirs	Total
Cost					
At 1 st January 2012		4,287,400	2,777,587	4,544,848	11,609,835
Additions			35,908	9,470	45,378
Reappraisal adjustments		(639,274)	1,810,669	(277,944)	1,090,946
31st December 2012		3,648,126	4,624,164	4,276,374	12,548,664
Accumulated Dep.					
At 1 st January 2012		292,022	-	439,335	731,357
Reappraisal adjustment		172,890		(35,217)	335,168
Charge for the year		92,716	-	151,811	244,527
31st December 2012		557,628	-	555,929	1,113,557
Net Book Value					
31st December 2012		\$3,090,498	\$4,624,164	\$3,720,445	\$11,435,107
		=====	=====	=====	=====

MONTSERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2013**(Continued)****(Expressed in Eastern Caribbean Dollars)**

		<u>2013</u>	<u>Restated</u> <u>2012</u>
13. Accounts Payable and Accruals			
Trade payables		3,918,994	1,234,209
Accrued expenses		776,839	656,075
Gratuity payable		75,237	33,440
Other Accounts Payable		372,262	233,313
		-----	-----
Total	(Page 3)	\$5,143,332	\$2,157,037
		=====	=====
 14. Provision for Contingency		<u>2013</u>	<u>2012</u>
Employee Pension	(Page 3)	\$4,554,217	\$4,238,604
		=====	=====

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

Under the defined benefit plan, the employer contributes such sums that are required to enable the Trustees to provide the benefits under the rules for and in respect of members and former members to preserve the solvency of the plan based on an Actuarial review. Members are not required to contribute to the defined benefit plan. The employer's contribution during the year to the defined contribution plan was 25% of members' salaries. For the defined contribution plan, both the company and employees contribute fixed amounts. The administration expenses are currently being met by surpluses arising from members withdrawing from the plan with less than ten (10) years of service.

The latest Actuarial review carried out on 29 February 2008 revealed that the assets were adequately funded. However, the report indicated that because of the uncertainty regarding the Plan's Investment in CLICO, the results of the valuation should be treated with caution. Pension costs for both plans are charged to the income statement. The assets of the plans are held separately as they are managed by different Trustees.

MONTERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2013**(Continued)****(Expressed in Eastern Caribbean Dollars)**

15. Non-Current Payable		<u>2013</u>	<u>2012</u>
Consumers' Refundable Deposits	(Page 3)	\$1,413,934 =====	\$1,333,910 =====

Consumers' refundable deposits which are not immediately repayable have been shown as non-current payable.

16. Deferred Income		<u>2013</u>	<u>2012</u>
Contributions, Plant & Machinery		8,276,251	8,034,571
Amortization		(3,854,361)	(3,527,212)
Total	(Page 3)	\$4,421,890 =====	\$4,507,359 =====

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.

17. Share Capital		<u>2013</u>	<u>2012</u>
Authorized			
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 ==

18. Contributed Capital		<u>2013</u>	<u>2012</u>
Government of Montserrat	(Page 3)	\$19,276,152 =====	\$19,276,152 =====

This represents the amount the Government of Montserrat has injected into the operations of the new company, which commenced operations on 1st July 2008. It reflects the net surplus due to the owner (Government) of the two quasi Government institutions, which combined to form the new entity.

MONTSERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2013**(Continued)****(Expressed in Eastern Caribbean Dollars)**

19. Capital Commitment & Contingent Liability	<u>2013</u>	<u>2012</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 \$33.0m.

b. Contingent Liability

As further explained in Note 22, 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.

c. Pending Litigation

A claim was filed by a former employee for damages against the company for unfair dismissal. The Company was summoned to appear before the Labour Tribunal in February 2013, and the Labour Tribunal held four sittings between April and May 2013. The Labour Tribunal delivered its Judgement in November 2013, and awarded compensation to the former employee in a total amount of \$191,641. The Company challenged the decision of the Labour Tribunal in the Eastern Caribbean Supreme Court, and in April 2015, the Eastern Caribbean Supreme Court delivered its Judgement and reduced the award of compensation to \$141,378. This matter has now been settled in full.

20. 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 Act 2007.

MONTSERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2013**(Continued)****(Expressed in Eastern Caribbean Dollars)****21. 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 analysing these Financial Statements.

ii. Insurance

It should be noted that Transmission and Distribution facilities are uninsured. This poses an operational risk for the company if there should ever be major damages done to these facilities.

22. Subsequent Events**i) Pension Plan Investment**

Subsequent to the date of the financial position, there has been much concern on the local and regional financial industry with regards to the Central Bank of Trinidad and Tobago and the Government of Trinidad and Tobago recent intervention in certain CL Financial Group particularly Colonial Life Insurance Company (Trinidad) Limited (CLICO).

The company's Deposit Administration Pension Plan which is managed by the Trustees, First Caribbean International Bank is invested with CLICO.

The Directors have been monitoring the development in relationship with the CL Financial Group.

ii) Accounting for Impairment

The Board of Directors have decided to provide for 100% impairment of the Pension Plan Investment, and will recognize any recoveries on the Investment on an actual basis when and if recoveries can be determined with certainty.

iii) Settlement of Existing Pension Liability

The company's policy position regarding its Pension Liability has been amended due to the impairment of its employees' Pension Fund Investments. 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. The recognized computed liability at the statement of financial Position date is \$4,554,217.

MONTSERRAT UTILITIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31ST DECEMBER 2013**(Continued)****(Expressed in Eastern Caribbean Dollars)**

23. Related Party Transaction	<u>2013</u>	<u>2012</u>
Key Management Compensation	845,773	845,773
Directors' fees	6,800	6,800
	-----	-----
	\$852,573	\$852,573
	=====	=====

24. Prior Period Adjustment

During the audit of the 2013 accounts management carried out a reappraisal exercise of some of the company's fixed assets which has affected prior accounting periods. As a result it has given rise to a prior period adjustment because of the amount

Additionally an increase in bad debt provision that was made in 2012 to due to differences noted between the billing and accounting system was rectified in 2013. The amount is considered material and as such warrants an adjustment to the 2012 financial statements.

The effect on the financial statements in 2012 resulted in a reduction to contributed capital, accumulated deficit, and fixed assets with a corresponding increase in accounts receivable.

The net amount of the adjustment is \$10,840,327

MONTSEERRAT UTILITIES LIMITED
SCHEDULE OF OTHER INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2013
(Expressed in Eastern Caribbean Dollars)

	<u>2013</u>	<u>Restated</u> <u>2012</u>
Mortgages and Loans Interest	7,672	10,120
Interest	21,358	26,203
Rent	38,531	24,978
Sundry	105,787	353,419
Sale of Stores	27,927	41,491
Connection / reconnection fee	50,993	61,990
Contributions & Grants	356,069	338,494
Supplier related credits	-	362,946
	-----	-----
Total (Page 4)	\$608,337	\$1,219,641
	=====	=====

MONTserrat UTILITIES LIMITED**SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 31ST DECEMBER 2013
(Expressed in Eastern Caribbean Dollars)**

	<u>2013</u>	<u>Restated</u> <u>2012</u>
Salaries & Wages	2,321,048	2,627,252
Gratuity	47,117	35,688
Insurances	331,548	386,061
Vehicles	46,034	32,386
Repairs & Maintenance	89,432	114,373
Rent, Rates, Taxes & Water	343,767	93,750
Telephone Postage and Fax	74,094	90,594
Stationery	68,265	83,099
Bank Charges	5,771	6,377
Technical Fees	76,933	4,240
Professional and Consultancy Fees	7,432	1,854
Entertainment	24,169	20,609
Travelling	27,507	53,082
Advertising	9,057	1,939
Staff Training and Recruitment	232,937	42,140
Uniform/Protective Clothing	40,438	17,554
Medical	7,760	1,902
Canteen	3,077	2,680
Legal Fees	37,270	9,325
Agency Fee	-	10,000
Subscription and Donations	55,877	74,826
Sundry	4,932	4,915
Bad Debts	-	125,842
Depreciation	210,138	191,669
	-----	-----
Total (Page 4)	\$4,064,603	\$4,032,157
	=====	=====

MONTserrat UTILITIES LIMITED**SCHEDULE OF OTHER EXPENSES
FOR THE YEAR ENDED 31ST DECEMBER 2013
(Expressed in Eastern Caribbean Dollars)**

	<u>2013</u>	<u>2012</u>
Directors fees	6,800	6,800
Audit and professional fees	86,250	78,250
Accounting and consultancy fees	-	7,665
	-----	-----
Total(Page 4)	\$93,050	\$92,715
	=====	=====