



DAIRY SPRING LIMITED

(Water Resources & Water Utility Services)

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2019 Aug 19

Director General
Office of Utilities Regulation
36 Trafalgar Road
Kingston 10

Dear Sir,

DAIRY SPRING LIMITED (DSL) - Application for increase in Water Rates

We hereby apply for an increase in water rates charged to our customers as follows: -

Supply Category	Present			Proposed		
	Effective Date	Rate (J\$) 1000 gal	Rate (\$) 1000 litres	Effective Date	Rate (J\$) 1000 gal	Rate (\$) 1000 litres
Commercial	2011.02.11	700	154	2019.10.01	1,050	231
Export	2011.02.11	1,000	220	2019.10.01	1,500	330

DSL has the capacity to produce and distribute its licensed abstraction capacity of 3,406 m³/d with a near 100% reliability. Water supplied to customers continues to be of the highest quality and adequate pressure as determined by our daily monitoring of the distribution system. Non-Revenue Water over 2018 has averaged 4.2%. Neither have we breached any of the Conditions attached to the 2011 Rate Determination. A prior rate increase application that had been submitted in 2016 to the Office had been denied, as our Licence had not yet been renewed. The renewal has since been granted dated 17 December 2018 and issued 23 January 2019.

The following documents are submitted in support of our application: -

- Audited Financial Statements – 2018
- Chart – Water Production, Water Sales and Non-Revenue water
- Chart – Daily Water Pressures in the water Distribution system
- Chart – Daily Chlorine Residual in the Distribution System
- Fortnightly Bacteriological Quality

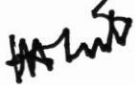
In evaluating our request, we ask that you take note of the following in the 2018 Audit Report: -

1. Revenue = Water Sales + Consulting Income = \$28,060,800 + \$15,431,465 = \$43,492,265
2. Debt includes \$13,136,784 (68%) Interest Free Loan provided by the Directors and an associated Company.
3. Interest on Debt of \$818,928 was incurred on commercial debt of \$6,298,025

The **50% proposed increase in rates** is intended to recover losses in earnings and increased costs resulting from a **49.5% increase in inflation** (2011 January to 2019 June; STATIN, 2019) and **60.7% devaluation of the Jamaican dollar** with respect to the US Dollar (2011.02.01 to 2019.07.24, BoJ). Also, it is intended to facilitate continued loan repayments, allow planned capital improvements and continue our efficient operations.

We ask for your prompt and favourable response to our application for increased water rates.

Yours respectfully
DAIRY SPRING LIMITED



Michael N. White
MANAGING DIRECTOR

**DAIRY SPRING LIMITED
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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DAIRY SPRING LIMITED
DECEMBER 31, 2018

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**Bogle and Company**

Chartered Accountants

Worrick Bogle FCCA, FCA, CPA

Independent Auditor's Report**To the Shareholders of Dairy Spring Limited****Report on the Audit of the Financial Statements***Opinion*

We have audited the financial statements of Dairy Spring Limited set out on pages 4 to 20, which comprise the statements of financial position as at December 31, 2018, statements of comprehensive income, changes in equity 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 give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, 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 but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report**To the shareholders of Dairy Spring Limited***Auditor's Responsibilities for the Audit of the Financial Statements.*

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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:

- 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 control.
- Obtain an understanding of internal control 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Independent Auditor's Report

To the Shareholders of Dairy Spring Limited

- 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 presents a true and fair view.

We communicate with the Board of Directors 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 our audit.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.



Bogle & Company
Chartered Accountants
March 11, 2019

DAIRY SPRING LIMITED
STATEMENT FOR FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Notes	2018 \$	2017 \$
Assets			
Non-current assets			
Property, plant & equipment	3	86,939,226	90,396,518
Current assets			
Accounts receivable	4	1,381,095	604,169
Tax recoverable	5	3,724,472	3,476,429
Cash and bank	6	447,402	3,923,141
Total current assets		<u>5,552,969</u>	<u>8,003,739</u>
Total assets		<u>92,492,195</u>	<u>98,400,257</u>
Equity & Liabilities			
Share capital			
Authorised, issued & fully paid			
1,000 ordinary shares of \$1.00 each	7	1,000	1,000
Reserves	8	49,748,343	49,748,343
Accumulated profit		<u>23,308,043</u>	<u>25,681,843</u>
Total equity		<u>73,057,386</u>	<u>75,431,186</u>
Non-current liabilities			
Long-term loan	9	<u>6,298,025</u>	<u>1,777,544</u>
Total non-current liabilities		<u>6,298,025</u>	<u>1,777,544</u>
Current liabilities			
Current portion of loan	9	514,322	2,772,120
Related parties	10	9,088,799	16,255,632
Payables & accruals	11	2,515,475	2,163,775
Taxation	12	1,018,188	-
Total current liabilities		<u>13,136,784</u>	<u>21,191,527</u>
Total equity & liabilities		<u>92,492,195</u>	<u>98,400,257</u>

Approved by the Board of Directors on March 11, 2019 and signed on its behalf by


 _____ / Michael White (Director)


 _____ / Ivan Lowe (Director)

The accompanying notes form an integral part of these Financial Statements and should be read in conjunction therewith

DAIRY SPRING LIMITED
STATEMENT OF PROFIT OR LOSS
YEAR ENDED DECEMBER 31, 2018

	Notes	<u>2018</u>	<u>2017</u>
		\$	\$
Income	g	43,492,265	37,780,557
Direct expenses	13	(1,170,129)	(1,335,333)
Administration expenses	14	(44,693,395)	(43,898,730)
Profit from operation		(2,371,259)	(7,453,506)
Gain on non-current asset		85,987	-
Other income		989,726	346,891
Net loss before taxation		(1,295,546)	(7,106,615)
Taxation		(1,078,254)	-
Net loss after taxation		<u>(2,373,800)</u>	<u>(7,106,615)</u>

DAIRY SPRING LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2018

	Share capital	Reserves	Accumulated profit	Totals
	\$	\$	\$	\$
Balance as at January 1, 2017	1,000	49,748,343	32,817,245	82,566,588
Prior year adjustment			(28,787)	(28,787)
Net loss for the year	-	-	(7,106,615)	(7,106,615)
Balance as at December 31, 2017	1,000	49,748,343	25,681,843	75,431,186
Balance as at January 1, 2018	1,000	49,748,343	25,681,843	75,431,186
Net loss for the year	-	-	(2,373,800)	(2,373,800)
Balance as at December 31, 2018	1,000	49,748,343	23,308,043	73,057,386

DAIRY SPRING LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
<u>Cash flow from operating activities</u>		
Net loss	(2,373,801)	(7,106,615)
Adjustment to reconcile income for the year to net cash provided by operating activities		
Prior year adjustment	-	(28,787)
Gain on sale of non-current asset	(85,987)	
Add depreciation	<u>9,787,042</u>	<u>8,720,213</u>
	7,327,254	1,584,811
<u>Increase/(decrease) in current assets</u>		
Receivables	(776,926)	65,978
<u>Increase/(decrease) in current liabilities</u>		
Related parties	(7,166,833)	956,123
Payables & accruals	351,699	551,672
Tax recoverable	(248,043)	(990,368)
Taxation	<u>1,018,188</u>	<u>(2,705,024)</u>
Net cash provided by operating activities	<u>505,339</u>	<u>(536,808)</u>
<u>Cash flow from investing activities</u>		
Purchase of fixed assets	(6,828,762)	(660,583)
Proceeds from the sale of motor vehicle	585,000	-
Net cash used in investing activities	<u>(6,243,762)</u>	<u>(660,583)</u>
<u>Cash flow from financing activities</u>		
Bank loan	<u>2,262,684</u>	<u>(556,343)</u>
Net cash used in financing activities	<u>2,262,684</u>	<u>(556,343)</u>
Net decrease in cash and cash equivalents	(3,475,739)	(1,753,734)
Cash and cash equivalent at beginning of year	<u>3,923,141</u>	<u>5,676,875</u>
Cash and cash equivalent at year end	<u><u>447,402</u></u>	<u><u>3,923,141</u></u>
<u>Represented by:</u>		
Cash and bank	(note 8) <u>447,402</u>	<u>3,923,141</u>
	<u>447,402</u>	<u>3,923,141</u>

DAIRY SPRING LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

1. Reporting Entity

Dairy Spring Limited "The Company"

The company which was incorporated on November 5, 2001, under the Jamaican Companies Act, is a wholly owned Jamaican company.

The main activity of the company is to harness, divert and sell water under licence from the National Water Commission.

2. Summary of significant accounting policies

a. Statements of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

The significant accounting policies that have been used in the preparation of the financial statements are summarised below and have been consistently applied for all the years presented. The Measurement bases used are those specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

b. Functional currency

These financial statements are presented in the Jamaican dollar, which is the business functional currency

c. Basis of Preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received for sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

DAIRY SPRING LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Summary of significant accounting policies (cont'd)

d. IFRS 7: Financial Instruments: Disclosures

This standard requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.

Interest rate risk

Interest rate risk arises when the value of financial instruments fluctuated during a specified period due to changes in market interest rates.

The company faces no direct interest rate risk.

Credit risk

Credit risk is the risk of exposure occasioned by one party to the financial instrument when the other party fails to discharge an obligation thus causing the other party to suffer a financial loss.

The business faces no credit risks as of the end of the fiscal period.

Foreign currency risk

A foreign currency risk is that the value of a financial instrument will fluctuate due to changes in the foreign currency exchange rates.

The business faces no foreign currency risk.

Liquidity risk

Liquidity risk is that which the business faces when it encounters difficulties in raising funds to meet commitments associated with its financial instruments.

At December 31, 2018, the business did not face any liquidity risks.

DAIRY SPRING LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Summary of significant accounting policies (cont'd)

e. IAS 12 Income Taxes

For the purposes of this Standard, income taxes include all domestic and foreign taxes which are based on taxable profits. Income taxes also include taxes, such as withholding taxes, which are payable by a subsidiary, associate or joint arrangement on distributions to the reporting entity.

The tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.

The tax base of a liability is its carrying amount, less any amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of revenue which is received in advance, the tax base of the resulting liability is its carrying amount, less any amount of the revenue that will not be taxable in future periods.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income/statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

DAIRY SPRING LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Summary of significant accounting policies (cont'd)

f. IAS 16 - Property, Plant, and Equipment

This Standard shall be applied in accounting for property, plant, and equipment except when another Standard requires or permits a different accounting treatment.

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) It is probable that future economic benefits associated with the item will flow to the entity; and
- (b) The cost of the item can be measured reliably

Items of property, plant and equipment may be acquired for safety or environmental reasons. The acquisition of such property, plant, and equipment, although not directly increasing the future economic benefits of any particular existing item of property, plant, and equipment, may be necessary for an entity to obtain the future economic benefits from its other assets. Such items of property, plant, and equipment qualify for recognition as assets because they enable an entity to derive future economic benefits from related assets in excess of what could be derived had those items not been acquired.

An item of property, plant, and equipment that qualifies for recognition as an asset shall be measured at its cost.

An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant, and equipment.

This business uses the cost model as its measurement of recognition.

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset.

This business recognises depreciation under the expense heading of "depreciation."

The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.

DAIRY SPRING LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Summary of significant accounting policies (cont'd)

f. IAS 16- Property, Plant, and Equipment (cont'd)

The depreciation method used by the company is the straight-line basis and is designed to write off the assets over its useful life.

Equipment	20%
Furniture & Fixtures	10%
Pipeline	10%
Building	2.5%
Leasehold	20%
Motor Vehicle	12.5%

Repairs and maintenance expenditures are charged to the profit or loss in the statement of comprehensive income during the financial period in which they are incurred.

g. IAS 18 — Revenue

This standard outline the accounting requirements as to when to recognise revenue from the sale of goods, rendering of services, and for interest, royalties, and dividends. Revenue is measured at the fair value of the consideration received or receivable and recognised when prescribed conditions are met, which depend on the nature of the revenue.

The company's main revenue source which is the sale of water is recognised on the Sales-basis method. Under this method revenue is recognised at the time of the sale, which is defined as the moment when the title of the goods is transferred to the buyer. Under this method revenue is recognised when an entire set of activities have been completed.

The company recognises other income when rights and obligations have been transferred to the entity.

- (a) Water sales and professional services for 2018 amounts to \$28,060,802 and \$15,431,463 respectively, totalling \$43,492,265 in income.

h. IAS 24- Related Party Disclosures

The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

DAIRY SPRING LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Summary of significant accounting policies (cont'd)

h. IAS 24- Related Party Disclosures (cont'd)

A **related party** is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control of the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A **related party transaction** is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged

DAIRY SPRING LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Summary of significant accounting policies (cont'd)

Share Capital

Share capital consists of funds raised by issuing shares in return for cash or other considerations. The amount of share capital a company can change over time because each time a business sells new shares to the public in exchange for cash, the amount of share capital will increase.

DAIRY SPRING LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

3. Property, plant, and equipment

Cost/valuation	<u>Land & building</u> \$	<u>Motor vehicle</u> \$	<u>Furniture, fixtures office equipment</u> \$	<u>Leasehold improvement</u> \$	<u>Pipeline</u> \$	<u>Total</u> \$
Balance at January 1, 2017	71,963,579	19,896,607	9,261,633	1,158,988	41,900,669	144,181,476
Additions	-	-	606,583			606,583
Balance at December 31, 2017	71,963,579	19,896,607	9,922,216	1,158,988	41,900,669	144,842,059
Balance at January 1, 2018	71,963,579	19,896,607	9,922,216	1,158,988	41,900,669	144,842,059
Additions		5,724,825	1,103,937			6,828,762
Disposal	-	(1,004,292)	-			(1,004,292)
Total at December 31, 2018	71,963,579	24,617,140	11,026,153	1,158,988	41,900,669	150,666,529
<u>Accumulated depreciation</u>						
Balance at January 1, 2017	1,996,905	9,948,303	5,534,736	1,158,988	27,086,395	45,725,327
Charge for 2017	456,589	2,487,076	1,553,501	-	4,190,067	8,687,233
Balance at December 31, 2017	2,453,494	12,435,379	7,121,217	1,158,988	31,276,462	54,445,540
Balance at January 1, 2018	2,453,494	12,435,379	7,121,217	1,158,988	31,276,462	54,445,540
Charges for 2018	456,589	3,359,600	1,780,786	-	4,190,067	9,787,042
Disposal	-	(505,279)	-	-	-	(505,279)
Total at December 31, 2018	2,910,083	15,289,700	8,902,003	1,158,988	35,466,529	63,727,303
<u>Net book value</u>						
December 31, 2018	69,053,495	9,327,440	2,124,150	-	6,434,140	86,939,226
December 31, 2017	69,510,084	7,461,228	2,800,999	-	10,624,207	90,396,518

i. Land & Building includes land at the cost of \$53,700,000.

DAIRY SPRING LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

4. Receivables

	<u>2018</u>	<u>2017</u>
	\$	\$
Trade receivables	1,162,220	425,294
Other receivables	218,875	178,875
	<u>1,381,095</u>	<u>604,169</u>

Aged trade receivables

	0 to 30 days	31 to 60 days	61-90 days	Over 90 days	Carrying value
	\$	\$	\$	\$	\$
Balance at:					
December 31, 2018	<u>865,788</u>	-	-	296,432	<u>1,162,220</u>
December 31, 2017	<u>147,840</u>	-	-	277,454	<u>425,294</u>

5. Tax recoverable

	<u>2018</u>	<u>2017</u>
	\$	\$
Beginning Balance	3,476,429	2,486,061
Current year General Consumption Tax claimable	248,043	990,368
Ending Balance	<u>3,724,472</u>	<u>3,476,429</u>

This amount represents input tax paid in excess of output tax on General Consumption Tax (GCT) at the end of the reporting period and estimated Company income tax (\$116,106) for the year

DAIRY SPRING LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

6. Cash and bank balance

	<u>2018</u>	<u>2017</u>
	\$	\$
Bank of Nova Scotia Jamaica Limited	222,699	266,724
First Global Bank Limited- current account	147,749	98,689
National Commercial Bank Limited - current account	76,954	3,557,728
	<u>447,402</u>	<u>3,923,141</u>

7. Share Capital

	<u>2018</u>	<u>2017</u>
	\$	\$
Authorised issued and fully paid 1,000 ordinary shares of \$1.00 ea.	<u>1,000</u>	<u>1,000</u>

8. Reserves

This represents the excess of valuation over the carrying value of land and building, which was professionally valued by Allison Pitter & Company Limited.

9. Bank loan

	<u>2018</u>	<u>2017</u>
	\$	\$
First Global Bank Limited	1,995,235	4,549,664
Simpson Financing	4,817,112	-
	<u>6,812,347</u>	<u>4,549,664</u>
Current portion	514,322	2,772,120
Long-term portion	<u>6,298,025</u>	<u>1,777,544</u>

DAIRY SPRING LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Bank loan (cont'd)**First Global Bank Limited****Security:**

- i. Bill of Sale over 2014 Mercedes-Benz ML350 Diesel SUV registered in the name of Dairy Spring Limited stamped to cover \$10,230,695.00 along. Comprehensive insurance coverage over the vehicle with the Bank's interest noted.
- ii. Bill of sale over 2014 Mitsubishi Pajero 3.2 Diesel registered in the name of Dairy Spring Limited and stamped to cover \$7,171,620.00. Comprehensive insurance coverage over the vehicle with the Bank's interest noted as mortgage.
- iii. Formal subordination of shareholder's loans
Interest is at a rate of 10.5%

10. Related parties

	<u>2018</u>	<u>2017</u>
	\$	\$
Due to/(from) Hydrology Consultants Limited	4,919,847	1,444,507
Due to Directors	(14,008,646)	(17,700,139)
	<u>(9,088,799)</u>	<u>(16,255,632)</u>

The loan is an interest-free loan which bears no fixed repayment terms.

11. Payables and accruals

	<u>2018</u>	<u>2017</u>
	\$	\$
Trade payables & accruals	2,005,224	1,495,951
Statutories payable	325,251	417,824
Audit fees	185,000	250,000
	<u>2,515,475</u>	<u>2,163,775</u>

DAIRY SPRING LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Payables and accruals (cont'd)

Aged trade Payables

	0 to 30 days	31 to 60 days	61-90 days	Over 90 days	Carrying value
	\$	\$	\$	\$	\$
Balance at:					
December 31, 2018	2,005,224	-	-	-	2,005,224
December 31, 2017	1,495,951	-	-	-	1,495,951

12. Taxation

	<u>2018</u>	<u>2017</u>
	\$	\$
Loss per profit or loss account	(1,295,546)	-
Adjustments to profit	7,419,631	-
	6,124,085	-
Taxation at 25%	1,531,021	-
Employment tax credit	452,767	-
Minimum Business Tax	60,000	-
Withholding tax	66	-
	<u>1,018,188</u>	<u>-</u>

DAIRY SPRING LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

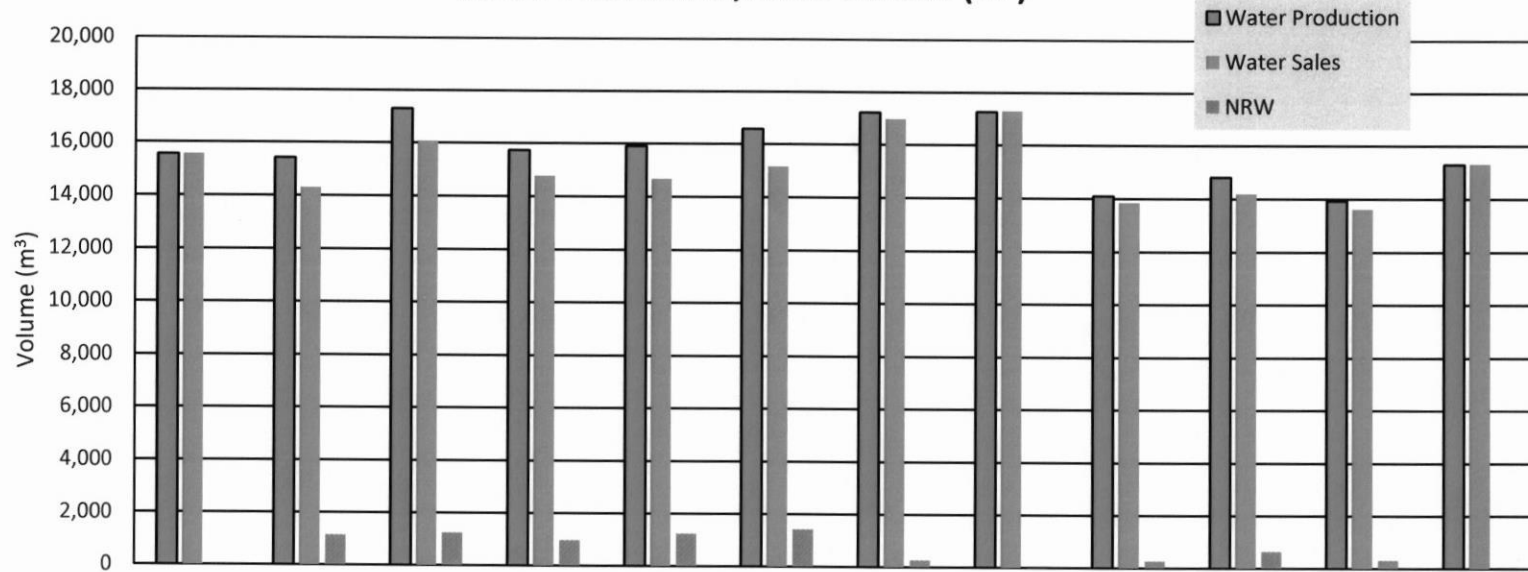
13. Direct expense

	<u>2018</u>	<u>2017</u>
	\$	\$
Water treatment charges	242,931	138,973
Project expense	818,208	1,043,360
License	61,490	-
Contract services	-	77,000
Casual labour	47,500	76,000
	<u>1,170,129</u>	<u>1,335,333</u>

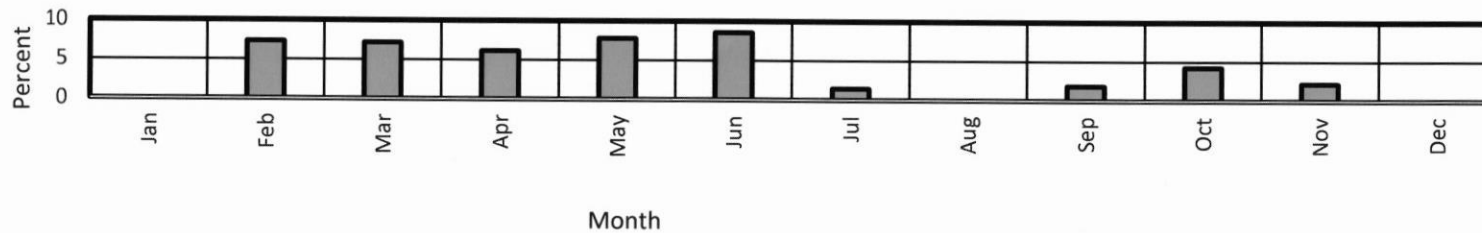
14. Administrative expense

	<u>2018</u>	<u>2017</u>
	\$	\$
Salaries, wages & statutory contributions	10,872,659	10,731,273
Directors' remuneration	9,625,000	9,625,000
Rent	1,200,000	1,200,000
Depreciation	9,787,042	8,720,213
General insurance	45,000	38,750
Health insurance	1,212,339	1,205,543
Office expenses & supplies	226,539	129,434
Motor vehicle expenses	2,342,379	2,954,508
Staff training	-	30,000
Staff welfare	1,224,822	1,420,745
Utilities	1,004,800	765,748
Security	175,382	115,920
Interest	818,928	731,420
Audit fee	185,000	175,000
Audit fee under-provision	-	10,000
Penalty	15,945	6,020
Bank charges	101,027	133,444
Rates & taxes	73,100	68,450
Travelling & entertainment	1,654,665	1,640,848
Stationery & printing	135,900	135,792
Miscellaneous expenses	11,358	485
Legal & professional fees	1,009,200	1,479,624
Repairs & maintenance	2,491,445	1,782,178
Donation & subscription	163,735	154,419
Annual return	5,000	5,000
Advertising & promotion	15,000	-
Minimum Business Tax	-	60,000
Advertising & promotion	-	-
Interest expense overstated- prior year	-	126,634
Statutory deduction understated- prior year	-	54,964
Conference	97,130	-
Withholding tax	-	86,977
Asset tax	200,000	200,000
	<u>44,693,395</u>	<u>43,898,730</u>

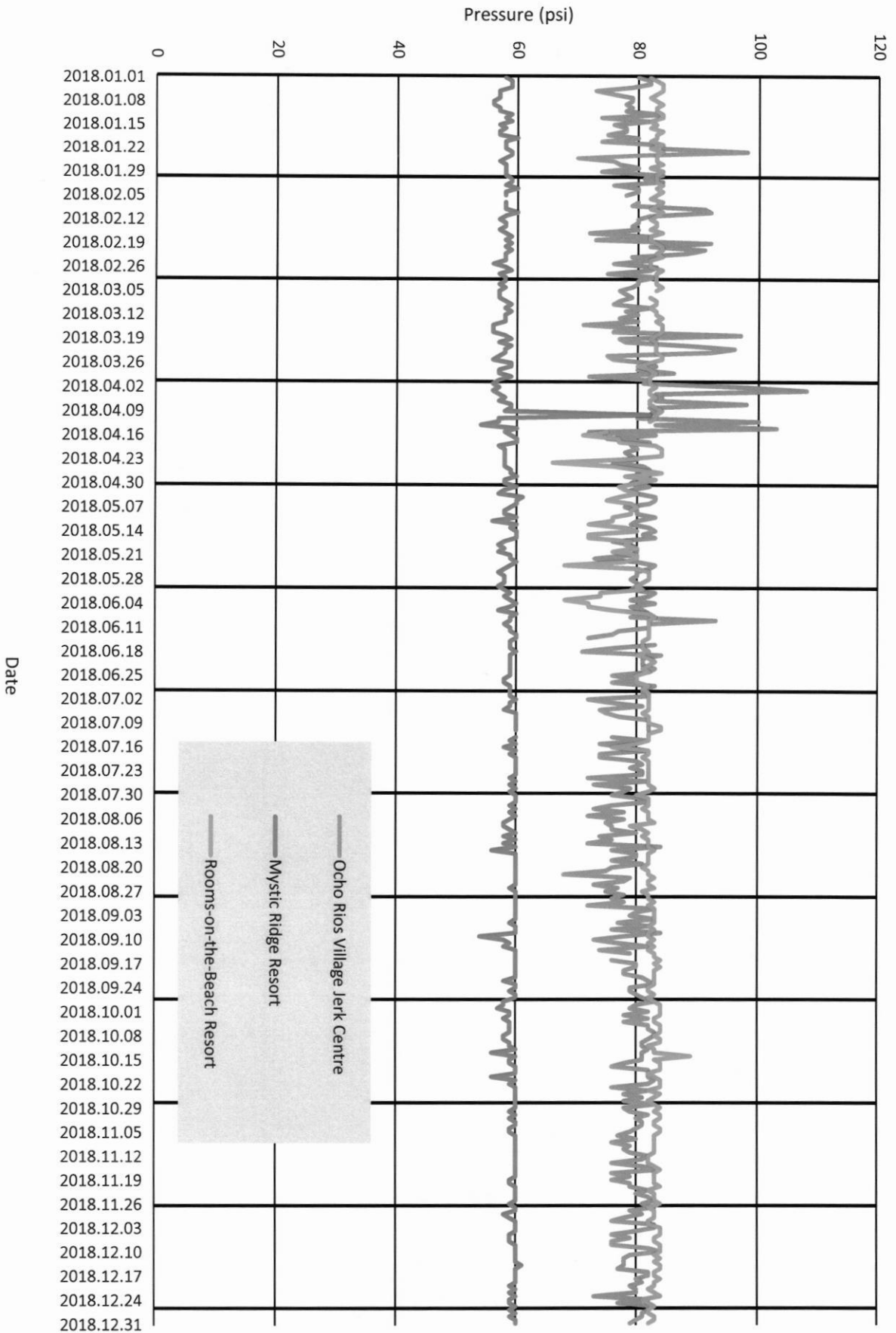
Water Production, Sales & NRW (m³)



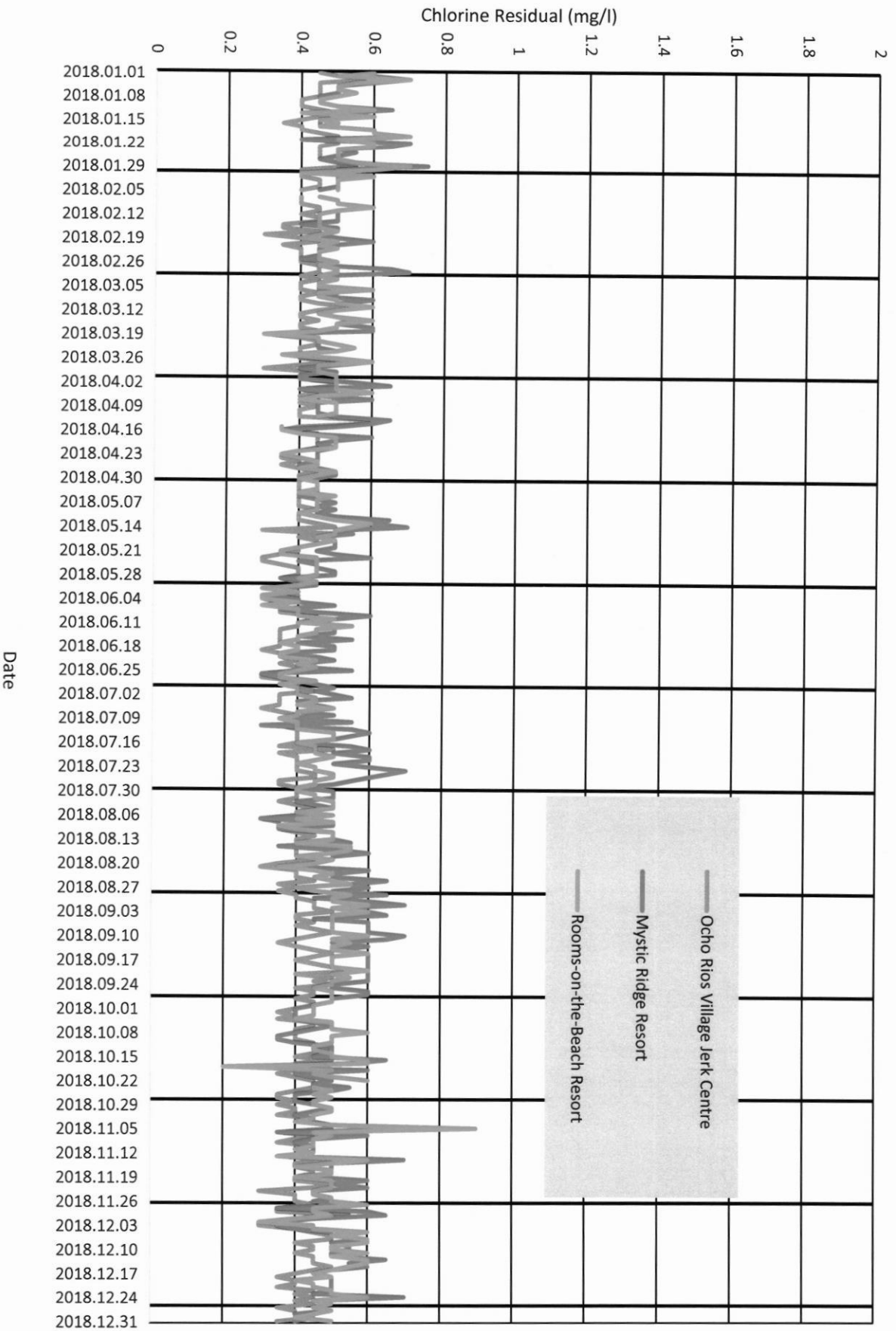
Non Revenue Water



Pressures in The DSL Distribution System - 2018



Chlorine Residuals in The DSL Distribution System - 2018



RESULTS OF FORTNIGHTLY BACTERIOLOGICAL MONITORING - DAIRY SPRING SOURCE AND DISTRIBUTION SYSTEM 2018

Date 2018	Chlorine Residual (ppm)	Dairy Spring @ source (untreated)		Chlorine Residual (ppm)	Ocho Rios Village Jerk Centre		Chlorine Residual (ppm)	Rooms-on-the-Beach Resort	
		Coliform Count (MPN/100 ml)			Coliform Count (MPN/100 ml)			Coliform Count (MPN/100 ml)	
		Total	Faecal		Total	Faecal		Total	Faecal
Jan-02	NIL	5	<2	0.40	<1.1	<1.1	0.40	<1.1	<1.1
Jan-16	NIL	23	<2	0.40	<1.1	<1.1	0.45	<1.1	<1.1
Jan-30	NIL	<2	<2	0.40	>8	>8	0.40	>8	<1.1
Feb-13	NIL	79	<2	0.35	<1.1	<1.1	0.45	<1.1	<1.1
Feb-27	NIL	<1.1	<1.1	0.35	<1.1	<1.1	0.40	<1.1	<1.1
Mar-27	NIL	2	<2	0.40	<1.1	<1.1	0.45	4.6	<1.1
Apr-24	NIL	2	<2	0.30	<1.1	<1.1	0.35	<1.1	<1.1
May-08	NIL	<2	<2	0.35	>8	1.1	0.40	<1.1	<1.1
May-22	NIL	<2	<2	0.40	<1.1	<1.1	0.40	<1.1	<1.1
Jun-05	NIL	8	<2	0.30	<1.1	<1.1	0.35	<1.1	<1.1
Jun-18	NIL	<1.1	<1.1	0.35	<1.1	<1.1	0.40	<1.1	<1.1
Jul-03	NIL	5	<2	0.30	<1.1	1.1	0.35	<1.1	<1.1
Jul-17	NIL	<2	<2	0.35	<1.1	<1.1	0.40	<1.1	<1.1
Aug-14	NIL	<2	<2	0.35	<1.1	<1.1	0.40	<1.1	<1.1
Aug-28	NIL	<2	<2	0.40	<1.1	<1.1	0.40	<1.1	<1.1
Sep-11	NIL	<2	<2	0.50	<1.1	<1.1	0.35	<1.1	<1.1
Sep-25	NIL	<2	<2	0.35	<1.1	<1.1	0.35	<1.1	<1.1
Oct-09	NIL	2	2	0.30	<1.1	<1.1	0.35	<1.1	<1.1
Nov-06	NIL	8	<2	0.35	<1.1	<1.1	0.35	<1.1	<1.1
Nov-20	NIL	79	2	0.40	8	8	0.45	<1.1	<1.1
Dec-04	NIL	<2	<2	0.35	<1.1	<1.1	0.35	<1.1	<1.1
Dec-18	NIL	49	<2	0.35	<1.1	<1.1	0.35	<1.1	<1.1

Note 1: Coliform in the Distribution System on Jan 30, May 08 and Nov 20 represent contamination of the sample, as no Coliform was detected in the raw/untreated spring discharge at source. Also note that the presence of a Chlorine Residual is indicative of Nil Coliform content, at the time of sampling.

Note 2: The Monitoring Points in the distribution represent the first (Jerk Centre) and last (Rooms) customers on the system