



**DYNAMIC ENVIRONMENTAL MANAGEMENT
LIMITED**

TARIFF REVIEW APPLICATION FOR WATER AND SEWAREAGE

FOR

VINEYARDS ESTATE

CARIBBEAN ESTATE

PORTMORE COUNTRY CLUB

MORRIS MEADOWS

FEBRUARY 25, 2014

SUBMITTED TO:

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Introduction

Dynamic Environmental Management Limited (DEML) has received licences from the Office of Utilities Regulation (OUR) for the operation of Water & Sewerage Service at Vineyards Estate, Caribbean Estates, Portmore Country Club and Morris Meadows.

DEML is applying to the OUR for a single tariff review of \$119.56, service charge of \$681.10, connection fee of \$3,000 and reconnection fee of \$4,026.08 consistent with the terms of its licences. DEML is also applying for the continuation of the Price Adjustment Mechanism (PAM) which will safeguard the company from future increase in consumer price index, foreign exchange and electricity.

Business Overview

Business Description

Dynamic Environmental Management Limited (DEML) is a limited liability company incorporated in April 2005. DEML has received licences from the Office of Utilities Regulations (OUR) for the extraction, treatment and distribution of domestic water supply and the collection and treatment of sewage and the discharge of effluent in accordance with NEPA and WHO standards for the Vineyards Housing Development, Caribbean Estate Housing Development, Portmore Country Club and Morris Meadows Housing Development.

Ownership and Management

The principal owners of DEML are Carl Tucker, Donovan Hayden, Lloyd Thomas and Peter Baker and the company is headed by a Board of Directors with over 51 years combined experience in utility services and engineering, operations management and customer service.

Carl Tucker spent 13 years with Goodyear Jamaica Limited rising to the position of Quality and Technology Manager before leaving for the Ministry of Housing where he worked as the Joint Venture Housing Coordinator for 7 years and 5 years at New Era Homes 2000 Limited as Vice President in charge of Operations. He is now providing consultancy service in the area of housing development.

Donovan Hayden has spent over 25 years with the Land Valuation Department working in various capacities, his last being Assistant Commissioner of Land Valuations. He is now working with the National Land Agency as Director Estate Management.

Lloyd Thomas spent 10 years with the Jamaica Public Service Company Limited where he rose to the position of District Manager. Since 1991 he has been Managing Director of Pro-Tech Enterprise Company Limited, an Electrical Engineering Consulting Company.

Peter Baker spent over 10 years with the Land Valuation Department working in various capacities with the last being Valuation Surveyor. He is now employed with the National Land Agency as Manager Property Services with portfolio responsibility for the management of crown lands.

Vision and Mission Statement

DEML is committed to providing efficient, reliable and quality service in the extraction, treatment and distribution of domestic water supply and the collection and treatment of sewage and discharge of the effluent to National Environmental Planning Agency (NEPA) and WHO standards at the facilities it operates, whilst adding value to the community and maintaining a healthy environment.

Scope of DEML's Services

DEML Customers

DEML provides potable water to 2,266 contracted active customers and sewerage services to 2,194 customers in the parish of St. Catherine as follows:

Name of Housing Development	Number of Accounts	
	Water	Sewerage
Vineyards Estate	420	419
Caribbean Estates	983	981
Portmore Country Club	392	385
Morris Meadows	471	409

Potable Water Services

Potable water services are provided to the customers of DEML via in house taps. DEML produces approximately 54,279,000 liters of water per month through a network of pipelines in the various housing developments.

Name of Housing Development	Water Produced Per Month (Litres)
Vineyards Estate	10,319,000
Caribbean Estates	26,321,000
Portmore Country Club	7,355,000
Morris Meadows	10,284,000

The source of water for the Vineyards and Portmore Country Club housing developments are from wells located on the site which has been handed over to DEML. The sources of water for the Caribbean Estate Housing Development and the Morris Meadows Housing Development are from (1), the Cookson Number 4 well and from (2), a well located on the site of the Morris Meadows Development respectively. DEML purchases water from The National Irrigation Commission (NIC) and NF Barnes Construction Company Limited, the owners of the wells. With regards to the well at Portmore Country Club, the Homeowners Association has indicated to DEML that they have the rights to the well and should therefore be receiving some monetary compensation for this. DEML is currently in negotiation over this matter.

The extracted water is transmitted through 6 inch lines from the wells to the respective sites. Water is then treated via gas chlorination systems and stored in steel bolted water tanks and then distributed to the residents via duplex pump

pressure systems maintaining 40-45 psi at source. The distribution trunk lines are SCH. 40 PVC with laterals of 1/2 inch.

DEML provides water that consistently meets the water quality standard of the Ministry of Health.

Sewerage Services

DEML provides sewerage services to ninety seven percent (97%) of its customers.

The sewerage treatment systems consist of lift stations equipped with submersible pumps and standby generators, treatment ponds and discharge points. Sewerage is collected from individual houses through 100mm laterals and connected to a 200mm sewer main along the roads. The sewage flows by gravity through a network of manholes and 200 mm lines and is discharged through 300 mm trunk main to the various lift stations.

DEML Facilities

Potable Water Facilities

DEML operates four water supply systems comprising of wells, steel bolted tanks, chlorinators, booster pumps, trunk mains and standby generators.

Sewerage Treatment Facilities

The Vineyards and Morris Meadows Housing Developments have its own wastewater treatment plants while the Portmore Country Club sewerage terminates into the Caribbean Estate wastewater treatment plant. All the wastewater treatment plants are located at the respective housing development except for the Caribbean Estates wastewater treatment plant which is located in Greater Portmore.

All the treatment plants are fairly well maintained and inspected regularly by NEPA and the Ministry of Health. The Vineyards Estate wastewater treatment plant is however in need of repairs.

Industry Overview

Size of the Industry

The National Water Commission produces more than 90 % of Jamaica's total potable water supply from a network of more than 160 underground wells, over 116 river sources (via water treatment plants) and 147 springs. The other 10% is provided by private companies, while The National Irrigation Commission provides irrigation services. Approximately 30% of the water abstracted in Jamaica is used to meet the demand for potable water and the remaining 70% is used for irrigation.

Other Entities Providing Water and Sewerage Services Other than NWC

Name of Entity	Category of Service	Area Served
Can Cara Development Limited	Water & Sewerage	Western Spanish Town
Central Waste Water	Sewerage	Kingston & St. Andrew
Dairy Spring Limited	Water	Shaw Park, St Ann
Four Rivers Development Company Limited	Water	Shaw Park St. Ann
Hampstead Citizens Association Benevolent Society	Water	Hampstead District
Runaway Bay Water Company	Water	Cardiff Hall, Runaway Bay
Rose Hall Development	Sewerage	Rose Hall, Montego Bay
<i>Dynamic Environmental Management Limited</i>	<i>Water & Sewerage</i>	<i>Vineyards Estate, Bushy Park, Caribbean Estates, Morris Meadows, St Catherine</i>

The NWC operates more than 1,000 water supplies and over 100 sewerage facilities island wide. These vary from large raw water storage reservoirs at Hermitage and Mona in St. Andrew and the Great River treatment plant in St. James, to medium sized and small diesel-driven pumping installations serving rural towns and villages across Jamaica.

It is estimated that approximately 70% of Jamaica's population is supplied via house connections and the remaining 30% obtains water from standpipes, water trucks, wayside tanks, community catchment tanks and direct access to rivers and streams.

Approximately 25% of Jamaica's population is served by sewerage facilities operated by the NWC. The Commission also has responsibility for some small sewerage systems, utilizing package plants, which are associated with housing developments in various locations throughout the country. The disposal of the sewage generated in the remainder of the population is done through various types of on-site systems such as septic tanks, soak-away pits, and pit latrines.

Industry Trends

The National Water Sector Policy (NWSP) was intended in particular to provide a framework to encourage private participation in the sector by large investors as well as community based organizations devoted to delivering potable water and sewerage treatment facilities to discrete communities.

Private participation should therefore be in the country's best interest, improve economic efficiency in the sector in terms of operational performance and the use of capital investment, and achieve productivity achievements in the sector by the use of technical and managerial expertise and new technology. It should also insulate the sector from political intervention and powerful interest groups; transfer the risks and responsibilities from government over the long term and deliver a reliable and efficient service to communities throughout the island.

Policy, Legal and Regulatory Framework

Policy Framework

The NWSP sets out the framework for the water and sewerage services. It sets out the government objectives for the sector as well as institutional responsibilities and strategies to achieve them. It also sets out the principles for the establishment of tariffs for water and sewerage.

Ownership and Private Participation

A key aspect of the NWSP is the encouragement of private participation in the provision of water and sewerage. It is expected that private investment in new infrastructure and private operation is will relieve the Government of the burden of financing the sector and provide economic benefits for Jamaica. It is therefore expected to bring improvements in the availability, quality and cost effectiveness of the service being delivered.

Institutional Responsibilities

The OUR will have responsibility for the approval of fees and tariffs based on prescribed/agreed water quality and service standards, minimum standards of sewerage services and other appropriate parameters.

The Environmental Control Division of the Ministry of Health will have responsibility for the monitoring water quality standards according to WHO standards and the Jamaica Interim Guidelines.

NEPA will have responsibility for monitoring and enforcing compliance to environmental standards.

Tariff Regulation

The OUR is responsible for setting tariffs at a level which allows service providers to fully recover efficient costs levels. The service provider will be responsible for increasing efficiency of operations, thus reducing costs to the lowest efficient levels.

In setting tariffs, the OUR will take into account the need for additional funds for system improvements where exceptional circumstances dictate.

The service providers and the OUR will implement a public awareness campaign whenever tariffs are adjusted.

Tariff Structure

The rate for the supply of services shall be set such that it provides a reasonable opportunity to make a reasonable return on capital employed after taking into account all reasonable costs incurred in the provision of the services.

Revenue requirement = operating costs + taxes + return on investments

Legal Framework

OUR Act

The OUR has the responsibility to regulate the provision of prescribe utility services including water and sewerage services pursuant to the Section 4 (1) (a) of the OUR Act.

Water Act

A new Water Supply and Sewerage Service Act is being drafted and among other things will apply to all water service providers including the NWC and privately owned utility companies.

The Public Utility Protection Act

Section 3 of the Public Utility Protection Act makes it an offence for any person to trespass on the works or property of a public utility provider.

Regulatory Framework

General

DEML was granted 20 year licences for the operation of water and sewerage services by the OUR for the following housing developments:

Housing Developments Operated by DEML

No	Housing Developments	Licences	Year
1	Vineyards Estate, Bushy Park, St. Catherine	Dynamic Environmental Management Limited Water Supply Licence, 2005 Dynamic Environmental Management Limited Sewerage Services Licence, 2005	2005
2	Morris Meadows,	Dynamic Environmental Management	2007

	Portmore , St. Catherine	Limited Water Supply Licence (Morris Park) 2007 Dynamic Environmental Management Limited Sewerage Services Licence, (Morris Park) 2007	
3	Caribbean Estates, Portmore, St. Catherine	Dynamic Environmental Management Limited Water Supply Licence (Caribbean Estates) 2007 Dynamic Environmental Management Limited Sewerage Services Licence, (Caribbean Estates) 2007	2007
4	Portmore Country Club, Portmore, St. Catherine	Dynamic Environmental Management Limited Water Supply Licence (Caribbean Estates and Portmore Country Club) 2008 Dynamic Environmental Management Limited Sewerage Services Licence, (Caribbean Estates and Portmore Country Club) 2008	2008

The licences speak to the following provisions;

- The statutory role of the OUR to regulate DEML
- Performance standards and benchmarks with regard to water and sewerage
- Reporting relationships and requirements
- Billing
- Prescribed services to other utilities.

Tariff Application

The licences speak to DEML making an application for a tariff review no more than once every two years. The application must be supported with data and information as the OUR will determine.

Rate Review Process

In an application for rate review, DEML shall file with the OUR, proposed rate schedules and shall demonstrate that the rates proposed for the various rate categories will generate the revenue requirement for the test year. The Office shall accept such filings and if found in order shall initiate a rate proceeding and conduct its review of the proposed rates. The licence also speaks to the right of the DEML to appeal the decision of the Office.

Previous Rate Determination

Determination Notices was granted by the OUR to DEML as follows:

Category	All Schemes
Volumetric Rate for water & sewerage	\$73.11 (per 1000 liters)
Service Charge	\$478.62
Connection Fee	\$2,000.00
Reconnection Fee	\$2,954.00
Price Adjustment Mechanism (PAM)	YES
Determination Notice Document No.	WAS2011003_DET003_RCN001
Date of Notice	August 29, 2012
Effective Date of Rates	September 3, 2012

Overall and guaranteed standards were also developed and imposed by the Office to regulate the general service delivered by DEML. The Overall Standards are general in nature and the performance of DEML against these standards is taken into account during a tariff review. The Guaranteed Standards on the other hand address specific areas of service delivery in relationship between the company and its customers. A compensatory payment of four (4) times the service charge must be credited to the customer's account if any of these standards are breached.

DEML must also submit at least one year of audited financial statement to the Office prior to the next review of the rates and bi-annual reports on its performance against the Standards to the Office.

Reporting Requirements

As part of the monitoring process the OUR specified a number of reports to be presented by DEML on a quarterly basis with monthly breakout:

- Quality of Service Standards
- Statistical information on operations and customer service
- Financial reports
- Price Adjustment Mechanism (PAM)

DEML also submitted monthly reports to the Ministry of Health, National Environmental Planning Agency (NEPA) and the Water Resources Authority (WRA) as part of the monitoring process.

DEML Performance Review 2012

General

DEML initially started operations with the Vineyards Housing Scheme in 2006 with the licences granted in November 2005. The other schemes (Caribbean Estate & Morris Meadows) were delayed due the lengthy application processing time to acquire the licences.

DEML's performance throughout the period has been creditable despite the many challenges faced in collections, theft and the steep increases in electricity rates.

Customer Service

DEML currently has a sub- at Oak Park Plaza, Portmore in addition to its Head Office at 139 Maxfield Avenue.

Other bill payment means were established through JN Money Shop, tele-scotia, tele-midas and on-line banking from BNS, NCB and JN.

Of a customer base of 2,266 customers, DEMML receives an average of six (6) written complaints per month, three (3) relating to billing, one (1) to the quality of service and two (2) to the operational matters.

Management and Staffing

DEML is led by a Board of Directors comprising four persons with each assigned specific responsibility to oversee; Human Resource, Facilities Management, Quality Control and New Business and Commercial Operations and Accounts (See Figure 1 for DEML Functional Chart). The General Manager is responsible for the day to day operations of the company. The number of employees has grown from four (4) in 2006 to twenty one (21) in 2013 including 2 vacant posts to be filled (See figure 2 for Staffing Chart).

DEML believes that the quality of the product it provides the customers is paramount and has conducted several training programs for its operations and some office staff in potable water management and waste water treatment.

Challenges

After relining two of the sewage ponds at the Vineyards Housing Scheme in 2012 – 2013, it is suspected that another pond is leaking. Flows will have to be diverted, and the company will have to incur significant expense to have it relined.

It is estimated that approximately thirty eight percent (38%) of the water treated at all schemes is unaccounted for; a combination of leaks and theft. DEML has embarked on a concentrated program to reduce these losses as much as is practicable.

The cost for procuring water from National Irrigation Commission (NIC) has increased by 125% over the period April 2010 to April 2012

Figure 1 DEML Functional Chart

Dynamic Environmental Management Ltd.

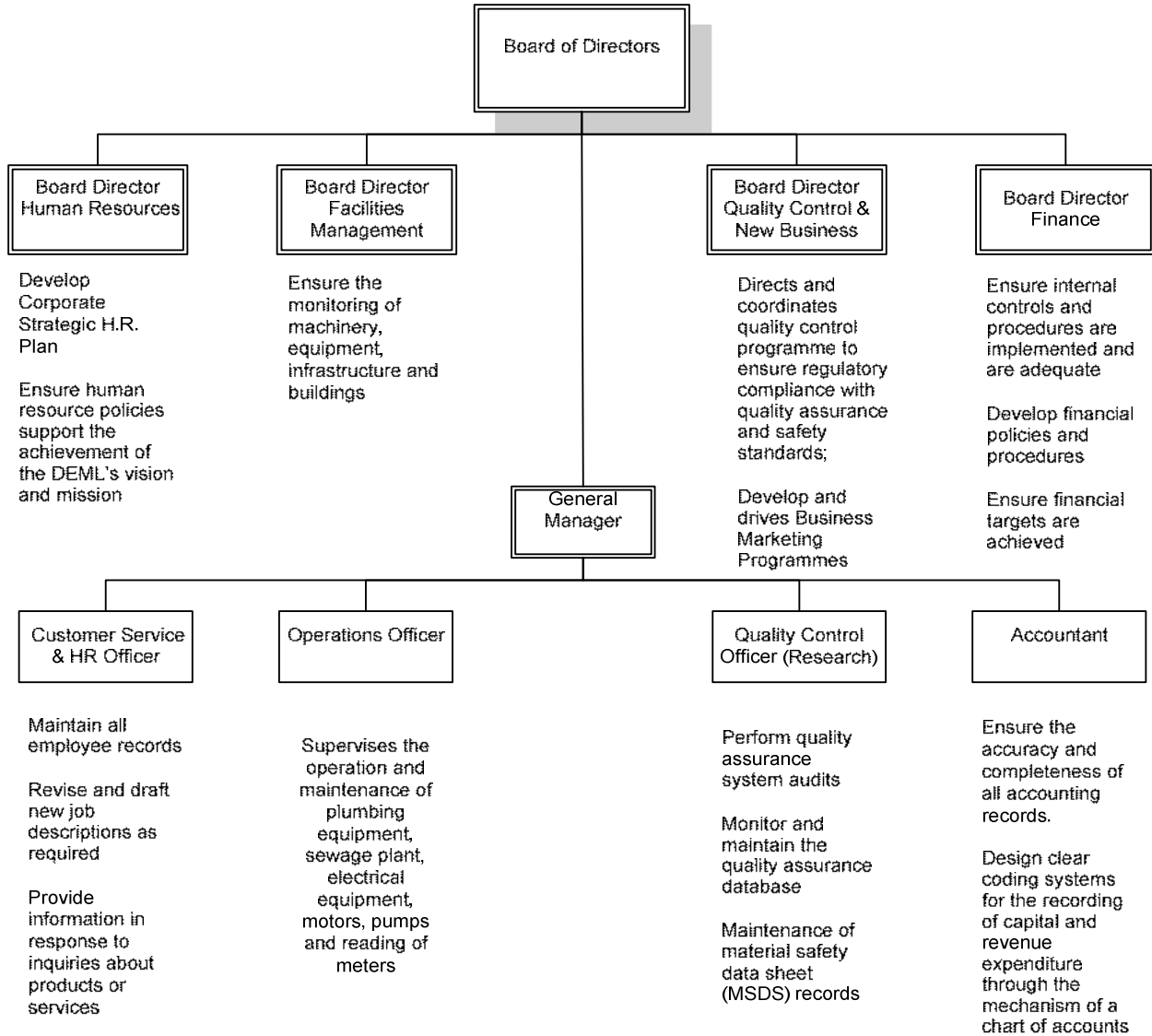
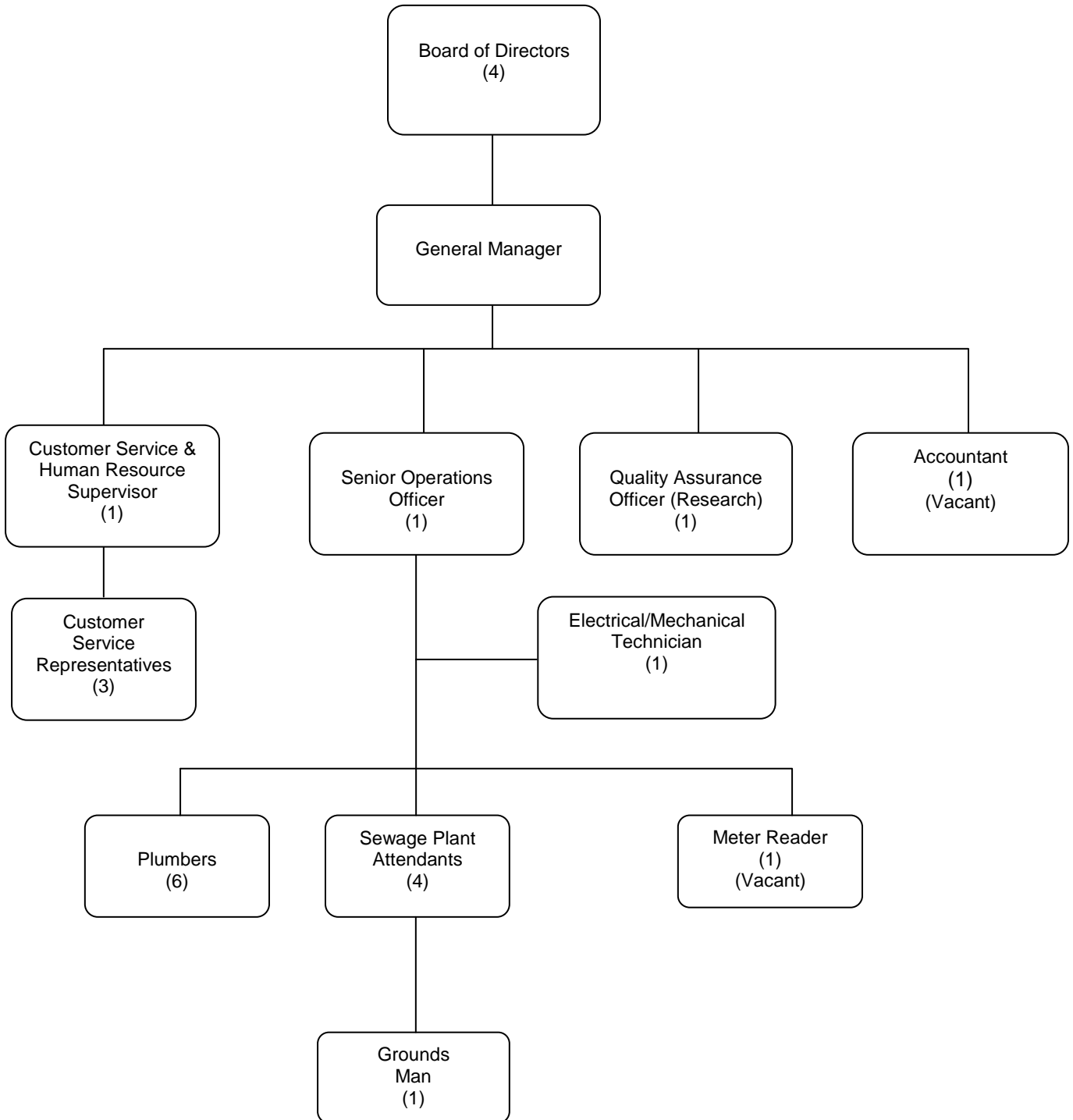


Figure 2 DEML Staffing Chart

Dynamic Environmental Management Limited



Financial Performance

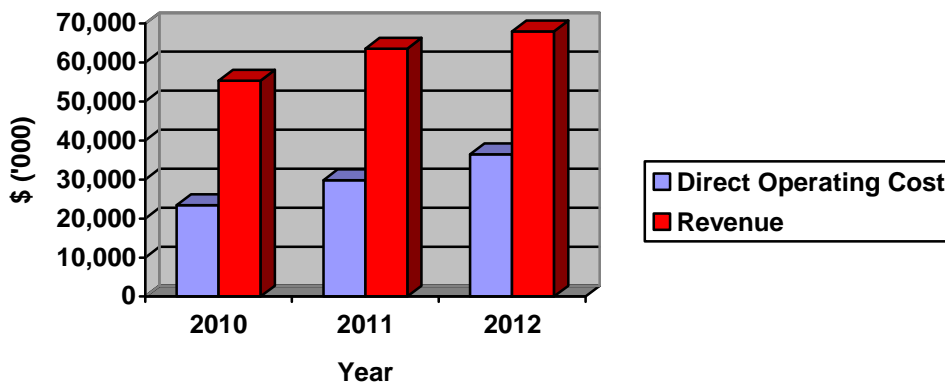
After a minimal increase in profitability between 2010 and 2011, DEML has seen a drastic decline in its profit in 2012 (see table 1). The decline was due to a number of factors:

- The projected expenses determined by OUR in the last tariff review was underestimated. There was a disparity between the number of customers used in the tariff review and the revenue requirement used by OUR.
- Higher than expected damaged meters were discovered at Caribbean Estate. This was coupled with the fact that the cost for damaged meters replacement was not approved by OUR in the last tariff review.
- Pilferage at all sites.

Table 1

	2010	2011	2012
<i>Revenue</i>	\$ 55,334,020.00	\$ 63,569,338.00	\$ 68,006,471.00
<i>Direct Operating Cost</i>	\$ 23,408,372.00	\$ 29,798,947.00	\$ 36,492,051.00
<i>Profit/(Loss) before taxation</i>	\$ 5,087,650.00	\$ 5,950,491.00	\$ 1,067,502.00

Figure 3: Revenue & Direct Expenses



As shown in table 1, while the revenue increased by 14.88% and 6.98% in 2011 & 2012 respectively, the direct cost increased by 27.3% & 22.46% over the same period. An increase in the customer base has contributed to the increase in the direct expenditure over said period. The revenue position improved in 2011 because of the elimination of flat rate and customers were being billed based on actual consumption. These values are based on the audited statements for the years ending 2010, 2011 and 2012. See Appendix 2, 3 and 4.

DEML's ability to meet its short term obligation has increased from 0.9 in 2010 to 1.4 in 2011 and to 1.8 in 2012. This is mainly due to a 13.65% reduction in the payables in 2011. The further increase in the current ratio in 2012 was due to an increase in the cash and cash equivalents.

A rigorous collection drive has been engaged by DEML to ensure that the liabilities are met in a timely manner.

Table 2 – Current Ratio

	2010	2011	2012
All Estates	0.9	1.4	1.8

DEML's 2013 Tariff Application

General

This application is being submitted based on the regulatory framework specified by the OUR and consistent with previous Determination Notices granted. DEML will be making a single tariff application for all the housing developments serviced.

Tariff Methodology

The OUR has applied the Rate of Return methodology to the determination of rates for DEML. The rates for the supply of services shall be set such that it provides a reasonable opportunity to make a reasonable return on capital employed after taking account of all reasonable costs incurred in the provision of the services.

The methodology is specified as follows:

$$\begin{aligned} \text{Revenue requirement} &= \text{Costs of Service} \\ R &= O + D + T + kB \end{aligned}$$

Where R = Revenue Requirement
O = Operational Expenses
D = Depreciation allowance
T = Taxes
k = a fair rate of return
B = rate base

$$\text{Price/Tariff} = \frac{\text{Revenue Requirement}}{\text{Quantity Demanded}}$$

Operational expenses includes all prudently incurred costs not directly associated with investment in capital plant, salaries and other related costs, operating costs, rents and leases, taxes other than income tax and other costs reasonably incurred.

Depreciation is the annual depreciation rates agreed by the OUR.

Taxes are calculated based on the net income and payable to the Government of Jamaica.

Rate of return is calculated based on the rate base and the required rate of return which allows the opportunity to earn a return sufficient to provide for the requirements of the consumers and acquire new investments at competitive costs.

Test year

The test year is based on the year for which the last audited financial statements are available with adjustments made for such changes in revenues and costs as are known and measurable with reasonable accuracy. The effective test year is 2012.

Capital Expenditure

The following capital expenditure projects are projected to be completed (Table 3):

1. Relining of another sewage pond that is currently leaking. DEML relined three (3) sewage ponds at Vineyards Estate over the period 2012 – 2013 costing a total of (\$8,752,723.49). Another sewage pond is now leaking and will have to be relined.
2. The construction of a changing room and bathroom facilities at Morris Meadows and Caribbean Estates sewerage ponds as required by the Ministry of Health.
3. Perimeter fencing at the Caribbean Estates sewerage ponds. The original fence was stolen and will have to be replaced so as to prevent unauthorized persons from accessing the premises.
4. Purchasing of six (6) 4" meters based on NEPA's new requirements. Two (2) 4" meters are required for each sewage treatment plant to record influent and effluent. An additional five (5) 4" meters are also required to replace those that were damaged.
5. Vehicle procurement
6. Computers, office furniture and equipment need to replace. A security system also needs to be installed at both offices.

Four Million Seven Hundred and Ninety Eight Thousand and Twelve Dollars (\$4,798,012) which represents the cost (principal plus interest) to secure a loan to complete these projects over a five (5) year period was included in the tariff build up.

Table 3 - Capital Expenditure Projects

<i>Projects</i>	<i>Vineyards Estate</i>	<i>Caribbean Estate</i>	<i>Morris Meadows</i>	<i>Portmore Country Club</i>	<i>General</i>	<i>Total</i>
Re-Lining of Sewage Pond	\$ 4,760,330.06	\$ -	\$ -	\$ -	\$ -	\$ 4,760,330.06
Installation of changing room	\$ -	\$ 567,936.00	\$ 233,968.00	\$ -	\$ -	\$ 801,904.00
Perimeter Fencing	\$ -	\$ 1,965,000.00	\$ -	\$ 535,000.00		\$ 2,500,000.00
Purchasing of 4" Meters	\$ 889,488.00	\$ 889,488.00	\$ 444,744.00	\$ -	\$ -	\$ 2,223,720.00
Purchasing of 4" Meters (NEPA - Influent & Effluent)	\$ 889,488.00	\$ 699,137.57	\$ 889,488.00	\$ 190,350.43		\$ 2,668,464.00
Pick-up					\$ 2,500,000.00	\$ 2,500,000.00
Office Furniture & Equipment					\$ 200,000.00	\$ 200,000.00
Computer					\$ 150,000.00	\$ 150,000.00
Security system					\$ 300,000.00	\$ 300,000.00
Total	\$ 6,539,306.06	\$ 4,121,561.57	\$ 1,568,200.00	\$ 725,350.43	\$ 3,150,000.00	\$ 16,104,418.06

Connection & Reconnection Fee

DEML is proposing a connection fee of Three Thousand Dollars (\$3,000.00) and a reconnection fee of Four Thousand and twenty six Dollars Eight Cents (\$4,026.08).

Breakdown is as follows:

Reconnection Fee	
Details	Cost
Administrative Charges	\$ 1,059.50
Labour charges for disconnection/reconnection	\$ 1,553.60
Materials (2 cap, 1 elbow, 2 coupling, tangit, pipe)	\$ 412.98
Transportation	\$ 1,000.00
Total	\$ 4,026.08

Connection Fee	
Details	Cost
Administrative Charges	\$ 794.63
Labour charges	\$ 776.80
Materials (2 female adapter, 4 elbows, tangit, pipe)	\$ 428.86
Transportation	\$ 1,000.00
Total	\$ 3,000.29

Service Charge

A service charge of Six Hundred and Eighty One Dollars and Ten Cents (\$681.10) is being proposed. This flat rate covers fixed overheads incurred for the preparation of the bills inclusive of the meter reading.

Return on Investment

A return of 10.26% is used in calculating the return on investment. This is the same rate that was determined by OUR for National Water Commission (NWC). Since we are operating in the same market, the return on investment should be relatively the same.

Expenses

General

Operational expenses include administrative cost, cost of sales, banking and financial and maintenance costs. These costs form the basis for determining the appropriate rates to be charged as they represent actual costs adjusted to reflect normal operating conditions and such changes that are known and measurable. See Appendix 1

Operations and Maintenance Expenses

It is projected that operations and maintenance expenses of \$15,207,633.07 will be spent across all the housing developments.

Table 4

Operations & Maintenance	
Supplies	\$ 1,591,648.20
Security	\$ 353,225.25
Repairs & maintenance	\$ 8,422,046.44
Vehicles & Travel	\$ 1,412,531.00
Licenses, Permits & leases	\$ 2,256,016.18
Quality Testing Expenses	\$ 1,172,166.00
	\$ 15,207,633.07

1. Supplies

Supplies expense includes cleaning supplies, purchase of material, printing & stationery and postage.

- The cost of cleaning supplies includes the cost for bleach, disinfectant, anti-bacterial soap, all-purpose soap, garbage bags, gloves etc that is used by the sewage plant attendants and plumbers.
- Materials purchased includes the consumables (eg. pipe cutters), cost for materials used to repair leaks and to connect meters etc.
- Stationery includes envelopes, paper and ink for the bills and receipt and books for daily recording.
- Postage is for stamps for the mailing of bills.

2. Security

This cost includes:

- Monitoring and response fee for both Head Office and Portmore office
- Armoured fee for lodgments picked up.

As per correspondence dated February 01, 2014, the monthly monitoring cost will be increased to Six Thousand Five Hundred Dollars (\$6500.00) effective March 1, 2014. (Appendix 5)

3. Repairs & Maintenance

This includes the following:

- Sewage removal
- Equipment maintenance – scheduled maintenance
- Sewage Pond Maintenance – Bushing, removal of weeds etc
- Equipment rental - repairing of major leaks and for the removal of silt from the reed beds.
- Routine repairs – repairs to motors, purchase of bolts, switches etc.
- Fuel - for the generators, mowers and pumps.
- The cost to clean the ponds on a semi-annual basis is also included. This cleaning has to be sub-contracted as specialists are needed to clean the inside of the ponds due to the presence of crocodiles.

4. Vehicle & Travel

All costs associated with the ownership of a vehicle are taken into account. These include insurance, licensing, fitness fee, servicing and gas. This area also includes travelling by field staff to the office, travelling to address emergencies and travelling by the bearer.

5. Licenses, Permits & Leases

This includes:

- Renewal of licence for the sewage ponds at Bernard Lodge, Vineyards Estate and Morris Meadows.
Effective April 2014, NEPA's fee will be increased from \$32,500 per sewage pond to \$130,000. They will also be introducing a discharge fee of approximately One Hundred and Ninety Five Thousand Dollars (\$195,000.00) per year. (Appendix 6)
- Regulator Fee for OUR
- Licence Fee for the billing software
- Lease for the land at Vineyards Estate and Portmore Country Club

6. Quality Testing

This is the cost associated with the external testing of raw water, potable water and effluent to ensure that the quality standards are met. Raw water is tested semi-annually, while potable water and effluent is tested twice per month. A copy of the quotation showing all the analysis done and the cost for each test can be seen in Appendix 7.

Administrative Costs

These costs include salaries, health insurance, pension, uniform, training, safety gear, management fees and statutory payments.

Table 5

Administrative Cost	
Salaries	\$ 6,873,003.89
Health Insurance	\$ 1,893,370.44
Pension	\$ 957,388.14
Uniform, Training & Safety	\$ 3,201,385.27
Management Fees	\$ 2,391,999.82
Statutory	\$ 2,297,731.53
	\$ 17,614,879.09

1. Salaries

This is salary for the current office staff complement of six (6).

2. Health Insurance

DEML pays the health insurance for its entire staff. The cost included for health insurance was increase by 14% which is the same rate of increase experienced for the current contract period. (Appendix 5)

3. Pension

DEML introduced a superannuation scheme in November 2012. DEML contributes 5% of staff salary to this scheme.

4. Uniform, Training and Safety Requirements

All employees of DEML are provided with uniform. Training is also provided by MOH and other external institutions.

The field staffs are given safety gears such as water boots, gloves, dust mask etc. One Million Six Hundred and Seventeen Thousand and Twenty Dollars (\$1,617,020) representing the cost for four (4) oxygen tanks is also included in this cost. MOH has requested that a tank be placed in the chlorine room at all sites. (Appendix 7)

5. Management Fee

The four (4) directors are assigned specific responsibility to oversee Human Resource, Facilities Management, Quality Control and New Business and Commercial Operations and Accounts and meets at board level monthly. DEML is proposing the amount of \$49,833.33 per month per Director.

6. Statutory

As per government requirement, the company pays 12% of staff salary for statutory deduction.

Sales and Marketing Costs

The total cost for this category is \$130,667.04. The figure includes costs associated with yellow pages directory advertising, printing of business card etc.

Property and Utility Costs

A total of \$4,933,820.63 is expected to be spent in this area. It comprises of the following:

1. Rental Cost
Rent includes the monthly cost of \$129,783.82 for both Head Office and Portmore Office and \$15,000 for an area occupied by the field staff of Portmore Country Club. The rent included for Head Office accounted for an increase which will become effective March 1, 2014 (Appendix 5)
2. Office Utility
Electricity for both offices is projected to be \$88,000. Water for both offices is based on the recent rate increase granted to NWC is estimated at \$11,053.10.
3. Telephone
Telephone includes the cost for landline, internet, texting service, closed user group and emergency telephone line cost. The cost for the emergency line was increase based on correspondence dated January 30, 2014 from Millenium Security Company Limited (Appendix 5).
4. Stationery, Supplies & other
This includes stationery and office supplies, cleaning supplies, staff activities, water and refreshment for meetings etc.

Table 6

Property & Utilities	
Rental Cost	\$ 1,557,405.79
Office Utility	\$ 1,188,637.18
Telephone	\$ 1,351,283.64
Stationary, Supplies & Other	\$ 836,494.02
	\$ 4,933,820.63

Cost of Sales

A provision of \$56,684,077.14 is made for total cost of sales. Cost of sales includes the following:

1. Production wages
This includes the wages for the current twelve (12) field staff, one (1) senior operations Officer and the cost for an independent meter reader.
2. Utility
The cost for electricity proposed by DEML was based on the average consumption from January – December 2013 for all the schemes. See appendix 8 for a detailed calculation.

3. Water Purchase

Average water production for Caribbean Estate, Portmore Country Club and Morris Meadows was based on actual figures for the period January – December 2013. (Appendix 8).

Based on the past increases from National Irrigation Commission (100% in August 2010, 50% in April 2011 & 25% in April 2012), a 25% increase was forecasted as of April 2014.

As per correspondence received November 18, 2013 from N.F. Barnes Construction (Appendix 5), the rate was increased to \$25.75 as of December 1, 2013. As such, this rate was used to calculate the estimated water cost.

We are currently in negotiation with Portmore Country Club Homeowners Association (PCCHOA) regarding the rights to the water. DEML is projecting to pay PCCHOA an amount equal to that charged by N.F. Barnes less production costs.

A provision of 5% was made to account for the cost of water loss during repairs to the networks and other unavoidable losses.

Table 7

Water				
		Avg mthly production	Rate	Total
CE				
	Purchase at current rate	26,320.83	47.25	1,243,659.38
	5 % Water Loss	1,316.04	47.25	62,182.97
	Purchase at increased rate	26,320.83	51.98	1,368,025.31
	5 % Water Loss	1,316.04	51.98	68,401.27
PCC		7,355.37	25.75	189,400.69
	5 % Water Loss	367.77	25.75	9,470.03
MM		10,283.50	25.75	264,800.13
	5 % Water Loss	514.18	25.75	13,240.01
	Water purchase per mth for 3mths	CE	1,305,842.34	
		PCC	198,870.72	
		MM	278,040.13	
			1,782,753.20	
	Water purchase per mth for 9mths	CE	1,436,426.58	
		PCC	198,870.72	
		MM	278,040.13	
			1,913,337.43	

4. Chlorine

This includes the cost for reagents used to test the water and chlorine. The water is tested three times per day at a minimum of three different points in the distribution system. The number of chlorine purchased during the year ranges from a minimum of two per year for Portmore Country Club to a minimum of six for Caribbean Estate. (Appendix 8)

Table 8

Direct Cost of Sales	
Production Wages	\$ 12,274,758.86
Utility	\$ 20,765,015.18
Water Purchase	\$ 22,568,296.50
Chlorine	\$ 1,076,006.60
	\$ 56,684,077.14

Banking and Other

There is a provision of \$4,825,243.72 for this cost item. This is attributed to insurance expense, audit and legal fees as well as bank charges.

1. Bank Charges

Bank Charges includes charges occurring from the use of online payments, bill payment agency, direct deposits from customers, debit cards and other day to day banking transactions charges.

2. Audit & Legal

This includes the cost to audit the financial statement as well as the services of a lawyer. Over the past year, we have had to acquire the services of a lawyer to deal with issues relating to Portmore Country Club and customer disputes regarding ownership of property. As a result, we have made provisions for any further legal services that may be required

3. Finance Charges

Finance Charges accounts for loan interest. In order to carry out some capital projects (example relining of 3 sewage ponds at Vineyards Estate), DEML had to seek funding through the financial institutions. The cost to reline the sewage ponds was \$8,752,723.49.

4. Insurance

This includes the cost to insure the equipment such as the generator, the pump, the chlorinator for both water and sewage at all sites. (Appendix 7)

Table 9

Banking & Other	
Bank Charges	\$ 1,170,464.66
Audit & legal	\$ 800,000.00
Finance Charge	\$ 1,704,000.00
Insurance	\$ 1,150,779.06
	\$ 4,825,243.72

Other

1. Depreciation

Depreciation included is for the assets purchased by DEML and the equipment handed over to us by the developers.

2. Property Tax

As per the recent increase in property tax, the tax for Bernard Lodge Sewage Pond that serves Caribbean Estate, Portmore Country Club and Country Club 2 is \$994,500.00. Also included is property tax for Vineyards Estate.

3. Other Taxes

This includes asset tax of \$75,000 and company annual return of \$8,000.00

Table 10 - Expenses

		<i>Total</i>
Direct Cost of Sales		
Prod. Wages	\$ 12,274,758.86	
Electricity	\$ 20,765,015.18	
Water Purchase	\$ 22,568,296.50	
Chlorine & Reagent	\$ 1,076,006.60	
		\$ 56,684,077.14
Sales And Marketing		\$ 130,667.04
Property & Utilities		
Rental Cost	\$ 1,557,405.79	
Office Utility expenses	\$ 1,188,637.18	
Telephone	\$ 1,351,283.64	
Stationary & Supplies	\$ 836,494.02	
		\$ 4,933,820.63
Operations & Maintenance Expense		
Supplies	\$ 1,591,648.20	
Security	\$ 353,225.25	
Repairs & maintenance	\$ 8,422,046.44	
Vehicles & Travel	\$ 1,412,531.00	
Licenses, Permits & leases	\$ 2,256,016.18	
Quality Testing Expenses	\$ 1,172,166.00	
		\$ 15,207,633.07
Banking & Other		
Bank Charges	\$ 1,170,464.66	
Audit & legal	\$ 800,000.00	
Finance Charge	\$ 1,704,000.00	
Insurance	\$ 1,150,779.06	
		\$ 4,825,243.72
Administrative Cost		
Salaries	\$ 6,873,003.89	
Health Insurance	\$ 1,893,370.44	
Pension	\$ 957,388.14	
Uniform, Training & Safety Requirements	\$ 3,201,385.27	
Management Fees	\$ 2,391,999.82	
Statutory	\$ 2,297,731.53	
		\$ 17,614,879.09
Subtotal		\$ 99,396,320.69
Depreciation		\$ 7,592,087.57
Property Tax		\$ 1,021,256.57
Other Taxes		\$ 83,000.00
Return on Investment		\$ 3,163,502.99
Capital Expenditure		\$ 4,798,012.00
Total		\$ 116,054,179.82

Rate Increase Required

Based on the analysis, the rate increase DEML will require for the delivery of reliable potable and sewerage service is shown in Table 12. DEML is requesting a single rate for all sites.

Table 11

Details	Annual Costs	Monthly Cost
Revenue Requirement	\$ 116,054,179.82	
Less service charge revenue	\$ 18,520,471.20	
Net revenue requirement	\$ 97,533,708.62	\$ 8,127,809.05
Total no. of customers		2,266
Cost per lots (R/S)		\$ 3,586.85
Split 50/50 for water & sewer		\$ 1,793.43
Average monthly usage	\$ 15,000.00	
Cost per 1000 litres		\$ 119.56

Table 12 - Rate Increase Required

Detail	Rate
Water Charges	\$ 119.56
Sewerage Charges	\$ 119.56
Service Charge	\$ 681.10
Reconnection Fee	\$ 4,026.08
Connection Fee	\$ 3,000.00

Price Adjustments

General

DEML is applying for the continuation of the Price Adjustment Mechanism (PAM) to its rate.

Price Adjustment Mechanism

The PAM is an indexation mechanism that is applied to the base rate for water, sewerage and service charge to preserve the real revenue of the company. The PAM captures changes in foreign exchange, consumer price index and electricity.

The formula used to calculate a PAM is specified as

$$\text{PAM} = [W_{fe} \cdot \Delta FE + W_{cpi} \cdot \Delta CPI + W_{ec} \cdot \Delta kwh] \cdot 100$$

Where W_{fe} is the weight for foreign exchange, W_{cpi} is the weight for CPI and W_{ec} , the weight for the average price of electricity per kWh and Δ is the percentage change in the respective variables, that is, current value of each variable less the base value.

The weights will be derived by from the proportion of total operating cost that is affected by the three variables. DEML accepts this concept and believes that the current mechanism serves the intended purpose.

APPENDIX 1

Note 1: Revenue Assumptions

DEML's revenue projections by product and by month for the first year are:

Year 1	Water	Sewerage	Connection fees	Service Charge	Total
Month 1	\$ 4,063,904.52	\$ 4,063,904.52	\$ -	\$ 1,543,372.60	\$ 9,671,181.65
Month 2	\$ 4,063,904.52	\$ 4,063,904.52	\$ -	\$ 1,543,372.60	\$ 9,671,181.65
Month 3	\$ 4,063,904.52	\$ 4,063,904.52	\$ -	\$ 1,543,372.60	\$ 9,671,181.65
Month 4	\$ 4,063,904.52	\$ 4,063,904.52	\$ -	\$ 1,543,372.60	\$ 9,671,181.65
Month 5	\$ 4,063,904.52	\$ 4,063,904.52	\$ -	\$ 1,543,372.60	\$ 9,671,181.65
Month 6	\$ 4,063,904.52	\$ 4,063,904.52	\$ -	\$ 1,543,372.60	\$ 9,671,181.65
Month 7	\$ 4,063,904.52	\$ 4,063,904.52	\$ -	\$ 1,543,372.60	\$ 9,671,181.65
Month 8	\$ 4,063,904.52	\$ 4,063,904.52	\$ -	\$ 1,543,372.60	\$ 9,671,181.65
Month 9	\$ 4,063,904.52	\$ 4,063,904.52	\$ -	\$ 1,543,372.60	\$ 9,671,181.65
Month 10	\$ 4,063,904.52	\$ 4,063,904.52	\$ -	\$ 1,543,372.60	\$ 9,671,181.65
Month 11	\$ 4,063,904.52	\$ 4,063,904.52	\$ -	\$ 1,543,372.60	\$ 9,671,181.65
Month 12	\$ 4,063,904.52	\$ 4,063,904.52	\$ -	\$ 1,543,372.60	\$ 9,671,181.65
Total	\$ 48,766,854.29	\$ 48,766,854.29	\$ -	\$ 18,520,471.20	\$ 116,054,179.79

DEML's revenue projections by product for years 2 to 5 are:

	Water	Sewerage	Connection fees	Service Charge	Total
Year 2	\$ 49,010,688.56	\$ 49,010,688.56	\$ -	\$ 18,520,471.20	\$ 116,541,848.33
Year 3	\$ 49,254,522.84	\$ 49,254,522.84	\$ -	\$ 18,520,471.20	\$ 117,029,516.87
Year 4	\$ 51,973,274.96	\$ 51,973,274.96	\$ -	\$ 19,446,494.76	\$ 123,393,044.69
Year 5	\$ 52,229,300.95	\$ 52,229,300.95	\$ -	\$ 19,446,494.76	\$ 123,905,096.66

Revenue Assumptions

Rate/1000 litres \$ 119.56		No of Houses connected	Consumption/House	Cost/household	Total Cost of Water purchase	Revenue- Water	Revenue- Sewage	Service Charge of 681.1	Connection Fees	Total Revenues	Revenues outstanding at year end	% outstanding at year end	Adjusted percentage of annual revenue outstanding
Year 1	Mar	2,266	15,000	\$ 1,793.43	\$ 1,880,691.37	\$ 4,063,904.52	\$ 4,063,904.52	\$ 1,543,372.60	\$ -	\$ 9,671,181.65			
	Apr	2,266	15,000	\$ 1,793.43	\$ 1,880,691.37	\$ 4,063,904.52	\$ 4,063,904.52	\$ 1,543,372.60	\$ -	\$ 9,671,181.65			
	May	2,266	15,000	\$ 1,793.43	\$ 1,880,691.37	\$ 4,063,904.52	\$ 4,063,904.52	\$ 1,543,372.60	\$ -	\$ 9,671,181.65			
	Jun	2,266	15,000	\$ 1,793.43	\$ 1,880,691.37	\$ 4,063,904.52	\$ 4,063,904.52	\$ 1,543,372.60	\$ -	\$ 9,671,181.65			
	Jul	2,266	15,000	\$ 1,793.43	\$ 1,880,691.37	\$ 4,063,904.52	\$ 4,063,904.52	\$ 1,543,372.60	\$ -	\$ 9,671,181.65			
	Aug	2,266	15,000	\$ 1,793.43	\$ 1,880,691.37	\$ 4,063,904.52	\$ 4,063,904.52	\$ 1,543,372.60	\$ -	\$ 9,671,181.65			
	Sep	2,266	15,000	\$ 1,793.43	\$ 1,880,691.37	\$ 4,063,904.52	\$ 4,063,904.52	\$ 1,543,372.60	\$ -	\$ 9,671,181.65			
	Oct	2,266	15,000	\$ 1,793.43	\$ 1,880,691.37	\$ 4,063,904.52	\$ 4,063,904.52	\$ 1,543,372.60	\$ -	\$ 9,671,181.65			
	Nov	2,266	15,000	\$ 1,793.43	\$ 1,880,691.37	\$ 4,063,904.52	\$ 4,063,904.52	\$ 1,543,372.60	\$ -	\$ 9,671,181.65	\$ 193,423.63	2.00%	
	Dec	2,266	15,000	\$ 1,793.43	\$ 1,880,691.37	\$ 4,063,904.52	\$ 4,063,904.52	\$ 1,543,372.60	\$ -	\$ 9,671,181.65	\$ 483,559.08	5.00%	
	Jan	2,266	15,000	\$ 1,793.43	\$ 1,880,691.37	\$ 4,063,904.52	\$ 4,063,904.52	\$ 1,543,372.60	\$ -	\$ 9,671,181.65	\$ 5,125,726.27	50.00%	
	Feb	2,266	15,000	\$ 1,793.43	\$ 1,880,691.37	\$ 4,063,904.52	\$ 4,063,904.52	\$ 1,543,372.60	\$ -	\$ 9,671,181.65	\$ 5,802,708.99	5.00%	4.17%
	Total					\$ 22,568,296.50	\$ 48,766,854.29	\$ 48,766,854.29	\$ 18,520,471.20	\$ -	\$ 116,054,179.79		
Year 02	2,266	180,000	\$ 21,521.12	\$ 23,696,711.32	\$ 49,010,688.56	\$ 49,010,688.56	\$ 18,520,471.20	\$ -	\$ 116,541,848.33				
Year 03	2,266	180,000	\$ 21,521.12	\$ 24,881,546.89	\$ 49,254,522.84	\$ 49,254,522.84	\$ 18,520,471.20	\$ -	\$ 117,029,516.87				
Year 04	2,379	180,000	\$ 21,521.12	\$ 26,125,624.23	\$ 51,973,274.96	\$ 51,973,274.96	\$ 19,446,494.76	\$ -	\$ 123,393,044.69				
Year 05	2,379	180,000	\$ 21,521.12	\$ 27,431,905.44	\$ 52,229,300.95	\$ 52,229,300.95	\$ 19,446,494.76	\$ -	\$ 123,905,096.66				
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
				\$ 102,135,787.88	\$ 202,467,787.31	\$ 202,467,787.31	\$ 75,933,931.92	\$ -	\$ 480,869,506.54				

Note 2: Assumptions Regarding the Collection of Sales Revenue

DEML assumes that the percent of our sales which are collected in the month they are made in the month following, in the two months, and in the three months are:

Current Month	73
In the Following Month	20
In two Months	5
In three Months	2
Total	100

Based on these assumptions, DEML has projected how much will be collected from sales in each month. The following table also identifies any adjustments that may have been made to these figures:

Year 1	Projected	Adjustments	Revised estimate
Month 1	\$ 7,059,962.60	\$ -	\$ 7,059,962.60
Month 2	\$ 8,994,198.93	\$ -	\$ 8,994,198.93
Month 3	\$ 9,477,758.02	\$ -	\$ 9,477,758.02
Month 4	\$ 9,671,181.65	\$ -	\$ 9,671,181.65
Month 5	\$ 9,671,181.65	\$ -	\$ 9,671,181.65
Month 6	\$ 9,671,181.65	\$ -	\$ 9,671,181.65
Month 7	\$ 9,671,181.65	\$ -	\$ 9,671,181.65
Month 8	\$ 9,671,181.65	\$ -	\$ 9,671,181.65
Month 9	\$ 9,671,181.65	\$ -	\$ 9,671,181.65
Month 10	\$ 9,671,181.65	\$ -	\$ 9,671,181.65
Month 11	\$ 9,671,181.65	\$ -	\$ 9,671,181.65
Month 12	\$ 9,671,181.65	\$ -	\$ 9,671,181.65
Total	\$ 112,572,554.39	\$ -	\$ 112,572,554.39

Not all DEML's sales in the first year will be collected during that year. Based on the assumptions shown above, the Accounts Receivables at the end of Year 1 will be:

	\$3,481,625.39
--	----------------

Ratio of Receivables to collection of Sales Revenue as per year 2

	4.17%
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DEML assumes that the Accounts Receivable at the end of years 2 to 10 will be:

Year 2	\$ 4,855,910.35
Year 3	\$ 4,876,229.87
Year 4	\$ 5,141,376.86
Year 5	\$ 5,162,712.36

Note 3: Cost of Sales Assumptions

The assumptions regarding the amount that will be paid each each month in Year 1 for Cost of Sales items are listed below. These figures show up in the cash flow statements.

Year 1 (2011)	Production Wages	Electricity	Water	Chlorine & Reagent	Total
Month 1	\$ 1,022,896.57	\$ 1,730,417.93	\$ 1,782,753.20	\$ 125,095.55	\$ 4,661,163.25
Month 2	\$ 1,022,896.57	\$ 1,730,417.93	\$ 1,782,753.20	\$ 81,115.55	\$ 4,617,183.25
Month 3	\$ 1,022,896.57	\$ 1,730,417.93	\$ 1,782,753.20	\$ 81,115.55	\$ 4,617,183.25
Month 4	\$ 1,022,896.57	\$ 1,730,417.93	\$ 1,913,337.43	\$ 81,115.55	\$ 4,747,767.49
Month 5	\$ 1,022,896.57	\$ 1,730,417.93	\$ 1,913,337.43	\$ 95,775.55	\$ 4,762,427.49
Month 6	\$ 1,022,896.57	\$ 1,730,417.93	\$ 1,913,337.43	\$ 81,115.55	\$ 4,747,767.49
Month 7	\$ 1,022,896.57	\$ 1,730,417.93	\$ 1,913,337.43	\$ 110,435.55	\$ 4,777,087.49
Month 8	\$ 1,022,896.57	\$ 1,730,417.93	\$ 1,913,337.43	\$ 81,115.55	\$ 4,747,767.49
Month 9	\$ 1,022,896.57	\$ 1,730,417.93	\$ 1,913,337.43	\$ 95,775.55	\$ 4,762,427.49
Month 10	\$ 1,022,896.57	\$ 1,730,417.93	\$ 1,913,337.43	\$ 81,115.55	\$ 4,747,767.49
Month 11	\$ 1,022,896.57	\$ 1,730,417.93	\$ 1,913,337.43	\$ 81,115.55	\$ 4,747,767.49
Month 12	\$ 1,022,896.57	\$ 1,730,417.93	\$ 1,913,337.43	\$ 81,115.55	\$ 4,747,767.49
Total	\$ 12,274,758.86	\$ 20,765,015.18	\$ 22,568,296.50	\$ 1,076,006.60	\$ 56,684,077.14

The assumptions regarding the amount that will be paid in Year 1 to 5 for Cost of Sales items are listed below. These figures show up in the cash flow statements.

	Production Wages	Electricity	Water	Chlorine	Total
Year 2	\$ 12,888,496.81	\$ 21,803,265.94	\$ 23,132,503.91	\$ 1,129,806.93	\$ 58,954,073.58
Year 3	\$ 13,532,921.65	\$ 22,893,429.23	\$ 23,710,816.51	\$ 1,186,297.28	\$ 61,323,464.66
Year 4	\$ 14,209,567.73	\$ 24,038,100.70	\$ 24,303,586.92	\$ 1,245,612.14	\$ 63,796,867.48
Year 5	\$ 14,920,046.12	\$ 25,240,005.73	\$ 24,911,176.59	\$ 1,307,892.75	\$ 66,379,121.19

Note 4: Sales & Marketing Assumptions

The assumptions regarding the amount that will be paid each each month in Year 1 for Sales & Marketing items are listed below. These figures show up in the cash flow statements.

Year 1 (2006)	Advertising	Public Relations	Brochure/Newsletter	Other	Total
Month 1	\$ 2,555.59			\$ 8,333.34	\$ 10,888.93
Month 2	\$ 2,555.59			\$ 8,333.34	\$ 10,888.93
Month 3	\$ 2,555.59			\$ 8,333.34	\$ 10,888.93
Month 4	\$ 2,555.59			\$ 8,333.34	\$ 10,888.93
Month 5	\$ 2,555.59			\$ 8,333.33	\$ 10,888.92
Month 6	\$ 2,555.59			\$ 8,333.33	\$ 10,888.92
Month 7	\$ 2,555.59			\$ 8,333.33	\$ 10,888.92
Month 8	\$ 2,555.59			\$ 8,333.33	\$ 10,888.92
Month 9	\$ 2,555.59			\$ 8,333.33	\$ 10,888.92
Month 10	\$ 2,555.59			\$ 8,333.33	\$ 10,888.92
Month 11	\$ 2,555.59			\$ 8,333.33	\$ 10,888.92
Month 12	\$ 2,555.59			\$ 8,333.33	\$ 10,888.92
Total	\$ 30,667.04	\$ -	\$ -	\$ 100,000.00	\$ 130,667.04

The assumptions regarding the amount that will be paid in Year 1 to 5 for Sales & Marketing items are listed below. These figures show up in the cash flow statements.

	Advertising	Public Relations	Brochure/Newsletter	Other	Total
Year 2	\$ 32,200.39	\$ -	\$ -	\$ 105,000.00	\$ 137,200.39
Year 3	\$ 33,810.41	\$ -	\$ -	\$ 105,000.00	\$ 138,810.41
Year 4	\$ 35,500.93	\$ -	\$ -	\$ 105,000.00	\$ 140,500.93
Year 5	\$ 37,275.97	\$ -	\$ -	\$ 105,000.00	\$ 142,275.97

Based on these assumptions Sales and Marketing expenses are calculated. These figures, which show up on the income statement, are shown in both dollar values and as a percentage of our projected revenues

Sales & Marketing	\$	%
Year 1	\$ 130,667.04	0.11%
Year 2	\$ 137,200.39	0.12%
Year 3	\$ 138,810.41	0.12%
Year 4	\$ 140,500.93	0.11%
Year 5	\$ 142,275.97	0.11%

Note 5: Property & Utilities Assumptions

The assumptions regarding the amount that will be paid each each month in Year 1 for Property & Utilities items are listed below. These figures show up in the cash flow statements.

Year 1	Rent & Property	Utilities	Telephone	Stationery & supplies	Total
Month 1	\$ 129,783.82	\$ 99,053.10	\$ 112,606.97	\$ 69,707.83	\$ 411,151.72
Month 2	\$ 129,783.82	\$ 99,053.10	\$ 112,606.97	\$ 69,707.83	\$ 411,151.72
Month 3	\$ 129,783.82	\$ 99,053.10	\$ 112,606.97	\$ 69,707.83	\$ 411,151.72
Month 4	\$ 129,783.82	\$ 99,053.10	\$ 112,606.97	\$ 69,707.83	\$ 411,151.72
Month 5	\$ 129,783.82	\$ 99,053.10	\$ 112,606.97	\$ 69,707.83	\$ 411,151.72
Month 6	\$ 129,783.82	\$ 99,053.10	\$ 112,606.97	\$ 69,707.83	\$ 411,151.72
Month 7	\$ 129,783.82	\$ 99,053.10	\$ 112,606.97	\$ 69,707.83	\$ 411,151.72
Month 8	\$ 129,783.82	\$ 99,053.10	\$ 112,606.97	\$ 69,707.83	\$ 411,151.72
Month 9	\$ 129,783.82	\$ 99,053.10	\$ 112,606.97	\$ 69,707.83	\$ 411,151.72
Month 10	\$ 129,783.82	\$ 99,053.10	\$ 112,606.97	\$ 69,707.83	\$ 411,151.72
Month 11	\$ 129,783.82	\$ 99,053.10	\$ 112,606.97	\$ 69,707.83	\$ 411,151.72
Month 12	\$ 129,783.82	\$ 99,053.10	\$ 112,606.97	\$ 69,707.83	\$ 411,151.72
Total	\$ 1,557,405.79	\$ 1,188,637.18	\$ 1,351,283.64	\$ 836,494.02	\$ 4,933,820.63

The assumptions regarding the amount that will be paid in Year 1 to 5 for Property & Utilities items are listed below. These figures show up in the cash flow statements.

	Rent & Property	Utilities	Telephone	Stationery & supplies	Total
Year 2	\$ 1,713,146.37	\$ 1,248,069.03	\$ 1,418,847.82	\$ 920,143.42	\$ 5,300,206.65
Year 3	\$ 1,833,066.62	\$ 1,435,279.39	\$ 1,560,732.60	\$ 966,150.59	\$ 5,795,229.20
Year 4	\$ 1,961,381.28	\$ 1,650,571.30	\$ 1,716,805.86	\$ 1,014,458.12	\$ 6,343,216.56
Year 5	\$ 2,098,677.97	\$ 1,898,156.99	\$ 1,888,486.45	\$ 1,065,181.03	\$ 6,950,502.44

Based on these assumptions Property and utilities expenses are calculated. These figures, which show up on the income statement, are shown in both dollar values and as a percentage of our projected revenues

Property & Utilities		%	
Year 1	\$ 4,933,820.63	4.25%	
Year 2	\$ 5,300,206.65	4.55%	
Year 3	\$ 5,795,229.20	4.95%	
Year 4	\$ 6,343,216.56	5.14%	
Year 5	\$ 6,950,502.44	5.61%	

Note 6: Operations Assumptions

The assumptions regarding the amount that will be paid each each month in Year 1 for operations items are listed below. These figures show up in the cash flow statements.

Year 1	Supplies	Security	Repairs & maintenance	Vehicles & Travel	Licenses, Permits & leases	Quality Testing Expenses	Total
Month 1	\$ 132,637.35	\$ 29,435.44	\$ 701,837.20	\$ 117,710.92	\$ 793,016.18	\$ 137,173.00	\$ 1,911,810.08
Month 2	\$ 132,637.35	\$ 29,435.44	\$ 701,837.20	\$ 117,710.92	\$ 133,000.00	\$ 89,782.00	\$ 1,204,402.91
Month 3	\$ 132,637.35	\$ 29,435.44	\$ 701,837.20	\$ 117,710.92	\$ 133,000.00	\$ 89,782.00	\$ 1,204,402.91
Month 4	\$ 132,637.35	\$ 29,435.44	\$ 701,837.20	\$ 117,710.92	\$ 133,000.00	\$ 89,782.00	\$ 1,204,402.91
Month 5	\$ 132,637.35	\$ 29,435.44	\$ 701,837.20	\$ 117,710.92	\$ 133,000.00	\$ 89,782.00	\$ 1,204,402.91
Month 6	\$ 132,637.35	\$ 29,435.44	\$ 701,837.20	\$ 117,710.92	\$ 133,000.00	\$ 89,782.00	\$ 1,204,402.91
Month 7	\$ 132,637.35	\$ 29,435.44	\$ 701,837.20	\$ 117,710.92	\$ 133,000.00	\$ 137,173.00	\$ 1,251,793.91
Month 8	\$ 132,637.35	\$ 29,435.44	\$ 701,837.20	\$ 117,710.92	\$ 133,000.00	\$ 89,782.00	\$ 1,204,402.91
Month 9	\$ 132,637.35	\$ 29,435.44	\$ 701,837.20	\$ 117,710.92	\$ 133,000.00	\$ 89,782.00	\$ 1,204,402.91
Month 10	\$ 132,637.35	\$ 29,435.44	\$ 701,837.20	\$ 117,710.92	\$ 133,000.00	\$ 89,782.00	\$ 1,204,402.91
Month 11	\$ 132,637.35	\$ 29,435.44	\$ 701,837.20	\$ 117,710.92	\$ 133,000.00	\$ 89,782.00	\$ 1,204,402.91
Month 12	\$ 132,637.35	\$ 29,435.44	\$ 701,837.20	\$ 117,710.92	\$ 133,000.00	\$ 89,782.00	\$ 1,204,402.91
Total	\$ 1,591,648.20	\$ 353,225.25	\$ 8,422,046.44	\$ 1,412,531.00	\$ 2,256,016.18	\$ 1,172,166.00	\$ 15,207,633.06

The assumptions regarding the amount that will be paid in Year 1 to 10 for Operations items are listed below. These figures show up in the cash flow statements.

	Supplies	Security	Repairs & maintenance	Vehicles & Travel	Licenses, Permits & leases	Quality Testing Expenses	Total
Year 2	\$ 1,750,813.01	\$ 388,547.78	\$ 9,264,251.08	\$ 1,553,784.10	\$ 2,256,016.18	\$ 1,230,774.30	\$ 16,444,186.45
Year 3	\$ 1,925,894.32	\$ 427,402.55	\$ 10,190,676.19	\$ 1,631,473.31	\$ 2,256,016.18	\$ 1,292,313.02	\$ 17,723,775.56
Year 4	\$ 2,118,483.75	\$ 470,142.81	\$ 11,209,743.81	\$ 1,794,620.64	\$ 2,256,016.18	\$ 1,356,928.67	\$ 19,205,935.85
Year 5	\$ 2,330,332.12	\$ 517,157.09	\$ 12,330,718.19	\$ 1,974,082.70	\$ 419,568.00	\$ 1,424,775.10	\$ 18,996,633.20

Based on these assumptions operations expenses are calculated. These figures, which show up on the income statement, are shown in both dollar values and as a percentage of our projected revenues

Operations	\$	%
Year 1	\$15,207,633.06	13.10%
Year 2	\$16,444,186.45	14.11%
Year 3	\$17,723,775.56	15.14%
Year 4	\$19,205,935.85	15.56%
Year 5	\$18,996,633.20	15.33%

Note 7: Banking and other assumptions

The assumptions regarding the amount that will be paid each each month in Year 1 for Banking & Other items are listed below. These figures show up in the cash flow statements.

Year 1	Bank Charges	Audit & Legal	Insurance	Finance Charges	Total
Month 1	\$ 97,538.72			\$ 142,000.00	\$ 239,538.72
Month 2	\$ 97,538.72			\$ 142,000.00	\$ 239,538.72
Month 3	\$ 97,538.72			\$ 142,000.00	\$ 239,538.72
Month 4	\$ 97,538.72			\$ 142,000.00	\$ 239,538.72
Month 5	\$ 97,538.72			\$ 142,000.00	\$ 239,538.72
Month 6	\$ 97,538.72			\$ 142,000.00	\$ 239,538.72
Month 7	\$ 97,538.72	\$ 800,000.00	\$ 1,150,779.06	\$ 142,000.00	\$ 2,190,317.78
Month 8	\$ 97,538.72			\$ 142,000.00	\$ 239,538.72
Month 9	\$ 97,538.72			\$ 142,000.00	\$ 239,538.72
Month 10	\$ 97,538.72			\$ 142,000.00	\$ 239,538.72
Month 11	\$ 97,538.72			\$ 142,000.00	\$ 239,538.72
Month 12	\$ 97,538.72			\$ 142,000.00	\$ 239,538.72
Total	\$ 1,170,464.66	\$ 800,000.00	\$ 1,150,779.06	\$ 1,704,000.00	\$ 4,825,243.72

The assumptions regarding the amount that will be paid in Year 1 to 10 for Banking & Other items are listed below. These figures show up in the cash flow statements.

	Bank Charges	Audit & Legal	Insurance	Finance Charges	Total
Year 2	\$ 1,228,987.90	\$ 840,000.00	\$ 1,173,794.64	\$ 1,789,200.00	\$ 5,031,982.54
Year 3	\$ 1,290,437.29	\$ 882,000.00	\$ 1,197,270.53	\$ 1,878,660.00	\$ 5,248,367.82
Year 4	\$ 1,354,959.15	\$ 926,100.00	\$ 1,221,215.94	\$ 1,972,593.00	\$ 5,474,868.10
Year 5	\$ 1,422,707.11	\$ 972,405.00	\$ 1,245,640.26	\$ 2,071,222.65	\$ 5,711,975.03

Based on these assumptions Banking & Other expenses are calculated. These figures, which show up on the income statement, are shown in both dollar values and as a percentage of our projected revenues

Banking & Other	\$	%
Year 1	\$ 4,825,243.72	4.16%
Year 2	\$ 5,031,982.54	4.32%
Year 3	\$ 5,248,367.82	4.48%
Year 4	\$ 5,474,868.10	4.44%
Year 5	\$ 5,711,975.03	4.61%

Note 8: Wages and other assumptions

The assumptions regarding the amount that will be paid each each month in Year 1 for Wages & other items are listed below.

These figures show up in the cash flow statements.

Year 1	Finance & Admin	Health Insurance	Pension	Uniform, Training & Safety Requirements	Management Fees	Statutory Payments	Total
Month 1	\$ 572,750.32	\$ 157,780.87	\$ 79,782.34	\$ 3,201,385.27	\$ 199,333.32	\$ 191,477.63	\$ 4,402,509.75
Month 2	\$ 572,750.32	\$ 157,780.87	\$ 79,782.34		\$ 199,333.32	\$ 191,477.63	\$ 1,201,124.48
Month 3	\$ 572,750.32	\$ 157,780.87	\$ 79,782.34		\$ 199,333.32	\$ 191,477.63	\$ 1,201,124.48
Month 4	\$ 572,750.32	\$ 157,780.87	\$ 79,782.34		\$ 199,333.32	\$ 191,477.63	\$ 1,201,124.48
Month 5	\$ 572,750.32	\$ 157,780.87	\$ 79,782.34		\$ 199,333.32	\$ 191,477.63	\$ 1,201,124.48
Month 6	\$ 572,750.32	\$ 157,780.87	\$ 79,782.34		\$ 199,333.32	\$ 191,477.63	\$ 1,201,124.48
Month 7	\$ 572,750.32	\$ 157,780.87	\$ 79,782.34		\$ 199,333.32	\$ 191,477.63	\$ 1,201,124.48
Month 8	\$ 572,750.32	\$ 157,780.87	\$ 79,782.34		\$ 199,333.32	\$ 191,477.63	\$ 1,201,124.48
Month 9	\$ 572,750.32	\$ 157,780.87	\$ 79,782.34		\$ 199,333.32	\$ 191,477.63	\$ 1,201,124.48
Month 10	\$ 572,750.32	\$ 157,780.87	\$ 79,782.34		\$ 199,333.32	\$ 191,477.63	\$ 1,201,124.48
Month 11	\$ 572,750.32	\$ 157,780.87	\$ 79,782.34		\$ 199,333.32	\$ 191,477.63	\$ 1,201,124.48
Month 12	\$ 572,750.32	\$ 157,780.87	\$ 79,782.34		\$ 199,333.32	\$ 191,477.63	\$ 1,201,124.48
Total	\$ 6,873,003.89	\$ 1,893,370.44	\$ 957,388.14	\$ 3,201,385.27	\$ 2,391,999.82	\$ 2,297,731.53	\$ 17,614,879.08

The assumptions regarding the amount that will be paid for wages & Other Items are listed below:

	Finance & Admin	Health Insurance	Pension	Uniform, Training & Safety Requirements	Management Fees	Statutory Payments	Total
Year 2	\$ 7,216,654.08	\$ 1,988,038.96	\$ 1,005,257.54	\$ 1,744,434.53	\$ 2,511,599.81	\$ 2,412,618.11	\$ 16,878,603.03
Year 3	\$ 7,577,486.79	\$ 2,087,440.91	\$ 1,055,520.42	\$ 1,831,656.26	\$ 2,637,179.80	\$ 2,533,249.01	\$ 17,722,533.18
Year 4	\$ 7,956,361.13	\$ 2,191,812.95	\$ 1,108,296.44	\$ 1,923,239.07	\$ 2,769,038.79	\$ 2,659,911.46	\$ 18,608,659.84
Year 5	\$ 8,354,179.18	\$ 2,301,403.60	\$ 1,163,711.26	\$ 2,019,401.03	\$ 2,907,490.73	\$ 2,792,907.04	\$ 19,539,092.84

Based on these assumptions Wages & Other expenses are calculated. These figures, which show up on the income statement, are shown in both dollar values and as a percentage of our projected revenues

Wages & Other	\$	%
Year 1	\$ 17,614,879.08	15.18%
Year 2	\$ 16,878,603.03	14.48%
Year 3	\$ 17,722,533.18	15.14%
Year 4	\$ 18,608,659.84	15.08%
Year 5	\$ 19,539,092.84	15.77%

Note 9: Other sources of Funding

The assumptions regarding other sources of funding for the business in Year 1 are:

	Investment by Owners	Operating Loan advances	Term Loan advances	Sale of fixed assets	Other Assets
Month 1	\$ -	\$ -	\$ -	\$ -	\$ -
Month 2	\$ -	\$ -	\$ -	\$ -	\$ -
Month 3	\$ -	\$ -	\$ -	\$ -	\$ -
Month 4	\$ -	\$ -	\$ -	\$ -	\$ -
Month 5	\$ -	\$ -	\$ -	\$ -	\$ -
Month 6	\$ -	\$ -	\$ -	\$ -	\$ -
Month 7	\$ -	\$ -	\$ -	\$ -	\$ -
Month 8	\$ -	\$ -	\$ -	\$ -	\$ -
Month 9	\$ -	\$ -	\$ -	\$ -	\$ -
Month 10	\$ -	\$ -	\$ -	\$ -	\$ -
Month 11	\$ -	\$ -	\$ -	\$ -	\$ -
Month 12	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -

The assumptions regarding other sources of funding for Years 2 to 10 are:

	Investment by Owners	Operating Loan advances	Term Loan advances	Sale of fixed assets	Other Assets
Year 2	\$ -	\$ -	\$ -	\$ -	\$ -
Year 3	\$ -	\$ -	\$ -	\$ -	\$ -
Year 4	\$ -	\$ -	\$ -	\$ -	\$ -
Year 5	\$ -	\$ -	\$ -	\$ -	\$ -
Year 6	\$ -	\$ -	\$ -	\$ -	\$ -
Year 7	\$ -	\$ -	\$ -	\$ -	\$ -
Year 8	\$ -	\$ -	\$ -	\$ -	\$ -
Year 9	\$ -	\$ -	\$ -	\$ -	\$ -
Year 10	\$ -	\$ -	\$ -	\$ -	\$ -

Note 10 : Other uses of Funds

The assumptions regarding payments to owners and payments of loan principal and interest in Year 1 are:

Payment or Repayment of	Capital To Shareholders	Dividends/Earnings Shareholders	Operating Loan Interest & Principal	Term Loan Interest & Principal
Month 1	\$0.00	\$0.00	\$0.00	753,276.14
Month 2	\$0.00	\$0.00	\$0.00	753,276.14
Month 3	\$0.00	\$0.00	\$0.00	753,276.14
Month 4	\$0.00	\$0.00	\$0.00	753,276.14
Month 5	\$0.00	\$0.00	\$0.00	753,276.14
Month 6	\$0.00	\$0.00	\$0.00	753,276.14
Month 7	\$0.00	\$0.00	\$0.00	753,276.14
Month 8	\$0.00	\$0.00	\$0.00	753,276.14
Month 9	\$0.00	\$0.00	\$0.00	753,276.14
Month 10	\$0.00	\$0.00	\$0.00	753,276.14
Month 11	\$0.00	\$0.00	\$0.00	753,276.14
Month 12	\$0.00	\$0.00	\$0.00	753,276.14
Total	\$0.00	\$0.00	\$0.00	9,039,313.68

DEML's assumptions regarding payments to owners and payments of loan principal and interest in Years 2 to 10 are:

Payment or Repayment of	Capital To Shareholders	Dividends/Earnings Shareholders	Operating Loan Interest & Principal	Term Loan Interest & Principal
Year 2	\$0.00	\$0.00	\$0.00	9,039,313.68
Year 3	\$0.00	\$0.00	\$0.00	9,039,313.68
Year 4	\$0.00	\$0.00	\$0.00	9,039,313.68
Year 5	\$0.00	\$0.00	\$0.00	4,798,011.36

The assumptions regarding other payments in Year 1 are:

Other Uses of Funds	Purchase of Fixed Assets	Payments for other Assets	Payment for income Taxes & Other Taxes
Month 1	\$16,344,088.00	\$0.00	1,104,256.57
Month 2		\$0.00	\$0.00
Month 3		\$0.00	\$0.00
Month 4		\$0.00	\$0.00
Month 5		\$0.00	\$0.00
Month 6		\$0.00	\$0.00
Month 7		\$0.00	\$0.00
Month 8		\$0.00	\$0.00
Month 9		\$0.00	\$0.00
Month 10		\$0.00	\$0.00
Month 11		\$0.00	\$0.00
Month 12		\$0.00	\$0.00
Total	\$16,344,088.00	\$0.00	1,104,256.57

The assumptions regarding other payments in Years 2 to 10 are:

Other Uses of Funds	Purchase of Fixed Assets	Payments for other Assets	Payment for income Taxes
Year 2		\$ -	\$ 2,047,157.68
Year 3		\$ -	\$ 490,131.99
Year 4		\$ -	\$ 736,199.76
Year 5		\$ -	\$ (464,175.22)



Water and Sewer Tariff Calculation

Rate Base Development

Schedule of Assets	Item	Cost	Depreciation Rate	Annual Depreciation	Value to be recovered in 10 years & over	Value to be recovered in 5 years	Value to be recovered in 3 years
Caribbean Estate							
	Easement	\$ 840,000.00					
Sewerage	Generator (installed)	\$ 3,000,000.00	5.00%	\$ 150,000.00	3,000,000.00		
	Lift Pumps (installed)	\$ 5,269,418.00	5.00%	\$ 263,470.90	5,269,418.00		
	Internal Sewer Lines	\$ 120,000,000.00	5.00%	\$ 6,000,000.00	\$ 120,000,000.00		
	External Sewage System	\$ 100,000,000.00	5.00%	\$ 5,000,000.00	\$ 100,000,000.00		
Potable Water							
	Deep Well Pump/Pressure Pumps and Controls	\$ 8,242,000.00	5.00%	\$ 412,100.00	\$ 8,242,000.00		
	Storage Tank/Well + external water lines	\$ 17,000,000.00	5.00%	\$ 850,000.00	\$ 17,000,000.00		
	External water lines	\$ 16,000,000.00	5.00%	\$ 800,000.00	\$ 16,000,000.00		
	Internal Water Lines	\$ 38,000,000.00	5.00%	\$ 1,900,000.00	\$ 38,000,000.00		
	Grand Total	\$ 308,351,418.00		\$ 15,375,570.90			
Vineyards Estate							
	Land (Water & Sewerage)	\$ 3,500,000.00					
Sewerage	Generator (installed)	\$ 1,300,000.00	5.00%	\$ 65,000.00	1,300,000.00		
	Lift Pumps (installed)	\$ 2,900,000.00	5.00%	\$ 145,000.00	2,900,000.00		
	Sewer Lines	\$ 6,670,000.00	5.00%	\$ 333,500.00	\$ 6,670,000.00		
	Pond Construction	\$ 15,000,000.00	2.00%	\$ 300,000.00	\$ 15,000,000.00		
Potable Water							
	Deep Well Pump/Pressure Pumps and Controls	\$ 8,192,000.00	5.00%	\$ 409,600.00	\$ 8,192,000.00		
	Storage Tank/Well	\$ 4,000,000.00	5.00%	\$ 200,000.00	\$ 4,000,000.00		
	water lines	\$ 1,600,000.00	5.00%	\$ 80,000.00	\$ 1,600,000.00		
	Grand Total	\$ 43,162,000.00		\$ 1,533,100.00			
Morris Meadows							
Sewerage	Generator (installed)	\$ 1,260,689.61	5.00%	\$ 63,034.48	1,260,689.61		
	Lift Pumps (installed)	\$ 5,269,418.07	5.00%	\$ 263,470.90	5,269,418.07		
	Sewer Lines	\$ 17,244,489.25	5.00%	\$ 862,224.46	\$ 17,244,489.25		
	Pond Construction	\$ 39,367,282.84	2.50%	\$ 984,182.07	\$ 39,367,282.84		
Potable Water							
	Pressure Regulation System	\$ 4,626,562.50	5.00%	\$ 231,328.13	\$ 4,626,562.50		
	Chlorination Equipment	\$ 363,515.63	5.00%	\$ 18,175.78	\$ 363,515.63		
	Storage Tank/Well	\$ 9,578,158.20	5.00%	\$ 478,907.91	\$ 9,578,158.20		
	water lines	\$ 15,161,657.74	5.00%	\$ 758,082.89	\$ 15,161,657.74		
	Generator (installed)	\$ 1,460,702.63	5.00%	\$ 73,035.13	1,460,702.63		
	Security Fencing	\$ 1,652,343.75	5.00%	\$ 82,617.19	\$ 1,652,343.75		
	Grand Total	\$ 95,984,820.22		\$ 3,815,058.94			

Portmore Country Club							
Sewerage	Generator (installed)	\$ 2,500,000.00	5.00%	\$ 125,000.00	2,500,000.00		
	Lift Pumps (installed)	\$ 1,800,000.00	5.00%	\$ 90,000.00	1,800,000.00		
	Sewer Lines/Manholes	\$ 34,500,000.00	5.00%	\$ 1,725,000.00	\$ 34,500,000.00		
	Electrical Installation	\$ 500,000.00	5.00%	\$ 25,000.00	\$ 500,000.00		
Potable Water							
	Deep Well Pump/Pressure Pumps and Electric Controls and Pumphouse	\$ 9,420,000.00	5.00%	\$ 471,000.00	\$ 9,420,000.00		
	Storage Tank/Well	\$ 5,200,000.00	5.00%	\$ 260,000.00	\$ 5,200,000.00		
	water lines	\$ 12,200,000.00	5.00%	\$ 610,000.00	\$ 12,200,000.00		
	Generator (installed)	\$ 3,400,000.00	5.00%	\$ 170,000.00	3,400,000.00		
	Water Meters	\$ 1,190,000.00	10.00%	\$ 119,000.00	1,190,000.00		
	Security Fencing	\$ 200,000.00	5.00%	\$ 10,000.00	\$ 200,000.00		
	Grand Total	\$ 70,910,000.00		\$ 3,605,000.00			
Country Club 2							
Sewerage	Generator (installed)	\$ 1,000,000.00	5.00%	\$ 50,000.00	1,000,000.00		
	Lift Pumps (installed)	\$ 3,839,900.00	5.00%	\$ 191,995.00	3,839,900.00		
	Sewer Lines/Manholes	\$ 933,000.00	5.00%	\$ 46,650.00	\$ 933,000.00		
	Electrical Installation	\$ 500,000.00	5.00%	\$ 25,000.00	\$ 500,000.00		
	Grand Total	\$ 6,272,900.00		\$ 313,645.00			
Other Assets							
Assets Acquired	Generator (CE & VIN)	\$ 4,099,689.09	5.00%	\$ 204,984.45	\$ 4,099,689.09		
	Pick-up & Motor Cycles	\$ 1,074,065.32	20.00%	\$ 214,813.06	\$ 1,074,065.32		
	Office Furniture	\$ 590,426.41	10.00%	\$ 59,042.64	\$ 590,426.41		
	Equipment	\$ 14,654,672.32	10.00%	\$ 1,465,467.23	\$ 14,654,672.32		\$ 725,904.79
	Computers	\$ 725,904.79	33.00%	\$ 239,548.58		\$ 283,341.50	
	Air Conditioning Unit	\$ 283,341.50	20.00%	\$ 56,668.30			
	Building	\$ 652,539.51	5.00%	\$ 32,626.98	\$ 652,539.51		
	Sewage Pond	\$ 8,752,723.49	2.50%	\$ 218,818.09	\$ 8,752,723.49		
	Grand Total	\$ 30,833,362.43		\$ 2,491,969.33			
					\$ -		
	Grand Total	\$ -					
	Monthly Depreciation of Assets Handed Over			\$ 24,642,374.84	\$ 549,091,189.04	\$ 1,357,406.82	\$ 725,904.79
	Monthly Depreciation of Equipment Handed Over			\$ 5,100,118.23			
	Monthly Depreciation of Assets purchased by DEML			\$ 2,491,969.33			

Monthly Operating Costs

	Water System (Utilities & Production Wages)	\$	4,723,673.09	
	Administrative Costs	\$	1,467,906.59	
	Sales & Marketing	\$	10,888.92	
	Utilities (office)	\$	411,151.72	
	Operations expenses (servicing, vehicles, licences) etc...	\$	1,267,302.76	
	Banking, legal & insurance	\$	402,103.64	
	Total Monthly Costs			\$ 8,283,026.72
	Annual Operating Cost	\$	99,396,320.66	
Asset Depreciation	Total Asset Depreciation per annum	\$	7,592,087.57	
	Monthly depreciation			\$ 632,673.96
Taxes	Annual Taxes	\$	1,104,256.57	\$ 92,021.38
Capital Expenditure	Capital Expenditure	\$	4,798,012.00	\$ 399,834.33
Return on Investment	Total investment	\$	30,833,362.43	
	ROI 10.26%	\$	3,163,502.99	
	Converting to monthly amount			\$ 263,625.25
Total monthly costs				\$ 9,671,181.65
	Less Service Charge			\$ 1,543,372.60
	Net Requirement			\$ 8,127,809.05
	Total no. of lots			\$ 2,266.00
	Cost per lot (R/S)			\$ 3,586.85
	Split 50/50 for water & Sewer			\$ 1,793.43
	Assume an average monthly usage :		15,000	
	Cost per 1000 liters:			\$119.56

PROFORMA BALANCE SHEET

	Starting Balance	2014 (JA\$)	2015 (JA\$)	2016 (JA\$)	2017 (JA\$)	2018 (JA\$)
ASSETS						
Current Assets	-		-	-	-	-
Cash	479,552	1,624,767	(522,019)	(994,448)	(1,212,112)	618,212
Accounts Receivable	10,940,161	8,951,706	10,325,991	10,346,310	10,611,457	10,632,793
Other Assets	-	-	-	-	-	-
Total Current Assets	11,419,713	10,576,473	9,803,972	9,351,863	9,399,345	11,251,005
Fixed Assets						
Fixed Assets	30,833,362	47,177,450	47,177,450	47,177,450	47,177,450	47,177,450
Accumulated Depreciation	9,120,308	16,712,395	24,304,483	31,896,571	39,488,658	47,080,746
Total Fixed Assets	21,713,055	30,465,055	22,872,967	15,280,880	7,688,792	96,705
TOTAL ASSETS	33,132,768	41,041,528	32,676,940	24,632,743	17,088,137	11,347,710
LIABILITIES & OWNERS EQUITY						
Liabilities:						
Accounts Payable	2,783,245	2,922,407	3,068,528	3,221,954	3,383,052	3,552,204
Taxes Payable	75,000	2,991,705	2,047,158	490,132	736,200	-
Bank Loans	9,260,607	13,347,672	10,078,854	6,810,037	3,541,219	-
Due to Related party	13,529,207	11,129,207	8,729,207	6,329,207	3,929,207	1,529,207
Other	3,955,057	2,500,000	2,625,000	2,887,500	3,031,875	2,728,688
Total Liabilities	29,603,116	32,890,991	26,548,747	19,738,830	14,621,553	7,810,099
Owner's Equity						
Paid in Capital	10,000	10,000	10,000	10,000	10,000	10,000
Retained Earnings	3,519,652	8,150,538	6,128,193	4,893,913	2,466,585	3,537,611
Total Owner's Equity	3,529,652	8,150,538	6,128,193	4,893,913	2,466,585	3,537,611
TOTAL LIABILITIES & OWNERS EQUITY	33,132,768	41,041,528	32,676,940	24,632,743	17,088,137	11,347,710

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PROFORMA INCOME STATEMENT

	2014 (JA\$)	2015 (JA\$)	2016 (JA\$)	2017 (JA\$)	2018 (JA\$)
Cash Inflows					
Net Sales	\$ 116,054,179.79	\$ 116,541,848.33	\$ 117,029,516.87	\$ 123,393,044.69	\$ 123,905,096.66
Direct Cost of Sales	\$ 56,684,077.14	\$ 58,954,073.58	\$ 61,323,464.66	\$ 63,796,867.48	\$ 66,379,121.19
Gross Margin	\$ 59,370,102.65	\$ 57,587,774.75	\$ 55,706,052.21	\$ 59,596,177.20	\$ 57,525,975.47
Expenses:					
Sales And Marketing	\$ 130,667.04	\$ 137,200.39	\$ 138,810.41	\$ 140,500.93	\$ 142,275.97
Property & Utilities	\$ 4,933,820.63	\$ 5,300,206.65	\$ 5,795,229.20	\$ 6,343,216.56	\$ 6,950,502.44
Operations	\$ 15,207,633.06	\$ 16,444,186.45	\$ 17,723,775.56	\$ 19,205,935.85	\$ 18,996,633.20
Banking & Other	\$ 4,825,243.72	\$ 5,031,982.54	\$ 5,248,367.82	\$ 5,474,868.10	\$ 5,711,975.03
Other Wages & Benefits	\$ 17,614,879.08	\$ 16,878,603.03	\$ 17,722,533.18	\$ 18,608,659.84	\$ 19,539,092.84
Interest Operating Loan					
Depreciation	\$ 7,592,087.57	\$ 7,592,087.57	\$ 7,592,087.57	\$ 7,592,087.57	\$ 7,592,087.57
Total Expenses	\$ 50,304,331.09	\$ 51,384,266.62	\$ 54,220,803.74	\$ 57,365,268.85	\$ 58,932,567.05
Net Income Before Taxes	\$ 9,065,771.56	\$ 6,203,508.12	\$ 1,485,248.46	\$ 2,230,908.35	\$ (1,406,591.58)
Less: Income Taxes	\$ 2,991,704.61	\$ 2,047,157.68	\$ 490,131.99	\$ 736,199.76	-\$ 464,175.22
Net Income	\$6,074,066.94	\$4,156,350.44	\$995,116.47	\$ 1,494,708.60	\$ (942,416.36)

PROJECTED ANNUAL CASH FLOW STATEMENT

	2014	2015 (JA\$)	2016 (JA\$)	2017 (JA\$)	2018 (JA\$)
Cash Inflows					
Cash Receipts	\$ 112,572,554.39	\$ 111,685,937.98	\$ 117,009,197.35	\$ 123,127,897.69	\$ 123,883,761.16
Other Source of Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Owner Investment	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Loan Advances	\$ -	\$ -	\$ -	\$ -	\$ -
Term Loan Advances	\$ 16,344,088.00	\$ -	\$ -	\$ -	\$ -
Sales of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Other Assets					
Total Cash Inflows	\$ 128,916,642.39	\$ 111,685,937.98	\$ 117,009,197.35	\$ 123,127,897.69	\$ 123,883,761.16
Cash Outflows					
Payment of:					
Cost of Sales Items	\$ 56,684,077.14	\$ 58,954,073.58	\$ 61,323,464.66	\$ 63,796,867.48	\$ 66,379,121.19
Sales & Marketing Items	\$ 130,667.04	\$ 137,200.39	\$ 138,810.41	\$ 140,500.93	\$ 142,275.97
Operation Items	\$ 15,207,633.06	\$ 16,444,186.45	\$ 17,723,775.56	\$ 19,205,935.85	\$ 18,996,633.20
Property & Utility Items	\$ 4,933,820.63	\$ 5,300,206.65	\$ 5,795,229.20	\$ 6,343,216.56	\$ 6,950,502.44
Banking & Other Items	\$ 4,825,243.72	\$ 5,031,982.54	\$ 5,248,367.82	\$ 5,474,868.10	\$ 5,711,975.03
Other Wages & Benefit Items	\$ 17,614,879.08	\$ 16,878,603.03	\$ 17,722,533.18	\$ 18,608,659.84	\$ 19,539,092.84
Other Uses of Funding:					
Repayment of Shareholder Capital	\$ -	\$ -	\$ -	\$ -	\$ -
Payment of Dividends/Earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Term Loan Interest & Principal	9,039,313.68	\$9,039,313.68	\$9,039,313.68	\$9,039,313.68	\$4,798,011.36
Operating Loan Interest & Principal	\$0.00	\$0.00	\$0.00	\$0.00	\$ -
Purchase of Fixed Assets	\$ 16,344,088.00	\$ -	\$ -	\$ -	\$ -
Payment of Other Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Payment of Taxes	\$ 2,991,704.61	\$ 2,047,157.68	\$ 490,131.99	\$ 736,199.76	\$ (464,175.22)
Total Cash Outflows	\$ 127,771,426.96	\$ 113,832,724.00	\$ 117,481,626.51	\$ 123,345,562.20	\$ 122,053,436.80
Increase/Decrease in Cash	\$ 1,145,215.44	\$ (2,146,786.02)	\$ (472,429.16)	\$ (217,664.51)	\$ 1,830,324.35
Beginning Cash Balance	\$ 479,552.00	\$ 1,624,767.44	\$ (522,018.58)	\$ (994,447.75)	\$ (1,212,112.25)
Closing Cash Balance	\$ 1,624,767.44	\$ (522,018.58)	\$ (994,447.75)	\$ (1,212,112.25)	\$ 618,212.10

MONTHLY CASH FLOW

	Month 1 (JA\$)	Month 2 (JA\$)	Month 3 (JA\$)	Month 4 (JA\$)	Month 5 (JA\$)	Month 6 (JA\$)	Month 7 (JA\$)	Month 8 (JA\$)	Month 9 (JA\$)	Month 10 (JA\$)	Month 11 (JA\$)	Month 12 (JA\$)	Total (JA\$)
Cash Inflows													
Cash Receipts	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 112,572,554.39
Other Source of Funds				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Owner Investment				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Loan Advances				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Term Loan Advances	\$ 16,344,088.00				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,344,088.00
Sales of Fixed Assets				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Assets													\$ -
Total Cash Inflows	\$ 25,725,134.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 9,381,046.20	\$ 128,916,642.39
Cash Outflows													
Payment of:													
Cost of Sales Items	\$ 4,661,163.25	\$ 4,617,183.25	\$ 4,617,183.25	\$ 4,747,767.49	\$ 4,762,427.49	\$ 4,747,767.49	\$ 4,777,067.49	\$ 4,747,767.49	\$ 4,762,427.49	\$ 4,747,767.49	\$ 4,747,767.49	\$ 4,747,767.49	\$ 56,684,077.14
Sales & Marketing Items	\$ 10,888.93	\$ 10,888.93	\$ 10,888.93	\$ 10,888.93	\$ 10,888.92	\$ 10,888.92	\$ 10,888.92	\$ 10,888.92	\$ 10,888.92	\$ 10,888.92	\$ 10,888.92	\$ 10,888.92	\$ 130,667.04
Operation Items	\$ 1,911,810.08	\$ 1,204,402.91	\$ 1,204,402.91	\$ 1,204,402.91	\$ 1,204,402.91	\$ 1,204,402.91	\$ 1,251,793.91	\$ 1,204,402.91	\$ 1,204,402.91	\$ 1,204,402.91	\$ 1,204,402.91	\$ 1,204,402.91	\$ 15,207,633.06
Property & Utility Items	\$ 411,151.72	\$ 411,151.72	\$ 411,151.72	\$ 411,151.72	\$ 411,151.72	\$ 411,151.72	\$ 411,151.72	\$ 411,151.72	\$ 411,151.72	\$ 411,151.72	\$ 411,151.72	\$ 411,151.72	\$ 4,933,820.63
Banking & Other Items	\$ 239,538.72	\$ 239,538.72	\$ 239,538.72	\$ 239,538.72	\$ 239,538.72	\$ 239,538.72	\$ 2,190,317.78	\$ 239,538.72	\$ 239,538.72	\$ 239,538.72	\$ 239,538.72	\$ 239,538.72	\$ 4,825,243.72
Other Wages & Benefit Items	\$ 4,402,509.75	\$ 1,201,124.48	\$ 1,201,124.48	\$ 1,201,124.48	\$ 1,201,124.48	\$ 1,201,124.48	\$ 1,201,124.48	\$ 1,201,124.48	\$ 1,201,124.48	\$ 1,201,124.48	\$ 1,201,124.48	\$ 1,201,124.48	\$ 17,614,879.08
Other Uses of Funding													
Repayment of Shareholder Capital													\$ -
Payment of Dividends/Earnings													\$ -
Term Loan Interest & Principal	753,276.14	\$ 753,276.14	\$ 753,276.14	\$ 753,276.14	\$ 753,276.14	\$ 753,276.14	\$753,276.14	\$753,276.14	753,276.14	\$753,276.14	\$753,276.14	\$753,276.14	\$ 9,039,313.68
Operating Loan Interest & Principal													\$ -
Purchase of Fixed Assets	16,344,088.00	-	-										\$ 16,344,088.00
Payment of Other Assets													\$ -
Payment of Taxes												\$ 2,991,704.61	\$ 2,991,704.61
Total Cash Outflows	\$ 28,734,426.60	\$ 8,437,566.15	\$ 8,437,566.15	\$ 8,568,150.38	\$ 8,582,810.37	\$ 8,568,150.37	\$ 10,595,640.43	\$ 8,568,150.37	\$ 8,582,810.37	\$ 8,568,150.37	\$ 8,568,150.37	\$ 11,558,854.99	\$ 127,771,426.96
Increase/Decrease in Cash	\$ (3,009,292.40)	\$ 943,480.05	\$ 943,480.05	\$ 812,895.81	\$ 796,235.82	\$ 812,895.82	\$ (1,214,594.24)	\$ 812,895.82	\$ 796,235.82	\$ 812,895.82	\$ 812,895.82	\$ (2,178,808.79)	\$ 1,145,215.44
Beginning Cash Balance		\$ (3,009,292.40)	\$ (2,065,812.35)	\$ (1,122,332.30)	\$ (309,436.49)	\$ 488,799.34	\$ 1,301,695.16	\$ 87,100.93	\$ 899,996.75	\$ 1,698,232.58	\$ 2,511,128.40	\$ 3,324,024.22	\$0.00
Closing Cash Balance	\$ (3,009,292.40)	\$ (2,065,812.35)	\$ (1,122,332.30)	\$ (309,436.49)	\$ 488,799.34	\$ 1,301,695.16	\$ 87,100.93	\$ 899,996.75	\$ 1,698,232.58	\$ 2,511,128.40	\$ 3,324,024.22	\$ 1,145,215.44	\$ 1,145,215.44