



NATIONAL IRRIGATION COMMISSION LIMITED

MISSION STATEMENT

“TO USE THE AVAILABLE RESOURCES
TO DEVELOP IRRIGATION SYSTEMS
AND TO PROVIDE THE MOST EFFICIENT
AND EFFECTIVE SERVICE POSSIBLE
TO THE AGRICULTURAL COMMUNITY.”



Table of Contents

CORPORATE DATA	3
BOARD OF DIRECTORS	4
DISTRICT ADVISORY AND MONITORING COMMITTEES	6
EXECUTIVE DIRECTORATE	7
MINISTER'S MESSAGE	8
CHAIRMAN'S MESSAGE	10
MANAGING DIRECTOR'S MESSAGE	11
ADMINISTRATION AND PERSONNEL	13
OPERATIONS	19
NATIONAL IRRIGATION DEVELOPMENT PROGRAMME	28
INFORMATION SYSTEMS	35
COMMERCIAL	38
FINANCE & CORPORATE PLANNING	41
AUDITOR'S REPORT	48
FINANCIAL STATEMENTS	49
APPENDIX I	68



Corporate Data

The Company

REGISTERED OFFICE

National Irrigation Commission
Limited, 191 Old Hope Road
Kingston 6, Jamaica
Telephone: 977-6624, 977-6727
Fax: 927-2696
E-Mail Address: nic@cwjamaica.com
Web-Site: www.nicjamaica.com

The Operation Centre

15 Barrett Street
Spanish Town
St. Catherine
Tel #: 984-0625/5792
Fax # 984-0532

Attorneys-at-Law

DunnCox
48 Duke Street,
Kingston, Jamaica

AUDITORS

KPMG. Peat Marwick
6 Duke Street,
Kingston, Jamaica

District Offices

St. Catherine Irrigation District

Rio Cobre Office
17 Barrett Street, Spanish Town
Tel: 984-2334/4022
Fax # 984-8401

Mid-Clarendon Irrigation District

Osbourne Store, May Pen
Tel: 987-3259/3667
Fax # 987-3139

St. Elizabeth Irrigation & Drainage District

Watchwell P. A.
St. Elizabeth
Tel: #965-0714
Fax # 965-0232

St. Dorothy Office

Bodles, Old Harbour
Tel: 983-2712
Fax # 983-2712

Yallahs District

Yallahs, St. Thomas
Tel: 706-3159

Braco Irrigation District

Duncans, Trelawny
Tel: 954-2147
Fax :#954-2295



Board in Session



From left: Milton Henry, Donovan Reid, Rev. Dr. Garnet Brown, Dwight Campbell.



From left: Maurice Harrison, Norma Duncan, Alphanso Bennett, Victor Rose



From left: Patricia Snow, Neil Lawrence, Andrea Powell



Richard Sadhi



Dr. Oswald Thomas



Basil Fernandez



Dr. Richard Harrison

The Board

Rev. Dr. Garnet Brown
Chairman

Donovan Reid
Managing Director

Dr. Oswald Thomas
Farmer

Alphanso Bennett
Farmer

Dwight Campbell
**Transport Supervisor
Shell Co. of Jamaica**

Norma Duncan
**Rep. – Ministry of Finance &
Planning**

Basil Fernandez
**Managing Director, Water
Resources Authority**

Dr Richard Harrison
Rep. – Ministry of Agriculture

Neil Lawrence
Civil Engineer

Victor Rose
Businessman

Richard Sadhi
**Chairman Mid-Clarendon
Dev. Co-op**

Patricia Snow
**Rep. –Ministry of Water &
Housing**

Andrew Wright
Farmer

Anthony Anguin
Businessman

Wensworth Skeffrey
Teacher

Missing: Mr. Wensworth Skeffrey



L to R: Technical Committee:

Seated: Andrew Wright, Anthony Anguin, Donovan Reid,

Standing: Maurice Harrison and Milton Henry.

Missing, Dr. Oswald Thomas, Chairman



L to R: Finance Committee:

Dwight Campbell, Maurice Harrison, Finance Chair, Norma Duncan, and Patricia Snow

Standing: Donovan Reid.



Finance Chair, Norma Duncan and Director of Finance & Corporate Planning, Andrew Robinson in contemplative mood



Executive and Support Staff posing with the Chairman and Managing Director:

Standing L to R: Maurice Harrison, Consultant, Maxine Brown, Executive Assistant to Managing Director, Andrea Powell, Executive Secretary and Andrew Robinson, Director of Finance & Corporate Planning. Seated from left, Milton Henry, Director of Engineering & Technical Services, extreme right, Doreth Sylvester-West, Company Secretary



District Advisory & Monitoring committees



* Denotes Chairman for each Committee and member of the Board of Directors.

** C. Richards represents J. Gayle of Sugar Company of Jamaica on the St. Catherine District Advisory & Monitoring Committee.

Executive Directorate



Milton Henry, Director, Engineering & Technical Services



Andrew Robinson, Director, Finance & Corporate Planning



Vanica Cranston, Director, Commercial Operations



Karen Thames, Acting Director, Corporate & Legal Services

Minister's Message



Undoubtedly, the main highlight during the year was the commencement of construction for the first of the three flagship projects, the Pedro Plains Irrigation System, in Beacon/Little Park, in January of this year.

The groundbreaking by the Prime Minister, The Most Hon. P.J. Patterson, in Pedro Plains, St. Elizabeth, was indeed a historical occasion for the National Irrigation Commission Limited and Jamaica. It signalled the beginning of construction of the first of fifty-one projects identified under the National Irrigation Development Programme (NIDP). Of note is the fact that the only publicly owned irrigation system in St. Elizabeth was built more than thirty years ago. It is therefore clear what the construction of a new system means to the people of St. Elizabeth and to the security of Jamaica's food supply.

I wish to underscore the commitment of this government to provide reliable water supply to the farmers who have fed this nation over the years. It is our view that this will assist them to be competitive in a global economy. To that end, I intend to do all in my powers to ensure the implementation of the other flagship projects in Seven Rivers, St. James and Hounslow, St. Elizabeth.

In addition, the government intends to pursue Phase II of the NIDP with the assistance of the Inter-American Development Bank (IADB). Our negotiations are well advanced and we hope to sign off on that irrigation programme early in the next financial year. That programme will see the construction of irrigation systems in Colbeck,

Yallahs, New Forest/Duff House, Essex Valley and St. Dorothy.

The management and staff of the NIC must be commended for their resilience in the aftermath of Hurricane Ivan. Preliminary reports of widespread destruction in St. Elizabeth and Braco and lesser damage in the other systems painted a very gloomy picture. However, the staff of the NIC rose to the challenge, working very long hours to initially assess the damage and later to clear debris, which made access to much of the system impassable.

Within two months after the passage of Hurricane Ivan, service was restored to more than seventy percent of the damaged systems except for the irrigation and drainage area in St. Elizabeth where the water took some time to subside and electricity took longer than expected to be restored. Thanks to the assistance of the Inter-American Development Bank, the Commission was able to repair all the pumps in the Clarendon area. This has impacted positively on service in that area.

I was particularly impressed with the dispatch and professionalism displayed by the Commission in rolling out its three year strategic business plan (2005/07) during the year. I believe that this plan forms the strategic framework for the successful implementation of the NIDP. The Commission focused some attention on staff development over the period under review and to this extent, sought to offer several in-house training courses to all levels of its staff. The training was done, free of cost by the Outreach Department of the Ministry of Labour. Much of this training has been manifested in the high quality customer service the Commission has been credited with.

The Commission has also been very proactive in developing its own cost cutting measures in keeping with the Public Sector Memorandum of Understanding. An important strategy undertaken has been an energy audit conducted on the entire

system in an effort to reduce the high-energy consumption and thereby realize substantial savings.

I am indeed pleased to be associated with the management and staff of the NIC. Their work ethic is exemplary and their support over the years has helped to make my ministerial responsibilities that much easier. I salute them and wish them success.

I thank the Chairman, Managing Director and Board of the Commission for the guidance and invaluable contribution to the operation of the National Irrigation Commission Limited and the development of the irrigation sector.

May God bless you.



Hon. Donald Buchanan, M.P.
Minister of Water & Housing

Chairman's Message



Another year has passed, and the National Irrigation Commission Limited approaches its twentieth year of existence.

Looking back, one can justly feel rather fulfilled, bearing in mind the giant strides that the

organization has made. The independent entities that preceded the Commission were fraught with significant managerial deficiencies, serious challenges in customer service, collection problems, maintenance and operations problems and frequent industrial relations setbacks.

Since the advent of the Commission, which absorbed all these entities, there has been a significant turn-around in all the challenges listed above, and this has redounded to the organization becoming a public sector model in terms of management, service and industrial relations stability. For example, over the approximately twenty (20) years of operation, there has not been one strike called by any of the four Unions that represent the unionized staff. This is a movement from three to four strikes per year prior to the advent of the Commission. Regarding irrigation development and maintenance, the improvement has been spectacular, beyond any gainsaying. The systems and procedures that have been introduced, have served the organization as well as the farmers with significant satisfaction, culminating in the development and now the phased implementation of the National Irrigation

Development Programme (NIDP). The current work in progress which will, within the next twelve (12) months bring irrigation water to the Pedro Plains in St. Elizabeth, and considering the levels of maintenance which are being accorded to the traditional systems in the Clarendon and St. Catherine Plains, as well as at Braco in Trelawny, all testify to the fact that the Commission is on the march in supporting the drive towards meaningful agricultural production in the island.

It is with a deep feeling of fulfilment, that as the initiator of the development of the Commission some twenty years ago, I shall say goodbye as its Chairman, at the end of this year. I am confident that I am leaving the organization in capable hands, and I pray God's continued blessings upon the staff, the farmers, and those at the Ministry level, (especially the Ministry of Water & Housing and the Ministry of Finance & Planning) who have given their full support over the years to our endeavours.

God bless you all!

A handwritten signature in black ink, which appears to read "Garnet Brown".

Rev. Garnet Brown, Ph.D., C.D., J. P.

CHAIRMAN

Managing Director's Message



The financial year ended March 31, 2005, marked another successful year for the Commission. An analysis of our performance for the year shows a net surplus of approximately J\$21M representing a significant improvement over the previous financial year. Indeed, the Commission increased its gross operating surplus to J\$91.9M, a good indicator that the financial fundamentals are right within the organization. In addition, our earnings before interest and taxes (EBIT) showed a dramatic improvement by J\$30.5M over the 12-month period. It is worthy of note also that our accumulated surplus continues to climb and stands at a healthy J\$92.9M.

This year also saw the Commission making a major step forward in the implementation of the National Irrigation Development Programme (NIDP), with the commencement of construction of the first of the three flagship projects in Pedro Plains, St. Elizabeth. This signals the beginning of the construction phase of the irrigation infrastructure in the three flagship areas – Pedro Plains, Seven Rivers and Hounslow and it is our hope that construction in the Seven Rivers and Hounslow areas will be initiated in the next twelve months.

Another positive development to be celebrated is the imminent execution of the second phase of the NIDP with the assistance of the Government of Jamaica and the Inter-American Development Bank. This will see an additional US\$21M being invested in the irrigation sector. The total investment then, will be a staggering US\$33M or over J\$2B to be disbursed within the next four to five years. The National Irrigation Commission (NIC) will effectively be charged with the responsibility of executing this massive irrigation programme which will see the construction and/or rehabilitation of eight irrigation schemes island-wide – a first in the history of our nation. Undoubtedly, the successful implementation of these new irrigation schemes via the Water Users'

Managing Director's Message

Association (WUA) model will dramatically change the face of irrigation and consequently, Jamaica's agriculture. We resolve, "to put our shoulders to the wheel" as we seek to fulfil our mandate and contribute to national development.

During the course of this year, we submitted an application to the Office of Utilities Regulations for a full rate and tariff review.

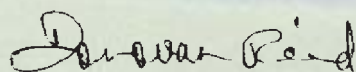
It is our intention to use their determination of our economic cost as a pillar to increase our earnings from water sales, thereby reducing our dependency on the government's budget. This will mean incremental increases in irrigation rates to facilitate the full recovery of operation and maintenance cost by the year 2010 as stipulated in the government's water sector policy. One major concern however, is the imminent reduction in the price paid to our sugar cane farmers on the European market. When one considers that approximately 80% of our existing clientele produces sugar, the nature of the problem becomes apparent. It is our view therefore, that any responsible rate and tariff policy for the irrigation sector must contemplate a working partnership with the sugar industry if there is any hope of success.

One major accomplishment during the year was the completion of our three-year Strategic Business Plan. This plan has provided a strategic framework to complement the significant capital investment programme contemplated under the NIDP. We now have a strategic platform to ensure that we achieve our vision for the organization i.e. "To become a first class company with a committed cadre of qualified employees empowered to professionally facilitate the development, coordination and expansion of the irrigation sub sector in Jamaica in a sustainable manner". Additionally, we have articulated in our strategic business plan, corporate objectives and targets for our main business units so as to achieve

our new mission: "To use the available resources to develop irrigation systems and to provide the most efficient and effective service possible to the agricultural community."

Let me use this opportunity to thank the Board of Directors, Management and Staff for their sterling contribution and support during the year. I must also thank our customers for their cooperation and commitment over the period.

It is with confidence and assurance that we look forward to the next few years as we move fully into the implementation phase of the NIDP. We believe that our mandate and mission are achievable and with this faith, we extend the hand of partnership to all our stakeholders and indeed Jamaica. Our country beckons, our destiny calls and we resolve to achieve great exploits for our children and grandchildren.



Donovan Reid
Managing Director

Administration & Personnel

CORPORATE OBJECTIVES

To develop a cadre of professionals through an appropriate and dynamic Human Resource programme and to enhance the sustainable delivery of service to our customers;

To implement and monitor the administrative systems, procedures and policies of the Commission and to ensure the protection of its assets and legal rights and to provide an efficient support system through general office services.

ORGANIZATION AND EMOLUMENTS REVIEW

Despite the constraint brought about by the Government's Memorandum of Understanding (MOU), the Commission has survived the first year. Tighter controls and austerity measures were put in place to reduce expenditure where possible. The greatest savings realized came from the sale in Brumdec of non-serviceable equipment that lay idle for many years. The Ministry of Finance & Planning granted approval for the sale of this equipment. Contracted workers at the Black River Upper Morass (Brumdec) area were made redundant during this period.

The staff must be commended for the valiant effort they have made. The Cost Savings Committee continues to be vigilant in overseeing the recommendations that were implemented in December 2004.

Secondary School Scholarship Award

The presentation ceremony of the Commission's Secondary School Scholarship Award for 2004/2005 took place on November 19, 2004. Awardees are chosen by a Selection Committee consisting of an educator, union members representing the workers and members of the management team. The programme now in its sixth year, is a partnership between the NIC and the Unions representing the workers. The scholarships are valued at \$30,000 each.

Four scholarships were awarded; two (2) to the children of fortnightly staff, and two (2) to the monthly staff. The awardees were:

Administration & Personnel



Guest Speaker Dr. Wayne Henry Ph.D (left) and Managing Director Donovan Reid (right) posing with awardees Tasheia Colley, Martinelle Taylor, Akilah Campbell, Deanna Kay Bartley,

- Deanna Kay Bartley, daughter of Mr. Horace Bartley - Mid- Clarendon District Office
- Tasheia Colley, daughter of Miss Jeniffer Chambers - Head office
- Akilah Campbell, daughter of Mr. Garnet Campbell, - St. Catherine District Office - 2nd time awardee
- Martinelle Taylor, daughter of Miss Paula Sterling, - Head Office -2nd time awardee

Guest speaker at the Ceremony was Dr. Wayne St. Aubyn Henry, lecturer in the Department of Economics at the University of the West Indies.

Training

Budgetary constraints resulted in a reduction of the amount allocated for training. However, with the assistance of the Outreach Department of the Ministry of Labour and Social Security, valuable training was offered, free of cost to the frontline, supervisory and managerial staff.

The courses included: Industrial Relations, Conflict Management and Customer Relations.

Special commendation to Miss Beatrice Rhoden of the Ministry of Labour and Social Security and her team.

Administration & Personnel

Congratulations to the following officers who have completed their studies:



Cecil Thompson
BSc. Construction Engineering
& Management



Andrea Munroe
Bachelor of Business
Administration



Sherda McCreath
BSc. Human Resources
Management



Rubena Powell
BSc. Human Resources
Management



Amiel Smith
ACCA Accreditation

Missing: Hortence Lyons ACCA Accreditation, Paula Sterling Certified Administrative Professional

Administration & Personnel

A number of other officers pursued short-term courses during the period under review, both locally and abroad. The Commission remains committed to encourage and facilitate as much as possible the academic development of its staff.

Personal Mention



Patricia Tyrrell, NIC's Public Relations Specialist was elected the fourth president of the International Association of Business Communicators/Caribbean Chapter in October 2004. The Caribbean Chapter was chartered in March 2000 under the leadership of Mrs. Elaine Commissiong, renowned Public Relations Consultant. The IABC Caribbean is a non-profit organization of communications professionals headquartered in Kingston, Jamaica. The Caribbean Chapter is part of an international body of 14,000 members in over 60 countries worldwide.

The goals of the organization include lifelong learning, continuous research in the field of communications, sharing of best practices among communicators and linking communicators in a global network that inspires, establishes and

supports the highest professional standards of quality and innovation in organizational communication, public affairs and public education.

Security

Security continues to pose a challenge to the operations of the NIC. The field staff in particular, especially those working in the St. Catherine area are confronted with this problem on a daily basis.

Electronic Security System

Electronic security systems have been installed in all the offices throughout the Commission. These have proven very cost effective when compared to the manned security system, previously in place.

Currently, several of our pumping stations are being manned by mobile-armed security during the night. We are now receiving proposals on electronic security options for improving security at some stations in Blocks A – E, Bernard Lodge. This we hope will reduce both security cost and risk.

Security Issues in Operations

The major areas of concern are:

- Encroachment on the reservation by squatters. This is most prevalent in the Spanish Town area.
- Continued violence in many Spanish Town communities notably Tawes Pen

Administration & Personnel

and March Pen. Sections of the open canals pass through these areas; the operations staff is wary of traversing these locations.

- Pilfering of water mainly in areas of St. Catherine and Clarendon. Thankfully, there has been a reduction in this activity during the year. This can be attributed to the resolve of the organization to stop the practice.
- Break-ins at the offices and vandalism directed at NIC plant and equipment.
- Squatting/Illegal Activities on the NIC Canal Reservations.

There has been a decline in illegal activities on the canal reservations during the period under review, especially with respect to squatting and planting of cash crops.

We have been able to have dialogue with some of the offenders and a number of them have cooperated and subsequently removed their operations from the reservations.

Five families and four cook shops were removed from the March Pen Road area of Spanish Town and along the Lower Main Canal. This area is slated for a joint beautification project between the NIC and the business community which operates close to our reservation.

This should enhance the environs and hopefully prevent the recurrence of squatting or any other illegal activity.

Water Pilferage

There is also a decrease in the pilferage of water. This may be attributed to the vigilance of NIC's Security Officer in the field and constant dialogue with offenders and would-be offenders.

Sand Mining

Sand mining too is on the decline; the Commission has not received any complaints with regard to this problem.

TRIBUTE

James Alphanso (Moony) Land



It was Albert Einstein who wrote *"try not to become a man of success, but a man of value"* and this quote summarizes the life of James Alphanso (Moony) Land. On January 8, 2005, family, friends and co-workers gathered at the Webster Memorial United Church to bid their final farewell to an exceptional husband, father, friend, mentor and co-worker. As one listened to the various experiences of each person speaking about James and the impact he made on the lives of his peers, the youth and indeed everyone that he came in contact with, one can only be inspired by his life and hope to emulate the examples he set.

James Land's first introduction to the National Irrigation Commission Limited (NIC) was in the mid 1990's while working as a Computer Programmer at Deloitte & Touche, when he developed the Commission's first billing system. As a result of his dedication and commitment to excellence he became NIC's first full-time Programmer/Analyst on October 2, 2002. Some of his achievements during his tenure were the development of a Customer Information System (CIS) and its current

enhancements, the Customer Application Tracking System (CATS), the Water Production Information System (WPIS) as well as an automated receipt sub-system that is currently being piloted in some of the District Offices. His demeanor was always that of a gentle warrior with a quiet spirit and his passing left a void among the staff of the Commission.

A past student of Kingston College (K.C.), James diligently worked through the Old Boys Association. As an avid sports fan, he contributed to the development of sports at K.C. by coaching and mentoring the young athletes in track and field, football and cricket. His kindness was demonstrated in the long hours he spent tutoring Information Technology (IT) students as they prepared for the CXC examination. James' dedication was displayed in all areas of his life; with his family he was a dedicated and loving husband, father, son and brother. At work, a diligent and respected worker who rose to each challenge with the highest level of professionalism and to his peers a loyal friend. Although sadly missed, James will never be forgotten. We bid farewell to a colleague, brother and friend; rest with God.

"Fortis Forever, Brave Forever"

Operations

CORPORATE OBJECTIVE

To implement methods, which will improve efficiencies in procurement, conveyance and delivery of irrigation water to enhance the quality and reliability of service.

Water Production and Distribution

The Water Production levels, invoicing and energy consumption in each irrigation network location are shown in Table 1.

Table 1 Water Production & Invoicing Summary (April 2004 - March 2005)

	Hours Pumped	Water prod. (m3)	Water Invoiced (m3)	%age Invoiced	Energy Used (kwh)	Energy Cost (\$)	Unit Energy (kwh/m3)	Energy Cost (\$) / (m3)
Yallahs	2,707.00	443,298.11	310,383.00	70%	130,030.00	1,497,709.04	0.293	3.38
St. Dorothy	12,281.60	6,421,175.00	3,917,681.00	61%	847,000.00	8,990,520.00	0.132	1.40
Blocks + Spring Village	58,379.00	5,543,151.25	3,284,020.00	59%	1,296,250.40	14,321,018.00	0.234	2.58
Tot. (Esn. Region Pump)	73,367.60	12,407,624.36	7,512,084.00	61%	2,273,280.40	24,809,247.04	0.183	2.00
Canal flow (Esn, Region)		71,429,771.00	46,671,248.00	65%				
TOT. (EAST REGION)	73,367.60	83,837,395.36	54,183,332.00	65%	2,273,280.40	24,809,247.04	0.027	0.30
MID CLARENDON (DW)	48,631.00	20,273,223.90			3,023,710.00	32,063,456.00	0.149	1.58
River		11,902,917.33						
TOT. (CENTRAL REGION)	48,631.00	32,176,141.23	23,515,514.00	73%	3,023,710.00	32,063,456.00	0.094	1.00
Hounslow	5,822.00	2,826,883.00	2,332,005.00	82%	695,376.00	7,919,610.00	0.246	2.80
Braco	2,699.10	632,608.49	608,453.00	96%	119,148.00	1,241,410.22	0.188	1.96
TOTAL (Western)	8,521.10	3,459,491.49	2,940,458.00	85%	814,524.00	9,161,020.22	0.235	2.65
OVERALL (pumped)	130,519.70	36,140,339.75			6,111,514.40	66,033,723.26	0.169	1.83
Gravity Flow		83,332,688.33						
GRAND TOTAL	130,519.70	119,473,028.08	80,639,304.00	67%	6,111,514.40	66,033,723.26	0.051	0.55

Operations

The overall invoicing levels increased from 65% in 2003- 2004 to 67% in 2004 – 2005. This improvement was achieved despite the following challenges:

- (i) The passage of Hurricane Ivan rendering distributaries and pumping equipment non-serviceable for weeks. Silt and debris were deposited in the distribution network while erosion occurred in some sections thus breaching systems and canals in several locations.

Pumping equipment generally had to be overhauled before restarting. The crop damage was reportedly severe in some areas including Rio Cobre and Hounslow. This natural disaster contributed to the slow recovery of the farming community and low invoicing for the NIC immediately following the passage of the hurricane.

- (ii) Spill of contaminants from the WINDALCO Alumina Plant at Ewarton into the Rio Cobre River during August. This resulted in the system being shut down for approximately 3 weeks.

This spill resulted in several claims for losses served on WINDALCO by both the NIC and affected consumers.

Despite the setbacks from Hurricane Ivan in September 2004, invoicing levels remained high in Mid-Clarendon, Hounslow and Braco, at 73%, 82% and 96% respectively. The higher percentage invoicing resulted in a reduction in energy cost per unit (cubic metre) of water invoiced.

During the next financial year, priority will be given to improving the invoicing levels in the Rio Cobre scheme.



Old Harbour Branch Canal



St. Catherine main canal

Operations

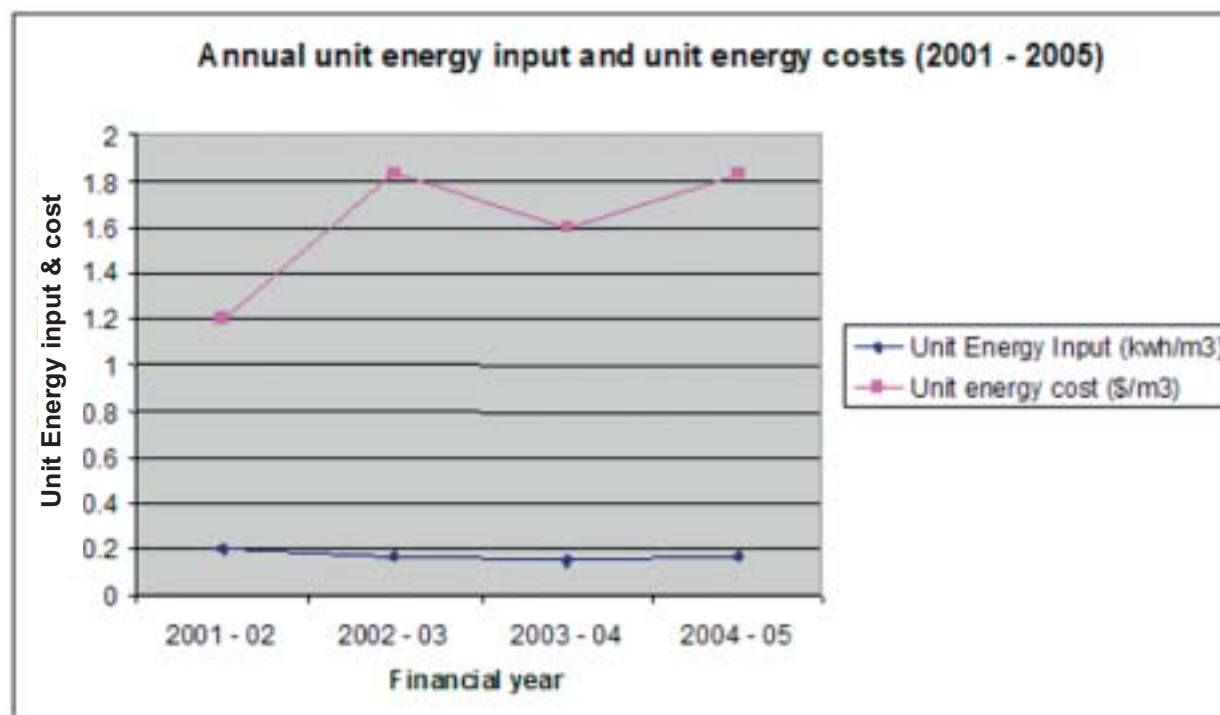


Figure 1 : Annual unit energy input and unit energy costs for pumping (2001-2005)

“As shown in Figure 1, the unit energy input for pumping has remained reasonably constant at approximately 0.17 kwh/m3 (kilowatt hour per cubic metre) of water pumped. Conversely, the unit energy cost has increased by approximately 50% over the same period.”

Operations

High-energy costs continue to be one of the major items affecting NIC's operations. The unit energy used for pumping continues to be the highest in Yallahs where a separate booster is being used to maintain pressure at farm gate. Yallahs is closely followed by the Spring Village and Hounslow Schemes.

Over the last four years, the NIC has been making a concerted effort to improve energy management. As shown in figure 1, the unit energy input for pumping has remained reasonably constant at approximately 0.17 kwh/m³ (kilowatt hour per cubic metre) of water pumped. Conversely, the unit energy cost has increased by approximately 50% over the same period. This massive increase in energy input cost is significantly affecting our ability to provide quality service especially to consumers in the pump-operated systems. One strategy during the year was the commissioning of an energy audit of all NIC pumping schemes. Undertaken by an external consultant, the main purpose of the work was to identify the conservation opportunities for present and future investments. The main findings of the audit include:

- (i) The need to implement JPSCO rate changes to rate 40 for several pumping stations. These changes have already been implemented.
- (ii) Retrofitting some pumping stations including the installation of capacitors to reduce KVA demand.
- (iii) Improving flow and pressure measurements in order to increase both the accuracy and certainty of the data. This item will involve the installation of bulk flow meters and pressure gauges at the pump discharge locations.
- (iv) The need to further investigate methods to

better match pump operating hours with farm water demand.

While item (i) has been completed, items (ii) to (iv) require financial capital and their completion is dependent on future budgetary support.

Area Under Production

Sugarcane continues to be the major crop occupying approximately 84% of the area under production in March 2005. This was followed by both vegetables and small stock of 6% and 4% respectively.

The NIC intends to continue its land use surveys notably at the beginning of the dry season. This will greatly inform us of estimates of crop water demand and projected revenues from water sales. Recently the government acquired additional land parcel data and this will be combined with the Geographic Information Systems (GIS) to more accurately estimate both crop production and land use.

Our understanding is that the sugar industry is planning expansion in the Bernard Lodge area of St. Catherine in order to better satisfy the factory demand.

Additionally, the development of new markets for freshwater fish should enhance levels of tilapia production in both Clarendon and St. Catherine.

Of particular concern, is the increasing conversion of agricultural land to municipal use in Clarendon, St. Catherine and Trelawny. This trend is expected to continue in the future given the development of several road infrastructure projects including the Highway 2000 and the North Coast Highway.

Operations

Several housing schemes and land development programmes are being targeted along the Highway 2000 corridor and when fully implemented will significantly reduce the lands available for agriculture in the St. Dorothy and Rio Cobre areas.

In addition to land loss, the land use changes also resulted in infrastructural adjustments. An example of this is shown in figure 1, where the Hartlands Canal was realigned to accommodate the Whitewater Housing Scheme in Hartlands, St Catherine.

The Kingston Metropolitan Area (KMA) water supply project will also affect the water supply available for irrigated agriculture by re-allocating 17.5 million igpd (imperial gallons per day). Under this project, 5 million igpd of groundwater flows in Blocks A – E, Bernard Lodge will be replaced by surface flows from the Rio Cobre River.

The remaining 12.5 million igpd will be supplied to the aquifer through recharge zones located in the Innswood and Cumberland Pen areas.



Hartlands canal realignment

Operations

The projected increase in Municipal and Industrial demand in the irrigated areas presents real opportunities for improving irrigation efficiencies and land productivity. The sugar industry has continued to invest in on-farm irrigation technology by installing several center pivot systems notably in the St. Catherine area.

This investment in on-farm irrigation efficiency is expected to improve farm productivity and reduce unit water demand on irrigation schemes in Clarendon and St Catherine. Future projects to rehabilitate the Hounslow, Yallahs and St. Dorothy Schemes should also enhance water use efficiencies in the irrigated areas.

Civil Works

The civil works department remained vibrant throughout the year, making significant contributions to the quality of the irrigation service delivery in the following areas (table 2):

- Connections, disconnections and metering
- General civil works repairs
- Rehabilitation work post Hurricane Ivan and Charlie

Hurricane Ivan resulted in an estimated J\$78 million worth of damage to the irrigation infrastructure.

Of this amount, \$36 million was needed urgently to restore minimum service to the irrigation sector. The irrigation systems had also suffered damage during previous floods in 2002 and 2003.

Table 2 shows some civil works activities carried out during the year.

Activity	Unit	Quantity
Connections and Disconnections	No	64
Canal retrofitting with polyethylene pipe	metre	2334
Canal lining repairs	metre	3504
Repairs to broken pipe lines	No	167

The civil works division managed two infrastructure rehabilitation programmes namely:

(i) J\$28 million GOJ Hurricane Ivan Rehabilitation

The main activities completed under this programme include:

- Clean-up of fallen trees and debris
- Rehabilitation of pumping stations
- Repairs to the conveyance systems including canal lining repairs and replacement of some canal sections with polyethylene pipes in Clarendon.
- Repairs to office buildings in all districts.
- Installation of drainage culverts and flap gates in the Upper Morass, St Elizabeth

(ii) J\$46 million IDB Flood Rehabilitation Programme.

This programme is being executed by the National Works Agency (NWA), with the NIC providing both monitoring and technical support services. During the year \$14.8 million was spent under

Operations

this programme to rehabilitate several infrastructure components in St. Catherine, with another \$31.2 million worth of contracts agreed on.

Some of the major works completed were:

- Desilting of channel sections and repairs to sluice gates at Damhead
- Bank protection and improvements along the Rio Cobre main canal

Both the GOJ and IDB programmes will greatly improve the quality of the infrastructure in the irrigation districts and contribute to the improvement in irrigation services.



Rehabilitation work on the St. Dorothy Main at Patrick Street completed under the GOJ Flood Repair Programme



Gabion protection works on the Rio Cobre Main Canal completed under the IDB Flood Damage Rehabilitation Programme

Electrical and Mechanical Maintenance

The Preventative Maintenance (PM) programme continues to bring the desired benefits to all aspects of the system operations. Low levels of

electrical and mechanical breakdowns have continued throughout this period to affect NIC plant and equipment.

A major part of the programme is outsourced and those contractors have kept to the prescribed schedules.

Operations

Goals set and accomplished during the period include:

- Conversion of the remaining 2300 volt stations in Clarendon to 415 volt power supply. Those stations namely, Milk River 1, 2, 3 and Rhymesbury are currently operating.
- Rehabilitation of the pump stations affected by the passage of Hurricane Ivan. This resulted in minimum disruption in service to consumers.
- Commencement of an energy management programme.
- Increased discharge from the Watson Grove pumping station in Block C, Bernard Lodge.

For the future, the department will continue the PM programme while seeking to make the pumping plants more energy efficient.

In addition to fabricating water measuring flumes for consumer turnout, primary and secondary measurements, the Commission's workshop has continued to provide valuable service in several other areas.

Some of the major projects completed during the period include:

- Provision of tamper-resistant sluice gates at several locations.
- Design and installation of water meter protection boxes.

- Installation and repairs to several structures including the River Intake at Rio Bueno and flood protection works at BRUMDEC.

Given the innovative products fabricated by this unit, the feedback from the users continues to be positive.

Tree Planting Beautification Programme

Through the initiative of the Operations Division, the Commission embarked on a pilot tree-planting programme along the bank of the Rio Cobre Main Canal reservation in St. Catherine.

It is intended to involve business communities located in the vicinity of this canal. The programme is geared towards fostering a better relationship within the communities in which NIC operates and promoting awareness about the Commission. Should this be successful, it will be introduced in other areas. This project will not only serve to beautify the environs but also to decrease encroachment and improve the canal reservation. Plants were acquired from the Forestry Department Private Planting Programme. We plan to plant a total of 400 plants during this first phase. NIC is in dialogue with the Forestry Department to become a part of that Department's "Private Tree Planting Programme" which promotes the development of forest on private lands.

Operations

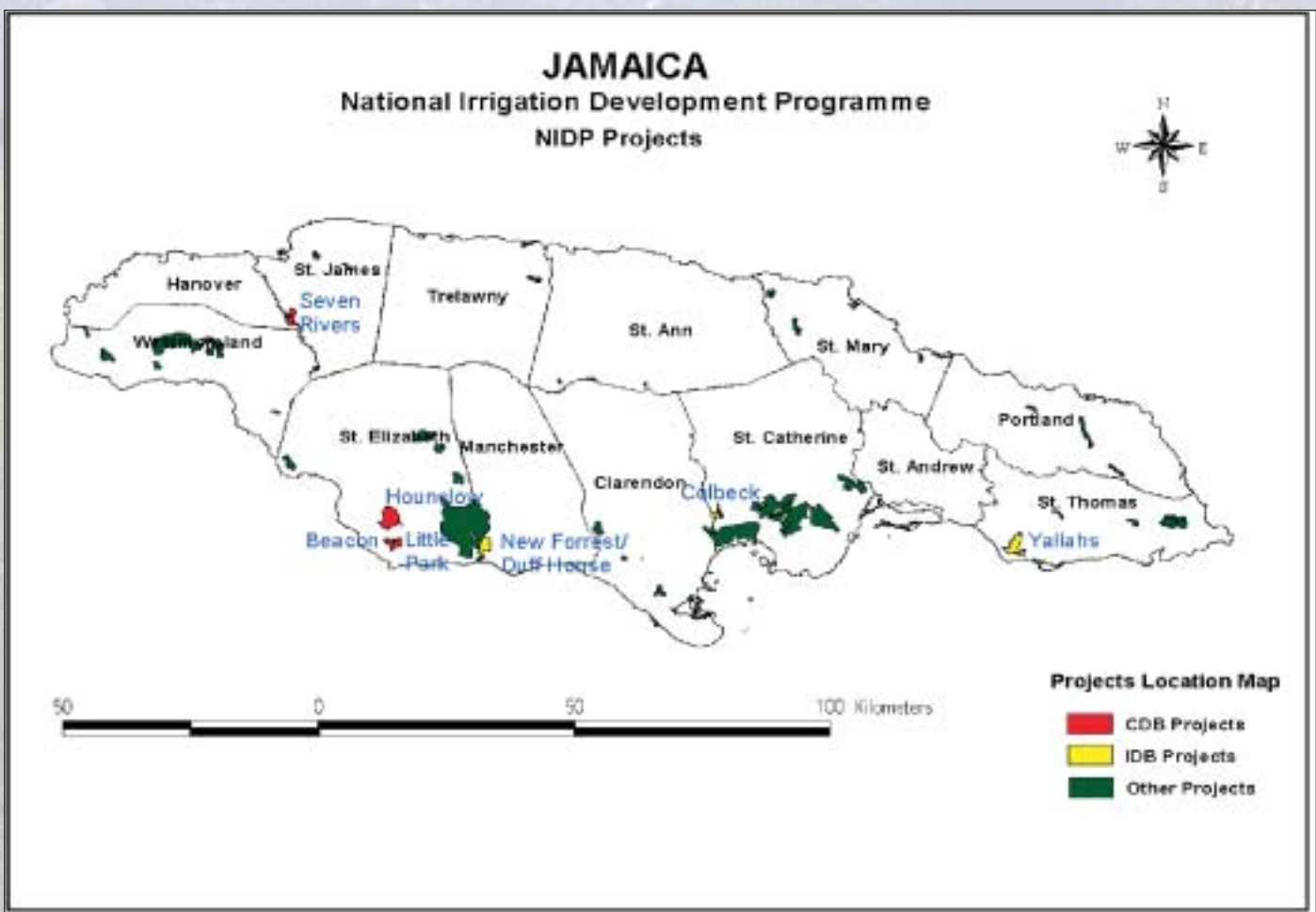


A view of 9B Beautification showing existing and newly planted trees.

National Irrigation Development Programme

CORPORATE OBJECTIVE

To increase agricultural production and farmers' income as a result of improved irrigation management practices in the irrigable areas prioritized in the NIDP.



National Irrigation Development Programme

In 1998 the Government of Jamaica (GOJ), through the National Irrigation Commission Limited prepared a National Irrigation Development Plan (NIDP). The objective of the study was to develop a Master Plan, which would identify and prioritize projects for implementation. The Plan is expected to complement the GOJ's long term agricultural development plan to year 2015, and further the Government's proposed plan to increase farmer participation in irrigation and make the NIC self sufficient.

Main Features of NIDP

The specific outputs of this study were:

1. The preparation of a Master Plan;
2. Feasibility Studies on selected priority projects from the Master Plan;
3. The preparation of a Land and Water Atlas for Jamaica (GIS).

The Master Plan in accordance with the terms of reference contains the following:

- Review of the state of agricultural production with irrigation development;
- Recommendations on irrigation policy and strategies to successfully implement the NIDP;

- Proposals for institutional strengthening;
- Generic environmental assessment on the irrigation sector;
- Identification of projects and ranking them in order of priority;
- A training programme in irrigation management.

The National Irrigation Development Plan is designed with the intention of recovering the Operation and Maintenance (O&M) costs of new and rehabilitated irrigation systems. The NIDP:

- evaluated over 125 projects islandwide and recommended 51 of these projects (US\$106.3 million construction costs), up to year 2015;
- will increase the presently irrigated area of 25,000 ha by some 60 percent (15,000 ha) and directly benefit over 6,900 farm families;
- will generate an average increase of US\$55 million in annual income, consisting of US\$32 million of income to farm families, and US\$23 million in wages to farm labour;
- will increase total annual agricultural production by US\$132.5 million.

National Irrigation Development Programme

Farmer Participation

The involvement in the planning process, of farmers and government officials at the national, regional and local levels was considered essential and hence special emphasis was placed on Stakeholder Consultation. Continued development in this sector is premised on the need for farmer participation – a process that will assure a greater rate of cost recovery, lessen the burden on the central government, and promote the sustainability of irrigated agriculture through decentralized local self-governance.

Government will encourage the formation and functioning of Water User Associations (WUAs) as legal entities (e.g. co-operatives or limited liability companies). Farmers will be members and shareholders who will have the power to govern these organizations. Responsibility for local management of water distribution, monitoring and system maintenance, will be assumed by the WUAs.



Prime Minister, the Most Hon. P.J. Patterson delivering main address in Pedro Plains.

The Most Honourable P. J. Patterson, Prime Minister of Jamaica, broke ground for the first of the three flagship projects (Pedro Plains Irrigation System) in January 2005.

CDB Funding of Pilot Projects

Feasibility studies were done on medium and small scale projects in four areas and the following three (3) were found feasible:

- Pedro Plains (Beacon & Little Park) , St. Elizabeth
- Seven Rivers – St. James
- Hounslow Rehabilitation – St. Elizabeth

The Government of Jamaica and the Caribbean Development Bank have undertaken to fund these three Flagship Projects. The total investment slated for the three projects is US\$12 million over the next three years.



From L to R: Minister of State (MOW&H) Hon. Harry Douglas, Dr. Wesley Hughes(Director General, PIOJ), Donovan Reid, Managing Director, NIC, President of CDB, Dr. Compton Bourne (partially hidden) and Prime Minister the Most Hon. P.J. Patterson at Groundbreaking Ceremony.

National Irrigation Development Programme

Pedro Plains (Beacon & Little Park) – St. Elizabeth

One (1) new well has been drilled at Beacon and three (3) new wells in the Little Park area. Pumping stations, distribution pipelines and on-farm irrigation systems will be installed to service a total project area of about 467 hectares.

The Beacon and Little Park Project will provide an additional 61,100 person days, equivalent to about 235 full-time jobs, of rural employment, most of which will probably be done by the farm households. The net increase in annual income to farm households, assuming they perform all of the supervision, management, and half of the farm labour, will be J\$101.6 million. The total annual value of the increase in production from the St. Elizabeth Projects is J\$533.2 million (US\$8.6 million) of which about one-third is from potential export crops, such as thyme, peppers, pumpkins and sweet potatoes.

Seven Rivers - St. James

The Seven Rivers Project consists of an intake on the Seven Rivers, a tributary of the Great River, and gravity conveyance by pipe (2.8 km) to the farming area (32 ha.). This project will provide an increase of 2,636 person-days of rural employment. The total value of the increase in production is J\$6.5 million of which about half is from potential export crops, such as dasheens, peppers, pumpkins and citrus.

Hounslow Rehabilitation – St. Elizabeth

The present Hounslow Irrigation system (total project area of 486 hectares) needs extensive overhauling for improvements in distribution and efficiency.

The existing five (5) wells will be rehabilitated and distribution improved.

This project will provide an additional 58,220 person-days of rural employment, equivalent to about 225 full-time jobs. The net increase in annual farm household income from the project will be J\$31.4 million.

A Project Steering Committee consisting of stakeholders, and representatives from the relevant Ministries and the PIOJ has been established to oversee and monitor the progress of the implementation of the three flagship projects.

Procurement of materials and the Construction of the Irrigation infrastructure for the three (3) NIDP Pilot Schemes funded by the CDB, have been divided into 5 Contracts: Contracts A, B, C, D, & E.

Contract A – C

These are for the Installation of Pipes, Fittings, Valves and Appurtenances on each of the three areas respectively. Carib Engineering Corporation Limited (CECL) has been engaged by the NIC to provide engineering supervision services during the construction of the projects. To this end an agreement has been signed between both parties. Meetings between NIC, CECL and the contractors are ongoing, regarding the supervision and administration of the construction contract.

Contract A Data

Location: **Seven Rivers (St. James)**

Contractor: Y. P. Seaton & Associates Ltd.

Contract Amount: J\$23,791,323.38

Revised start-up date: October 2005

Contract Period: 9 months

NIC and CECL are presently in discussion with Y.P Seaton & Associates to finalize the terms of the proposed agreement.

National Irrigation Development Programme

Contract B Data

Location: **Hounslow Rehabilitation (St. Elizabeth)**

Contractor: M & M Jamaica Limited

Contract Amount: J\$41,037,700.00

Proposed start-up date: April 2006

Contract Period: 15 months

Discussion on this contract will commence after the start of construction for Contract A.

Contract C Data

Location: **Beacon/Little Park (St. Elizabeth)**

Contractor: M & M Jamaica Limited.

Contract Amount: \$53,531,115.00

Status: Contract signed 24/11/04

Contract Period: 15 Months

The contractor took possession of the site on



Signing Ceremony for Contract C: From L to R: Rev. Dr. Garnet Brown, Minister Donald Buchanan, Contractor, Donald Mullings of M&M Jamaica Ltd. and Donovan Reid.

January 10, 2005. Work is presently progressing satisfactorily and ahead of schedule.



Construction in progress – Pedro Plains Irrigation System

Contract D

This is for the Supply and Installation of Pumps and Switchgear for the wells in the two St. Elizabeth schemes (Beacon/Little Park & Hounslow). The tender document has been prepared jointly between the NIC and CECL and will be sent out to tender, to pre-qualified contractors, early in the new financial year.

Contract E

This is for the Supply of Pipes, Fittings, Valves and Appurtenances for all schemes. This contract was awarded first and all supplies/deliveries to the project's Materials Storage Yard in St. Elizabeth have been completed.

Contract E Data

Contractor: **Trans Carib Enterprises Limited.**

Contract Amount: US\$2,304,666.08

Status: Signed May 14, 2003

National Irrigation Development Programme

Final independent verifications of materials, quantities and compliance with specifications are now being carried out prior to final payments.

to completion of the water supply system. Work on these activities has commenced.

Other Project Activities

Agricultural Technical Services

Work on the provision of Agricultural Technical Services to project beneficiaries is continuing under the direct supervision of the ASSP. This is being coordinated by the Agribusiness Development Officer (ADO) specifically engaged and assigned to this project. Monthly progress meetings continue with the ASSP.

A production project has been initiated on 50 acres of land in Hounslow for a select group of farmers from the Pedro Plains/Hounslow area. The group is registered under the Industrial & Provident Societies Act. ASSP was instrumental in assisting the group in developing a production and marketing plan, as well as securing loans for working capital. Planting started in November 2004 and some reaping and delivery to contracted buyers have commenced (March 2005).

An action plan has been developed with the Seven Rivers Farmers for activities to be undertaken prior

Water Users Associations (WUAs)

Working with Water Users Groups and training of farmers continues in the project areas, in preparation for the formation of WUAs as legal entities and their future role in the management of irrigation systems.

This is presently being spearheaded by the Project Implementation Unit (PIU) through NIC's Water Users Coordinator.

Resulting from a review of the Consultant Social Organizer's Inception Report, rationalization of the roles of the ASSP and the Social Organizer is being finalized.

A workshop has been held with key members of the Water Users Groups to discuss a draft of Rules that will govern the operation of the WUAs when they are legally established.

A major contributor to this workshop was the Department of Cooperatives, where they clarified certain stipulations and sought recommendations for the final drafting of rules, inclusive of bylaws.



Hounslow's Production Plot in background: From L – R: Courtney Cole (ADO, ASSP), Albert Leacock (Consultant, CDB), Wendell Spencer (Store Supervisor, NIC) and Patrick Reid (Site Engineer, CECL)

National Irrigation Development Programme



WUA Workshop – Standing, Janet Bedasse, Consultant, Social Organizer, seated, facing group, main presenter, Marcia Went-Hyman, Senior Research & Development Officer, Jamaica Co-Operative of Friendly Societies.



Ivor Brown, Chairman of Yallahs Water Users' Group making a presentation at the Workshop.



WUA Workshop in session.

Collaboration with the National Land Agency (NLA)

The formalization of Land Tenure for farmers and land acquisition for the construction of works will be an integral part of the project. Initial meetings have been held between NIC and NLA for their assistance in this respect.

Both agencies are pursuing the preparation of a Memorandum of Understanding for activities to be undertaken on the NIDP project, when funds become available. The NIC has commenced monthly meetings with the NLA.

Information Systems

CORPORATE OBJECTIVE

*To use Information and Communication Technology (ICT)
to enable improvements in NIC's business
processes and provide support services
to achieve corporate goals.*

The IS Unit continued its operations towards achieving its corporate objective which supports NIC's overall business plan. Within this framework, we focused on the following strategies:

- Continued the transition from the use of manual system to Computer Based Information (CBI) Systems.
- Delivered timely, efficient and cost effective Computer Based Information systems to reduce operational costs through improved efficiencies.
- Ensured the coordination of NIC's business activities through the integration of Computer Based Information (CBI) Systems.
- Enhanced the continuity of business at the NIC by implementing a disaster recovery plan for the security and recovery of mission critical data.

Continuation of the transition from the use of manual systems to Computer Based Information (CBI) Systems

The transitioning process involved tasks aimed at maximizing the IT Systems, as well as the ability of the IS Staff. These included:

- The acquisition of desktops for Head Office and District Operations and

notebooks for the Operations' field staff.

- Continued development of human resources through training and practical exposure in order to enhance internal expertise.
- Acquisition of a dedicated Server Room.
- To ensure increased security, and easier access to our servers.
- To centralize the administration for the network and IT management.
- Increased memory installations for the servers to meet increasing demand.
- The continued thrust towards standardization by the reduction in the number of software platforms being used throughout the Commission, thus helping to enhance efficiency by simplifying the IT environment.

At the end of these processes the Unit has improved its position to deliver more business value to our internal customers, as well as realized more benefits from its existing investments, while at the same time coped with amplified demands from end users. We have also improved workflows and enhanced individual and organizational collaboration.

Information Systems

Delivery of timely, efficient and cost effective Computer Based Information systems to reduce operational costs through improved efficiencies

The acquisition and subsequent rollout of Microsoft Business Solutions–Great Plains, has offered integrated capabilities for financial management, distribution, inventory management, project accounting and human resource management. It offers powerful integration, routine task automation, and instant availability of data that assisted in maximizing efficiency and reducing costs.

The software was first rolled out to the Personnel Department, and then to the Accounts Division. Modules acquired include:

- Human Resource Management
- General Ledger
- Bank Reconciliation
- Inventory
- Fixed Asset
- Accounts Payables
- Procurement
- Project Management

An in-house project team was set up to manage the project. The team was responsible for all aspects of the project, from planning and design of the systems to the rollout of the software to end-users. The benefits from such an approach were two fold:

- (1) It enabled the development of internal expertise in the new platform.
- (2) It also afforded the opportunity to:
 - Implement structural changes through

the revision and design of a more efficient Chart of Accounts for the NIC. This will provide greater flexibility with respect to management information.

- Modify the system in accordance with the reporting needs of the NIC.



Great Plains Project Team, L to R, Lenworth Johnson, IS Manager, Bryan Hasting, GIS Engineer, Howard Reid, Chief Accountant, Leonie Walker, IS Administrator and Andrew Robinson, Director of Finance & Corporate Planning.

Ensure the coordination of NIC's business activities through the integration of Computer Based Information (CBI) Systems

With collaboration and a total integration of all information systems being the overall objective, NIC's network infrastructure was upgraded to fully utilize the new software procured. Areas upgraded

Information Systems

included:

- The fibre optic backbone of the Head Office Local Area Network (LAN).
- Rewiring and upgrading of the Head Office LAN from Category 5 to Category 5E resulting in faster throughput of data.
- Installation and configuration of Wireless Technology to the Head Office and at both offices in Spanish Town to aid the mobile users.
- Increased ADSL speed:

The Internet has become the largest public data network, connecting people and organizations throughout the world. This worldwide communication infrastructure provides cost effective connectivity to network users.

- The continued deployment of MS Exchange Server 2003 and MS Outlook 2003 into our remote offices helped to enhance collaboration and communication at all levels within our mailing system.

Benefits realized to date include improved workflows and enhanced individual and organizational collaboration.

Enhance customer service through the provision and availability of relevant information.

The IS Unit has continued to maintain and upgrade the Customer Information System to reflect and satisfy the internal customer demands; the objectives being:

- Instant access to Customer Information.
- Delivery of the right data to the right people.
- Simplifying access to information.

This process was halted by the chronic illness followed by the untimely death of our Programmer / Analyst – Mr. James Land. The Department also continued its drive towards streamlining procedures to improve the billing process, thus delivering greater business value from the process.

Ensure the continuity of business at the NIC by implementing a disaster recovery plan for the security and recovery of mission critical data.

The availability of data is critical to the operation of any organization. Additionally, data can be destroyed by system malfunction and/or accidental or intentional means. The IS Unit assumed the responsibility of minimizing any potential loss or corruption of this data. They provided the necessary administrative applications to ensure that data is adequately backed up and can be easily retrieved by establishing and following an appropriate System Backup Procedure.

In addition to standard backup and security procedures practiced by the IS Unit, a Disaster Recovery and Backup Policy was implemented. The rationale of this Policy to the Commission's network and information environment is to outline the procedures that address four fundamental objectives:

- Continuity in the day-to-day operations.
- Confidentiality of information.
- Integrity of data.
- Availability of information.

Additionally, the acquisition of a Network Attached Storage (NAS) has given the Unit increased storage capacity. This Network Attached Storage (NAS) Server helps protect, manage and share critical information. With plug-and-play network connectivity and intuitive installation tools, this server integrates with existing infrastructure and simplifies maintenance and scheduling of backups.

Commercial

CORPORATE OBJECTIVE

To expand the customer base, maximize the collection of revenue and to ensure continued customer satisfaction.

WATER SALES

Despite the trend of attrition in our customer base and the challenges faced by the Agricultural Sector owing to the effects of Hurricane Ivan in 2004, water sales for the year under review rose significantly. Sales were up from approximately \$89 million to \$128.3 million reflecting a 44% increase.

Contributing factors to this level of increase are:

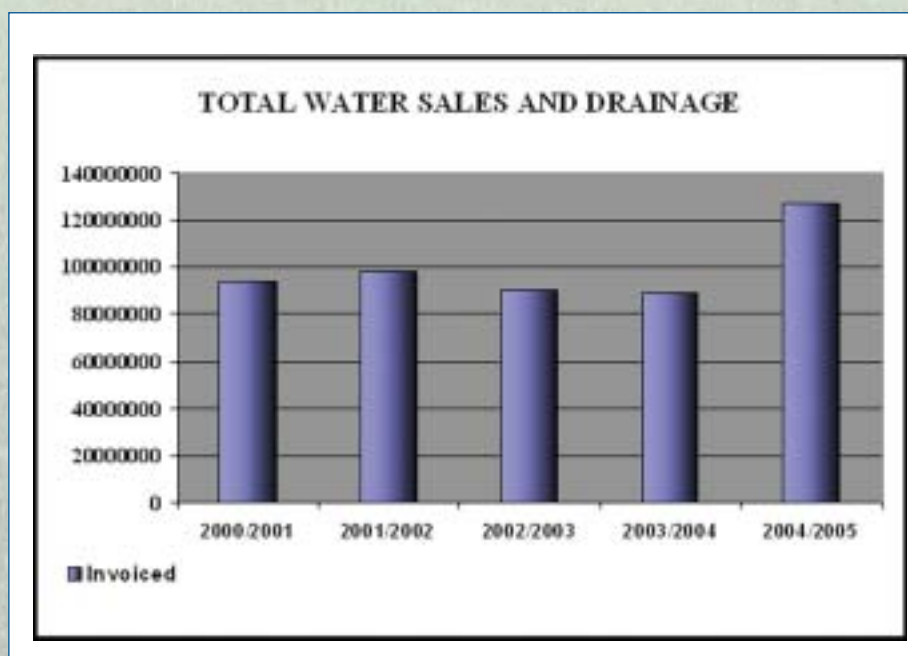
1. The Department's aggressive pursuit of the objectives outlined in its Strategic Plan.
2. Increased activities in sugarcane production owing to favourable prices received by farmers for their crops during the last crop year.

3. Increased Post-Ivan agricultural activities caused by the shortage of local produce.
4. Increased demand as a result of the severe drought during the year.

The Department continues to accommodate credit challenged customers through its payment arrangement facility.

The percentage rate of collection remained in the low nineties during this period.

The Commission's levels of invoicing for the financial years 2000/2001 to 2004/2005 are outlined below:



Commercial

Customer Service

The Commission has continued to focus on Customer Service improvements in pursuit of its ultimate goal " Customer Satisfaction."

Cognizant that we are all responsible for providing good customer service, the Commission has continued to conduct the appropriate training of all its personnel, and this will be an on-going exercise.

Our customers are still being kept informed of policies and matters affecting them.

Three (3) years ago, the NIC staged its first Customer Appreciation Day in Clarendon, in order to give customers a chance to interact with the management and staff of the Commission. In July 2004, a Customer Appreciation Day was held in the St. Catherine District. The Commission

remains fully committed to more measures aimed at further improvements in 'Customer Satisfaction' and an enhanced corporate image.

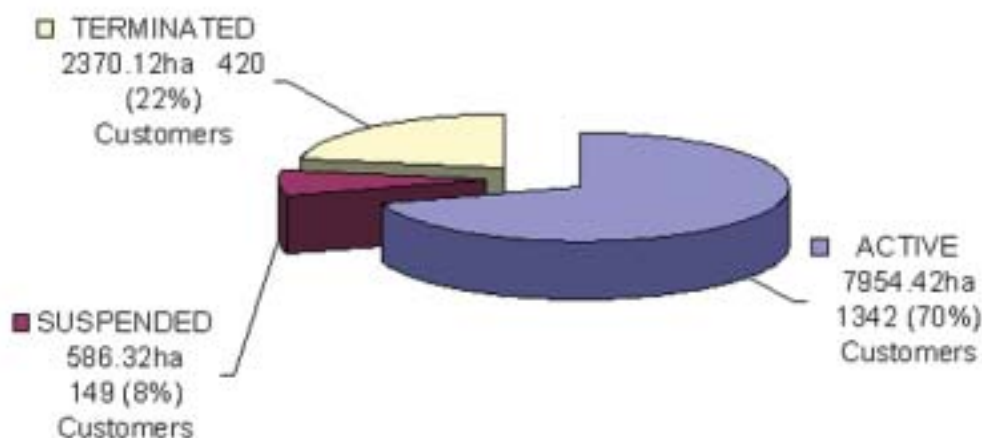
CUSTOMER STATUS

The following chart depicts the distribution among customers classified as active, suspended and terminated. With a total customer base of 1,911 occupying 10,910.86 hectares, 70% or 1,342 on 7954.42 hectares were active, 8% or 149 on 586.32 hectares were suspended and 22% or 420 on 2,370.12 hectares were terminated.

The number of active customers increased from 1,256 in the previous year to 1,342, reflecting a 7% increase.

During the year a number of customers with balances deemed irrecoverable were approved for write off.

Analysis of Distribution of Irrigated Land Among Active ,Suspended and Terminated Customers



Commercial

COMPLAINTS

Complaints for the year under review were drastically reduced. There were only two major complaints in the Eastern District; one was dealt with at Head Office and the other at the district level.

(2) 31 - pending;

IRRIGATION WATER APPLICATIONS

Eastern Region

Applications for the year under review increased by 69.77% from 43 to 73 and were categorized as follows:

(1) 42 - approved;

Western Region

Applications received increased by 25.24%, from 103 to 129 and were categorized as follows:

(1) 123 - approved;

(2) 6 - pending .

Finance & Corporate Planning

CORPORATE OBJECTIVE

To continue development of financial management systems to provide accurate, reliable, timely and relevant information for decision-making to ensure that financial resources are optimally developed to drive service delivery.

The Commission prepared this year's Financial Statements for the second time in accordance with the International Financial Reporting Standard (IFRS) adopted by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and complies with the provisions of the Companies Act.

The Commission posted its second largest surplus after tax of approximately \$21 million thus continuing to build a healthy accumulated surplus after tax of \$92.9 million. This surplus has been driven by a number of factors including the amortization of deferred credit and an increase in water sales of 44% over the previous year.

The Government of Jamaica (GOJ) subsidy on behalf of farmers stood at \$261.6 million. The real subsidy required by the Commission for the delivery of irrigation water to its customers for the financial year was \$264.763 million (2004: \$254.11 million). However, only \$261.598 million (2004: \$234.436 million) was disbursed to the Commission.

The cumulative effect of this shortfall (subsidy required vis-à-vis subsidy provided) over the years has significantly affected the Commission's ability to serve its customers.

A 48% increase in electricity caused total operation cost to increase by 14.42% over last year to \$319,923,560.00. Notwithstanding this is marginally above the annual inflation rate for the period. Total Net Assets declined to \$931,574,480 partly as a result of compliance with the new IFRS. Net current assets declined by 13.5% over the previous year, still reflecting a positive working capital position for the financial year.

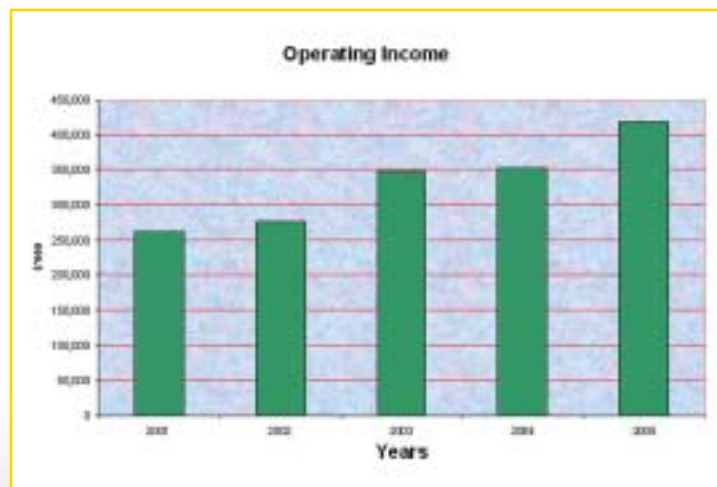
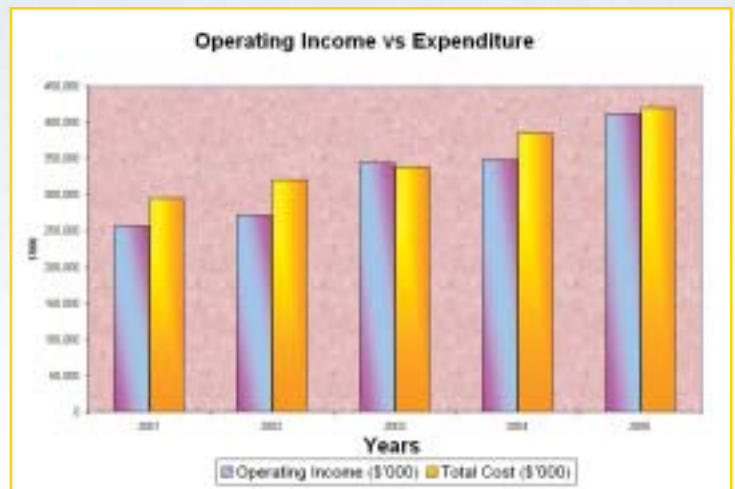
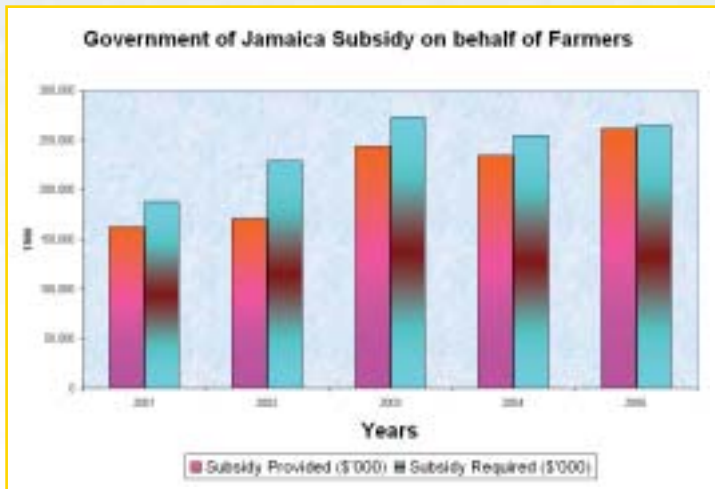
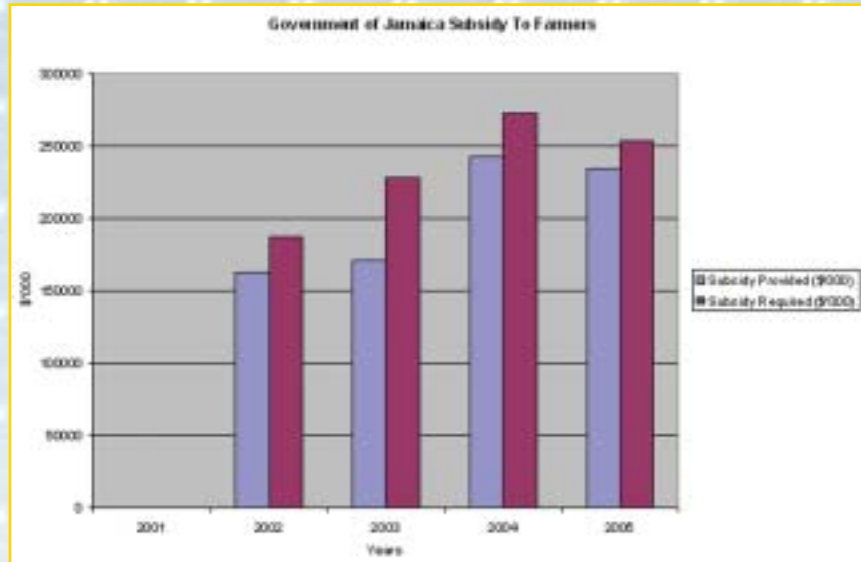
During the last quarter, the Finance Division began implementing a new accounting package, Great Plains. This new accounting software will enable the division to prepare reports more speedily and facilitate greater internal control over the Commission's assets. Full implementation of this system should be completed by the second quarter of the 2005/06 financial year.

Finance & Corporate Planning

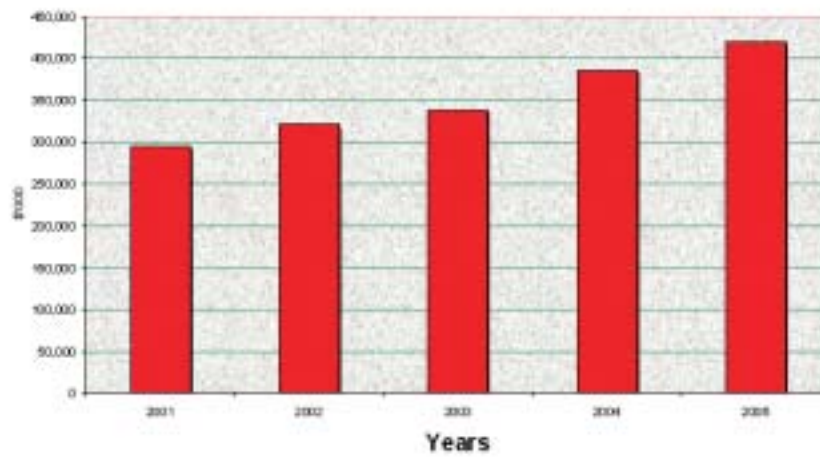
National Irrigation Commission Limited Five Year Statistics

	\$'000 2005	\$'000 2004*	\$'000 2003	\$'000 2002	\$'000 2001
Shareholders Equity*	501,096	480,018	477,919	441,384	447,760
% inc. over prior year	4.39%	0.44%	8.28%	-1.42%	1.51%
PROFIT AND LOSS ACCOUNT					
Operating Revenue	411,877	348,447	343,943	271,914	257,199
% inc. over prior year	18.20%	1.31%	26.49%	5.72%	8.56%
Accumulated Surplus (Deficit)	92,966	71,887	69,789	33,254	39,630
% inc. over prior year	29%	3%	110%	-16%	20%
IMPORTANT RATIOS					
Admin. exp. as a % of total costs	23.86%	27.50%	25.13%	23.39%	25.51%
Operating exp. as a % of total costs	76.13%	72.50%	72.70%	76.61%	74.49%
Electricity exp. as a % of total costs	21.61%	15.93%	17.48%	21.92%	21.79%
Electricity exp. as a % of operating costs	28.38%	21.98%	24.04%	28.61%	29.26%
Rates as a % of total costs	30.53%	23.09%	26.61%	30.58%	32.03%
Rates as a % of operating costs	40.10%	31.85%	36.61%	39.92%	43.00%
GOJ subsidy as a % of total costs	62.25%	60.79%	71.92%	53.28%	55.15%
GOJ subsidy as a % of operating costs	81.77%	83.85%	98.93%	69.55%	74.04%
* Restated (see notes 10 and 13)					

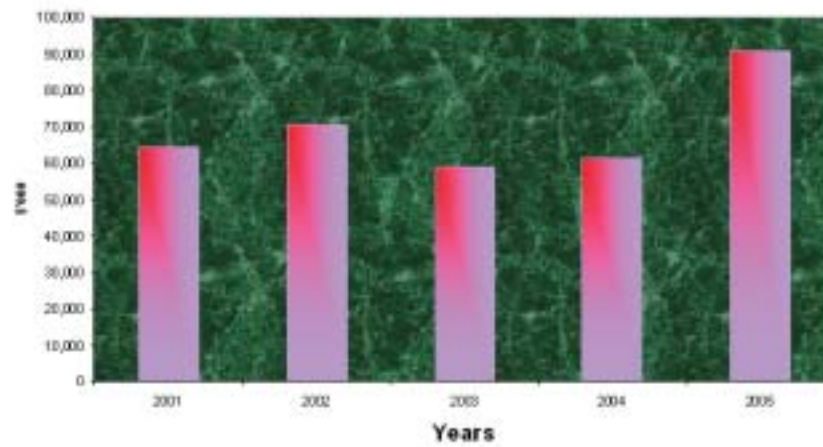
Finance & Corporate Planning



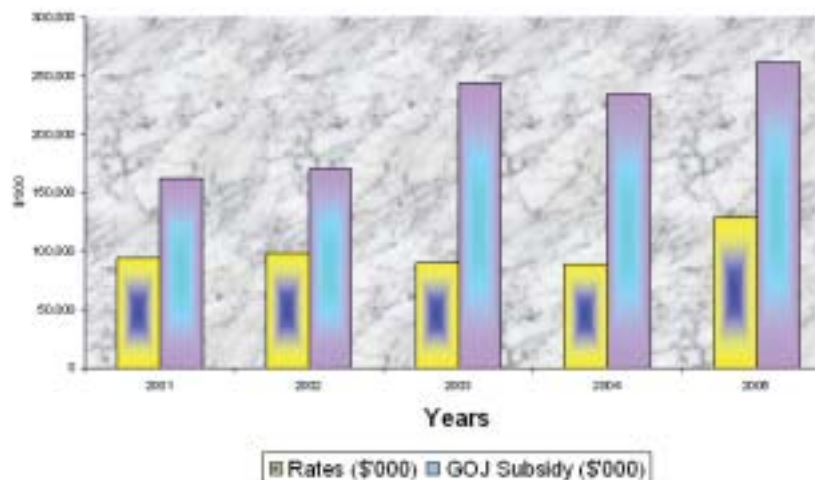
Operating Expenses



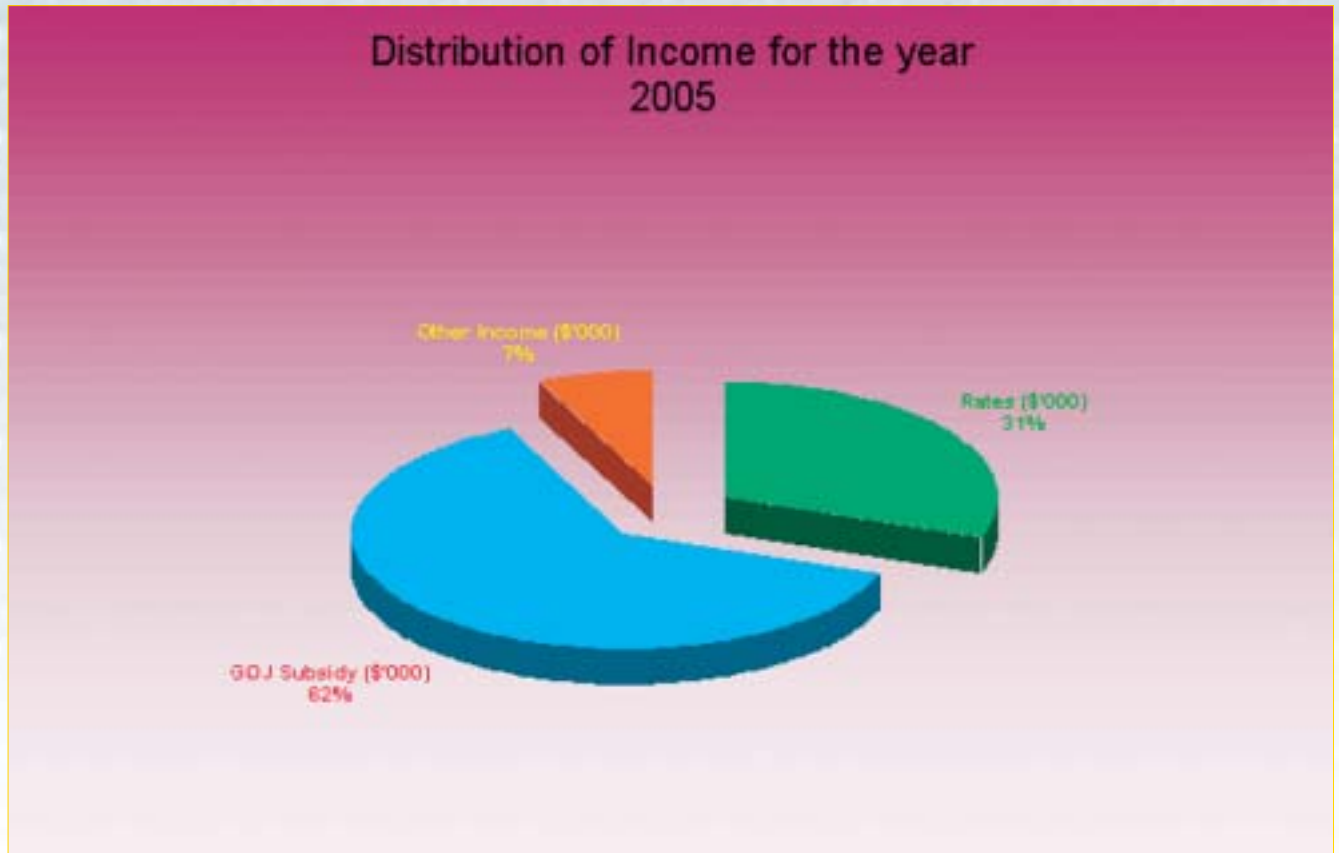
Electricity Cost



Rates vs GOJ Subsidy



Finance & Corporate Planning





Financial Statements
March 31, 2005





**KPMG Peat Marwick
Chartered Accountants**

P.O. Box 76
Kingston
Jamaica

The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica

Telephone +1 (876) 922-6640
Telefax +1 (876) 922-7198
+1 (876) 922-4500
email:firmmail@kpmg.com.jm

To the Members of
NATIONAL IRRIGATION COMMISSION LIMITED

Auditors' Report

We have audited the financial statements of National Irrigation Commission Limited ("the company") as at and for the year ended March 31, 2005, set out on pages 49 to 68, and have obtained all the information and explanations which we required. The financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of affairs of the company as at March 31, 2005, and of its results of operations and cash flows for the year then ended, and comply with the provisions of the Companies Act.

June 22, 2005



KPMG Peat Marwick, a Jamaican Partnership,
is a member of KPMG International,
a Swiss nonoperating association.

Raphael E. Gordon
Patrick A. Chin
R. Tarun Handa

Caryl A. Fenton
Patricia O. Dailey-Smith
Cynthia L. Lawrence

Elizabeth A. Jones
Linroy J. Marshall

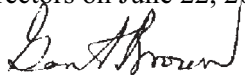


NATIONAL IRRIGATION COMMISSION LIMITED

Balance Sheet March 31, 2005

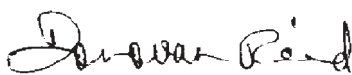
	<u>Notes</u>	<u>2005</u>	<u>2004</u>
CURRENT ASSETS			
Cash		34,800,158	18,703,355
Short-term deposits		<u>15,605,734</u>	<u>201,827</u>
Cash and cash equivalents		50,405,892	18,905,182
Resale agreements	4	18,941,354	11,633,582
Accounts receivable	5	46,380,323	32,928,904
Inventories	6	8,012,512	6,464,845
Current portion of long-term receivables	9	6,604,699	6,256,362
Income tax recoverable		<u>3,261,628</u>	<u>2,119,707</u>
		<u>133,606,408</u>	<u>78,308,582</u>
CURRENT LIABILITIES			
Accounts payable and accrued charges		71,302,879	55,019,640
Income tax payable		7,584,019	-
Government of Jamaica project advances	7	<u>34,878,261</u>	<u>341,673</u>
		<u>113,765,159</u>	<u>55,361,313</u>
NET CURRENT ASSETS		19,841,249	22,947,269
EMPLOYEE BENEFIT ASSET	8	24,658,000	13,573,000
LONG-TERM RECEIVABLES	9	17,052,706	18,509,835
PROPERTY, PLANT AND EQUIPMENT	10	<u>870,022,525</u>	<u>882,151,410*</u>
		<u>\$931,574,480</u>	<u>937,181,514</u>
Financed by:			
SHAREHOLDERS' EQUITY			
Share capital	11	100	100
Capital reserve	12	408,130,161	408,130,161*
Accumulated surplus		<u>92,965,942</u>	<u>71,887,316</u>
		501,096,203	480,017,577
DEFERRED CREDIT	13	423,376,720	451,647,961*
DEFERRED TAX LIABILITIES	14	<u>7,101,557</u>	<u>5,515,976</u>
		<u>\$931,574,480</u>	<u>937,181,514</u>

The financial statements on pages 2 to 20 were approved for issue by the Board of Directors on June 22, 2005 and signed on its behalf by:



Chairman

Dr. Garnet Brown



Managing Director

Donovan Reid

*Restated (see notes 10 and 13).

The accompanying notes form an integral part of the financial statements.

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Revenue and Expenses
Year ended March 31, 2005

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
Operating revenue:			
Water sales and drainage charges		128,286,820	89,044,944
Government of Jamaica subsidy on behalf of farmers	15	261,598,598	234,435,923
Other funding for non-capital expenditure		<u>21,991,592</u>	<u>24,966,054</u>
		411,877,010	348,446,921
Cost of producing water and distributing it to farm gates		<u>(319,923,560)</u>	<u>(279,598,038)</u>
Gross operating surplus		91,953,450	68,848,883
Other income	16	6,917,625	5,278,674
Administration expenses		<u>(100,264,300)</u>	<u>(106,052,259)</u>
		(1,393,225)	(31,924,702)
Finance costs	17	(43,385)	(11,116)
Amortisation of deferred credit	13	<u>33,927,587</u>	<u>35,056,885</u>
Surplus before taxation		32,490,977	3,121,067
Taxation	18	<u>(11,412,351)</u>	<u>(1,022,388)</u>
Net surplus for the year	19	\$ <u>21,078,626</u>	<u>2,098,679</u>

The accompanying notes form an integral part of the financial statements.

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Changes in Shareholders' Equity Year ended March 31, 2005

	<u>Share capital</u> (Note 11)	<u>Capital reserve</u>	<u>Accumulated surplus</u>	<u>Total</u>
Balances at March 31, 2003				
As previously reported	100	-	69,788,637	69,788,737
Prior year adjustment [note 13(a)]	<u>-</u>	<u>408,130,161</u>	<u>-</u>	<u>408,130,161</u>
As restated	100	408,130,161	69,788,637	477,918,898
Net surplus, being total gains recognised for the year	<u>-</u>	<u>-</u>	<u>2,098,679</u>	<u>2,098,679</u>
Balances at March 31, 2004	100	408,130,161	71,887,316	408,130,161
Net surplus, being total gains recognised for the year	<u>-</u>	<u>-</u>	<u>21,078,626</u>	<u>21,078,626</u>
Balances at March 31, 2005	<u>\$100</u>	<u>408,130,161</u>	<u>92,965,942</u>	<u>92,966,042</u>

The accompanying notes form an integral part of the financial statements.

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Cash Flows Year ended March 31, 2005

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Net surplus for the year	21,078,626	2,098,679
Adjustments to reconcile net surplus for the year to net cash provided by operating activities:		
Items not involving cash:		
Depreciation	39,420,717	39,343,300
Gain on disposal of property, plant and equipment	(637,658)	(1,181,708)
Amortisation of deferred credit	(33,927,587)	(35,056,885)
Deferred taxation	1,585,581	1,022,388
Income tax	9,826,770	-
Employee benefit asset	(11,085,000)	(3,052,000)
Property, plant and equipment written off	<u>22,005,164</u>	<u>25,015,554</u>
	38,439,843	28,189,328
Decrease/(increase) in current assets:		
Resale agreements	(7,307,772)	2,578,382
Accounts receivable	(13,799,756)	5,999,840
Inventories	(1,547,667)	155,163
Income tax recoverable	(1,141,921)	(780,277)
(Decrease)/increase in current liabilities:		
Bank overdraft	-	(5,180,820)
Accounts payable and accrued charges	16,283,239	12,053,187
Income tax paid	(2,242,751)	-
Government of Jamaica project advances	<u>34,536,588</u>	<u>3,182,502</u>
Net cash provided by operating activities	<u>73,046,573</u>	<u>46,197,305</u>
Cash flows from investing activities:		
Acquisition of fixed assets	(26,201,116)	(7,651,277)
Capital work-in-progress	(24,881,940)	(30,555,292)
Proceeds from disposal of property, plant and equipment	2,423,718	2,931,244
Long-term receivables	<u>1,457,129</u>	<u>(7,660,706)</u>
Net cash used by investing activities	<u>(47,202,209)</u>	<u>(42,936,031)</u>
Cash flows from financing activities:		
Capital grants, being net cash provided by financing activities	<u>5,656,346</u>	<u>5,539,738</u>
Net increase in cash and cash equivalents	31,500,710	8,801,012
Cash and cash equivalents at beginning of the year	<u>18,905,182</u>	<u>10,104,170</u>
Cash and cash equivalents at end of the year	<u>\$50,405,892</u>	<u>18,905,182</u>

The accompanying notes form an integral part of the financial statements.

1. Identification

National Irrigation Commission Limited (“the company”) is incorporated and domiciled in Jamaica and is owned directly by the Government of Jamaica. The company’s registered office is located at 191 Old Hope Road, Kingston 6.

The principal activities of the company are:

- (a) The management, operation, maintenance and expansion of existing and future irrigation schemes established by the Government. The principal schemes currently in operation are Black River, Braco, Hounslow, Mid-Clarendon, Rio Cobre, Yallahs and St. Dorothy.
- (b) The identification and designation of the persons who shall be entitled to use the water generated by the irrigation schemes and the fixing and collection of rates or charges for such services rendered.

2. Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and their interpretation, adopted by the International Accounting Standards Board (“IASB”, and comply with the provisions of the Companies Act.

The financial statements are prepared on the historical cost basis, except for the inclusion of certain items of inventory at valuation and are presented in Jamaica Dollars, which is the functional currency of the company.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

3. Significant accounting policies

(a) Resale agreements:

The company purchases Government securities and agrees to resell them on a specified date and at a specified price (‘resale agreements’ or ‘reverse repos’). The company, on paying cash to the counterparty, sometimes takes possession of the underlying securities, although title is not formally transferred, unless that counterparty fails to repurchase the securities on the date specified or to honour other conditions.

Resale agreements, are accounted for as short-term collateralised lending. Resale agreements are classified as originated securities and are carried in the balance sheet at amortised cost. Interest earned on resale agreements is recognised as interest income over the life of each agreement using the effective interest rate method.

3. Significant accounting policies (cont'd)

(b) Property, plant and equipment and depreciation:

(i) Owned assets

Property, plant and equipment are stated at cost or deemed cost, less accumulated depreciation and impairment losses [see note 3(g)].

(ii) Depreciation

Property, plant and equipment are depreciated on the straight-line method at annual rates estimated to write off the assets over their expected useful lives. The depreciation rates are as follows:

Building improvements	2½%
Utility plant	2-3%
Furniture, fixtures and equipment	10% and 20%
Computer equipment	20%
Motor vehicles	20%

(c) Capital grants:

Grants for acquisition of property, plant and equipment and an amount equivalent to the value of property, plant and equipment received as gifts, (including an amount equivalent to the values ascribed to utility plant at the districts, which were taken over by way of gift in 1990), are included in the Deferred Credit account. Annually, an amount equivalent to the depreciation charge for the year on these assets is transferred to income (shown in the statement of revenue and expenses).

(d) Inventories:

Inventories are carried at cost, or valuation, being substantially salvage values determined by professional valuers.

(e) Projects managed:

Project receipts are deferred as advances. When utilised, they are at the appropriate time allocated to Deferred Credit, if expenditure is for property plant and equipment, or to revenue, if expenditure is for period expenses. Costs accumulated in the project expenditure account are likewise appropriately allocated.

(f) Employee benefits:

Employee benefits comprise all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave; post-employments benefits such as pensions; and other long-term employee benefits such as termination benefits.

3. Significant accounting policies (cont'd)

(f) Employee benefits (cont'd):

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below.

Post-employment employee benefits, comprising pension obligations included in the financial statements, are actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefit obligations as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The company's net obligation in respect of defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on long term government bonds that have maturity dates approximating the terms of the company's obligation. The calculation is performed by a qualified actuary, using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in the statement of revenue and expenses.

In calculating the company's obligation in respect of the plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent (10%) of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the statement of revenue and expenses over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(g) Impairment:

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of revenue and expenses.

3. Significant accounting policies (cont'd)

(g) Impairment (cont'd):

(i) Calculation of recoverable amount:

The recoverable amount of the company's originated securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of an originated security and receivable is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Taxation:

Income tax on the surplus or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of revenue and expense except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (cont'd)

(i) Provisions:

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(j) Accounts receivable:

Accounts receivable are stated at their cost, less impairment losses.

(k) Accounts payable and accrued charges:

Accounts payable and accrued charges are stated at their cost.

4. Resale agreements

Under resale agreements, the securities that the company obtains as collateral may themselves be sold under repurchase agreements.

No fair value was computed for securities obtained and held under resale agreements as at March 31, 2005 or 2004, because of the unavailability of the required information.

5. Accounts receivable

	<u>2005</u>	<u>2004</u>
Trade receivables for water sales and drainage charges	50,615,874	41,466,424
Provision for probable losses	(15,176,082)	(16,061,397)
	35,439,792	25,405,027
Other receivables	<u>10,940,531</u>	<u>7,523,877</u>
	<u>\$46,380,323</u>	<u>32,928,904</u>

6. Inventories

	<u>2005</u>	<u>2004</u>
At cost	3,638,456	2,090,789
At valuation	<u>4,374,056</u>	<u>4,374,056</u>
	<u>\$8,012,512</u>	<u>6,464,845</u>

6. Inventories (cont'd)

Inventories consist principally of pipe fittings and machinery spares which have, in the main, been left over from previous capital projects. The directors are of the view that these items have future usefulness, in some cases, with appropriate modifications and/or enhancements.

Inventories at all locations were revalued as at March 31, 1995 by Fisher Pryce & Associates, Consulting Engineers, and at St. Dorothy as at March 31, 1999 by Express Traders & Contractors Limited. The surplus arising on revaluation was credited to the Deferred Credit account (note 13).

To the extent that revalued inventories are consumed (and charged to expense), an equivalent amount is transferred from Deferred Credit to income.

7. Government of Jamaica project advances

This balance represents the unspent portion of/(excess of expenses over) funds received from the Government of Jamaica and its agencies for the following projects:

<u>Project</u>	<u>2005</u>	<u>2004</u>
Yallahs Delta Irrigation	(1,122,550)	(144,600)
National Irrigation Development Plan (NIDP)		
- Implementation [see below]	26,156,110	(1,258,979)
Miscellaneous capital projects	<u>9,844,701</u>	<u>1,745,252</u>
	<u>\$34,878,261</u>	<u>341,673</u>

The NIDP involves the implementation of an irrigation plan for Jamaica and is being jointly funded by the Caribbean Development Bank ("the CDB") and the Government of Jamaica. The project is being administered by the Commission; however, disbursement of funds is made directly to contractors by the CDB.

8. Employee benefit asset

The company sponsors a defined-benefit contributory pension scheme for all employees who have satisfied certain minimum service requirements. The benefits are computed at 2% of pensionable salary for each year of membership in the plan and on other increments as determined by the pension plan.

Amounts recognised in the financial statements in respect of this benefit are as follows:

Notes to the Financial Statements (Cont'd)

March 31, 2005

8. Employee benefit asset (cont'd)

(a) Asset recognised on balance sheet:

	<u>2005</u>	<u>2004</u>
Present value of funded obligations	(193,168,000)	(151,189,000)
Fair value of plan assets	<u>271,802,000</u>	<u>188,806,000</u>
Present value of net obligations	78,634,000	37,617,000
Unrecognised actuarial gains	(53,976,000)	(24,044,000)
Asset recognised on balance sheet	<u>\$ 24,658,000</u>	<u>13,573,000</u>

(b) Movements in the net asset recognised in the balance sheet:

	<u>2005</u>	<u>2004</u>
Net asset at beginning of year	13,573,000	10,521,000
Contributions paid	14,915,000	13,959,000
Expense recognised in the statement of revenue and expense	(3,830,000)	(10,907,000)
Net asset at end of year	<u>\$24,658,000</u>	<u>13,573,000</u>

(c) Expense recognised in the statement of revenue and expenses:

	<u>2005</u>	<u>2004</u>
Current service costs	9,467,000	7,838,000
Interest on obligation	18,619,000	14,244,000
Expected return on plan assets	(23,961,000)	(11,627,000)
Recognised actuarial (gain)/loss	(295,000)	452,000
	<u>\$ 3,830,000</u>	<u>10,907,000</u>
Actual return on plan assets (%)	<u>8.82%</u>	<u>6.16%</u>

(d) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	<u>2005</u>	<u>2004</u>
Discount rate	12.5%	12.5%
Expected return on plan assets	12.5%	12.5%
Future salary increases	11.0%	11.0%
Future pension increases	<u>3.5%</u>	<u>3.5%</u>

9. Long-term receivables

	<u>2005</u>	<u>2004</u>
Refundable utility deposits	2,575,379	2,575,379
Employee loans	<u>21,082,026</u>	<u>22,190,818</u>
	23,657,405	24,766,197
Less: current portion	(6,604,699)	(6,256,362)
	<u>\$17,052,706</u>	<u>18,509,835</u>

Employee loans are for the purchase of motor vehicles. The loans are repayable over 7-10 years [see note 13(ii)].

Notes to the Financial Statements (Cont'd)

March 31, 2005

10. Property, plant and equipment

	<u>Building & leasehold improvements</u>	<u>Utility plant</u>	<u>Furniture, fixtures & equipment</u>	<u>Motor vehicles</u>	<u>Capital work-in- progress (Restated) [see(b) below]</u>	<u>Total</u>
Cost/deemed cost:						
March 31, 2004	30,730,851	1,604,237,925	35,426,930	17,261,006	41,029,750	1,728,686,462
Additions	9,396,390	16,000	8,751,225	4,690,102	24,881,940	47,735,657
Disposals	-	-	(10,431,158)	(3,563,541)	-	(13,994,699)
Written off	-	-	(2,250)	-	(22,002,914)	(22,005,164)
Reclassification	1,230,335	-	(1,345,043)	114,708	-	-
Adjustment	-	3,347,399	-	-	-	3,347,399
March 31, 2005	<u>41,357,576</u>	<u>1,607,601,324</u>	<u>32,399,704</u>	<u>18,502,275</u>	<u>43,908,776</u>	<u>1,743,769,655</u>
Depreciation:						
March 31, 2004	5,310,180	811,949,586	22,710,564	6,564,722	-	846,535,052
Charge for the year	942,335	32,553,374	3,988,806	1,936,202	-	39,420,717
Eliminated on disposals	-	-	(9,063,805)	(3,144,834)	-	(12,208,639)
Reclassification	245,093	-	(262,030)	16,937	-	-
March 31, 2005	<u>6,497,608</u>	<u>844,502,960</u>	<u>17,373,535</u>	<u>5,373,027</u>	<u>-</u>	<u>873,747,130</u>
Net book values:						
March 31, 2005	<u>\$34,859,968</u>	<u>763,098,364</u>	<u>15,026,169</u>	<u>13,129,248</u>	<u>43,908,776</u>	<u>870,022,525</u>
March 31, 2004	<u>\$25,420,671</u>	<u>792,288,339</u>	<u>12,716,366</u>	<u>10,696,284</u>	<u>41,029,750</u>	<u>882,151,410</u>

(a) Included in building and leasehold improvements is leasehold improvement of \$24,091,981 (2004: \$16,013,787).

(b) Capital work-in-progress:

This represents certain donor-funded construction projects undertaken and managed by the company on behalf of the Government of Jamaica. Expenditure on the projects has previously been recognised as capital work-in-progress, with an equivalent amount of funding being credited to the Deferred Credit account (note 13). This has now been derecognised, as the company will not have ownership nor any beneficial interest in the assets on completion of the projects.

The adjustment has been treated as a prior year adjustment and the comparative figures have been restated accordingly [note 13(b)].

Notes to the Financial Statements (Cont'd)
March 31, 2005

11. Share capital

	<u>2005</u>	<u>2004</u>
Authorised, issued and fully paid:		
100 ordinary shares of \$1 each	<u>\$100</u>	<u>100</u>

12. Capital reserve

This represents previously determined revaluation surplus on property, plant and equipment, which, on first time adoption of IFRS, was deemed part of the cost of the utility plant.

13. Deferred credit

	<u>Balance 2004</u>	<u>Movement during the year</u>	<u>Balance 2005</u>
Grant for acquisition of fixed assets (net of disposals) [see (i)]	61,720,215	(570,079)	61,150,136
Fixed assets gifted by Agro 21 Corp., net, in 1991	1,198,152	-	1,198,152
Fixed assets gifted by Ministry of Agriculture	1,203,061	-	1,203,061
Fixed assets transferred from NIDP Project	1,896,725	-	1,896,725
Fixed assets, other than utility plant, gifted by district irrigation authorities	3,520,295	-	3,520,295
Utility plant acquired under CD/I project and previously unrecorded utility plant of irrigation authorities capitalised during 1991	141,941,917	-	141,941,917
Utility plant acquired out of project funds	587,748,699	3,347,399	591,096,098
Revaluation surplus on utility plant	408,130,161	-	408,130,161
Revaluation surplus on inventories (note 6)	1,233,211	-	1,233,211
Expenditure on contracts-in-progress (net of amounts expensed) [note 10(b)] out of GOJ project advances	<u>134,305,107</u>	<u>2,879,026</u>	<u>137,184,133</u>
	1,342,897,543	5,656,346	1,348,553,889
Amortisation transferred to statement of revenue and expenses [see note (ii) below]	<u>(389,844,064)</u>	(33,927,587)	(423,771,651)
As previously reported	953,053,479	-	-
Prior year adjustments:			
(a) Revaluation surplus transferred to capital reserve (note 12)	(408,130,161)	-	(408,130,161)
(b) Expenditure on certain donor-funded contracts derecognised [note 10(b)]	<u>(93,275,357)</u>	<u>-</u>	<u>(93,275,357)</u>
As restated	<u>\$ 451,647,961</u>	<u>(28,271,241)</u>	<u>423,376,720</u>

- (i) The net book value of property, plant and equipment, with the cost of which the Deferred Credit account was increased at the date of acquisition, is eliminated from the Deferred Credit account on the disposal of the assets.
- (ii) Amortisation transferred to the statement of revenue and expenses includes repayments to date, of employee loans to purchase motor vehicles, as these amounts were originally credited to the Deferred Credit account (see note 9).

Notes to the Financial Statements (Cont'd)
March 31, 2005

14. Deferred tax liabilities

Deferred tax liabilities is attributable to the following:

	<u>2005</u>	<u>2004</u>
Fixed assets	2,364,716	5,303,063
Accounts receivable	60,140	31,668
Accounts payable and accrued charges	(3,541,810)	(4,343,088)
Employee benefit asset	<u>8,218,511</u>	<u>4,524,333</u>
	<u>\$7,101,557</u>	<u>5,515,976</u>

Movement in temporary differences during the year:

	<u>Balance at April 1, 2004</u>	<u>Recognised in income</u>	<u>Balance at March 31, 2005</u>
Property, plant and equipment	5,303,063	(2,938,347)	2,364,716
Accounts receivable	31,668	28,472	60,140
Accounts payable and accrued charges	(4,343,088)	801,278	(3,541,810)
Employee benefit asset	<u>4,524,333</u>	<u>3,694,178</u>	<u>8,218,511</u>
	<u>\$5,515,976</u>	<u>1,585,581</u>	<u>7,101,557</u>

15. Government of Jamaica subsidy on behalf of farmers

The purpose of granting this subsidy to the farmers is to significantly reduce the portion of the cost of providing irrigation water to farmers which would normally be recovered from them as rates. By this means, Government subsidises irrigated agriculture.

In light of the last review conducted by the Office of Utilities Regulation, it is the view of the Commission's directors that the subsidy would need to be \$264.763 million (2004: \$254.11 million) in order for the Commission to deliver irrigation water as required by farmers, in the context of the schemes mentioned in note 1. However, only \$261.598 million (2004: \$234.436 million) was approved by parliament and paid to the Commission.

16. Other income

	<u>2005</u> \$	<u>2004</u> \$
Interest	4,587,920	3,152,744
Exchange gain/loss	37,667	58,620
Gain on sale of property, plant and equipment	637,657	1,181,708
Miscellaneous	<u>1,654,381</u>	<u>885,602</u>
	<u>\$6,917,625</u>	<u>5,278,674</u>

17. Finance costs

This comprises interest on bank overdraft on financing activities.

Notes to the Financial Statements (Cont'd)
March 31, 2005

18. Taxation

- (a) The provision is computed at 33 % of the surplus for the year, as adjusted for tax purposes, and is made up as follows:

	<u>2005</u>	<u>2004</u>
(i) Income tax:		
Current tax charge	9,826,770	2,344,544
Tax remitted (see below)	<u>-</u>	<u>(2,344,544)</u>
	9,826,770	-
(ii) Deferred tax charge		
Origination and reversal of temporary differences	<u>1,585,581</u>	<u>1,022,388</u>
	<u>\$11,412,351</u>	<u>1,022,388</u>

In the previous year, the Ministry of Finance and Planning approved an application by the Commission for a remission of income tax payable in respect of years 2003 and 2004.

The amount remitted included \$2,789,933 for year of assessment 2004; however, this was restricted to \$2,344,544, being the amount which had actually been paid by the company.

- (b) Reconciliation of expected tax charge and actual tax charge

The effective tax rate for 2005 was 35% (2004: 32%) of \$32,490,977 (2004: \$3,121,067) pre-tax profits, compared to the statutory tax rate of 33 % (2004: 33 %). The actual charge differs from the "expected" tax charge for the year as follows:

	<u>2005</u>	<u>2004</u>
Computed "expected" tax expense	10,830,326	1,040,356
Tax effect of treating items differently for financial statements and tax reporting purposes -		
Depreciation charge and capital allowances	8,105,929	12,029,427
Accrued vacation leave	354	1,331,962
Interest receivable	(6)	(31,668)
Unrealized gain on foreign exchange	(12,556)	(19,540)
Tax remitted	-	(2,344,544)
Amortisation of deferred credits	(11,309,196)	(11,685,629)
Expenses not allowed for tax purposes	315,874	73,539
Gain on disposal of property, plant and equipment	(212,552)	(393,903)
Employee benefit asset	3,694,178	-
Deferred tax	<u>-</u>	<u>1,022,388</u>
Actual tax charge	<u>\$11,412,351</u>	<u>1,022,388</u>

19. Net surplus for the year

The following are among the items charged/(credited) in arriving at net surplus for the year:

	<u>2005</u>	<u>2004</u>
	\$	\$
Directors' emoluments		
- consultancy services	1,301,333	2,610,289
- fees	1,164,236	1,218,338
- management	4,011,972	3,780,672
Auditors' remuneration	1,375,000	1,375,000
Depreciation	39,420,717	39,343,300
Property, plant and equipment written off	<u>22,005,164</u>	<u>25,015,554</u>

20. Employee numbers and costs

The average number of persons employed by the Commission during the year was as follows:

	<u>2005</u>	<u>2004</u>
Full-time	144	140
Part-time	6	14
Other	<u>13</u>	<u>13</u>
	<u>163</u>	<u>167</u>

The aggregate payroll costs for these persons were as follows:

	<u>2005</u>	<u>2004</u>
Salaries	143,565,425	138,388,036
Statutory payroll contributions	6,699,790	5,479,627
Labour	15,220,479	11,953,636
Pension benefit cost (net of contribution)	3,830,000	10,893,861
Travel and subsistence	30,427,765	28,402,430
Gratuities	623,742	1,400,904
Training	875,343	952,726
Accrued vacation leave	(2,402,773)	3,995,887
Other	<u>13,640,361</u>	<u>9,636,770</u>
	<u>\$212,480,132</u>	<u>211,103,877</u>

21. Contingent liabilities

- (i) A claim has been made against the Commission for wrongful dismissal arising from the termination of an employee in December 1991. The Commission's attorneys are of the opinion that in the unlikely event that the claim succeeds, damage and costs should not exceed \$200,000.
- (ii) A claim has been made against the Commission for negligence, costs and interest arising out of an accident on the Sir Alexander Bustamante Highway on the 18th December 1999. The Commission's attorneys are of the opinion that in the unlikely event that the suit is pursued, the liability is not expected to exceed \$300,000.
- (iii) A claim alleging negligence was filed against the Commission in the amount of approximately \$1,400,000. The case was adjourned *sine die* on October 8, 2001. The Claimant's Attorneys-at-law applied for a Case Management Conference pursuant to the new Civil Procedure Rules. The conference was held on the 25th May 2005 and trial is set for the 12th -14th March 2008. The Commission's attorneys are of the opinion that the probable ultimate liability including court cost, legal fees and an award to the claimant should not exceed the sum of \$1,400,000.

21. Contingent liabilities (cont'd)

- (iv) A lawsuit was filed against the Commission and an employee, arising from an accident in which the motor cycle on which the plaintiff was a pillion passenger collided with a motor car. The rider of the motor cycle is an employee of the Commission. The Commission's attorneys are of the opinion that liability, if any, should not exceed \$750,000.
- (v) A claim has been made against the Commission for damages in the amount of \$2,254,630 arising from alleged damages to the crops of the plaintiff as a result of alleged disconnection of water supply. The Commission's attorneys are of the opinion that in the very unlikely event that the claim succeeds, damages and costs should not exceed \$2,500,000.
- (vi) A claim has been made against the Commission for special damages in the amount of \$1,159,650 as well as general damages for loss of fish, loss of income and the cost of repairs, as a result of flooding of a fish farm allegedly caused by a failure of the National Irrigation Commission to release the back up gate.

A defence has been filed in which it is contended that the flooding was caused by heavy rains in the area. Trial is set for the 27th June 2005.

The Commission's attorneys are of the opinion that in the very unlikely event that the claim succeeds, damages and cost should not exceed \$2,000,000.

The Commission is insured in respect of the above claims and no provision for them has been included in the financial statements.

22. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The company does not use derivative instruments as a risk management strategy at this time. Accordingly, exposure to credit, interest rate, foreign currency, market, liquidity and cash flow risks arises in the ordinary course of the company's business.

The company's financial instruments comprise cash, short-term deposits, reverse repos, accounts receivable, Government of Jamaica project advances long-term receivables and accounts payable. The items arise or are acquired mainly in connection with the company's operations. Information relating to fair values and risks is summarised below.

(a) Fair values:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. The company's financial instruments, other than cash resources and resale agreement, lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and the fair values may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

The fair values of cash and short-term deposits, resale agreements, accounts receivable, accounts payable and Government of Jamaica project advances are assumed to approximate their carrying values because of their short-term nature. The fair value of long-term receivables has not been computed due to the unavailability of relevant market information.

22. Financial instruments (cont'd)

(a) Fair values: (cont'd)

(i) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash, short-term deposits and resale agreements are held for the short-term and, accordingly, would substantially reflect prevailing interest rates in the financial markets. Interest rates on staff loans are fixed and below market as a matter of management policy.

(ii) Credit risk:

Credit risk is the risk that a loss may occur from the failure of one party to perform according to the terms of a contract. There is concentration of credit risk in that cash and short-term deposits are substantially with one bank. In respect of account receivable the company has a policy for granting credit, and pursues a rigorous debt monitoring and collection policy. The company has no off-balance sheet exposure and, therefore, its maximum exposure to credit losses is limited to the carrying value of the assets on the balance sheet.

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The main foreign currency giving rise to this risk is the US\$. The company's foreign currency exposure is represented by its net foreign currency denominated assets which, as at March 31, 2005, totalled US\$99,932 (2004: US\$14,527).

(iv) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed credit facilities.

The company's flexibility is somewhat limited by its role in implementing Government policy (notes 1 and 15). To the extent practicable, the management of the company manages liquidity risk by maintaining an adequate level of liquid funds.

(v) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The directors believe that the company has no significant exposure to market risk as it has no financial assets which are to be realised by trading in the securities market.

22. Financial instruments (cont'd)

(a) Fair values: (cont'd)

(vi) Cash flow risk:

Cash flow risk is the risk that future flows associated with a monetary financial instrument will fluctuate in amount. The company manages this risk by ensuring, as far as possible, that fluctuations in monetary financial liabilities and assets are matched to mitigate any significant adverse cash outflows.

Executive Compensation

Appendix I

The compensation package for (4) Directors for the twelve (12) months ending March 31, 2005 range as follows:

		2005	2004
		\$'000	\$'000
Executive Directors (4)	from	2,966	2,966
	To	3,353	3,353

The remuneration of the Chairman and Managing Director is shown elsewhere (note 17 to the financial statements).