



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.”**

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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
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 Members



Mr. Hopeton Fraser, OD, JP
Chairman



Mr. Donovan Reid
Managing Director



Mr. Basil Fernandez, OD
Managing Director, Water
Resources Authority



Dr. Alwin Hales
Permanent Secretary, Ministry of
Housing, Transport, Water & Works



Mr. Don McGlashan
Chief Technical Director,
Ministry of Agriculture &
Lands



Mr. Robert Martin
Deputy Financial Secretary,
Ministry of Finance &
Planning

Board Members



Rev. Robin Samuda
Minister of Religion



Mr. Everton Fisher
Businessman



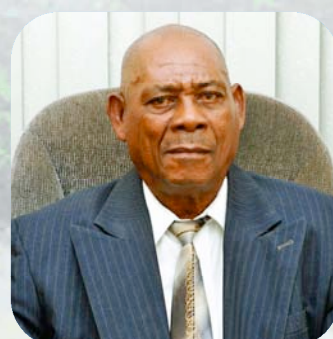
Mr. Andrew Wright
Farmer



Mr. Victor Rose
Businessman



Mr. Richard Sadhi
Chairman, Mid-Clarendon
Development Co-op



Mr. Alphonso Bennett
Farmer

District Advisory & Monitoring committees

St. Catherine District

Mr. A. Wright*

Mr. M. Harrison
Mr. C. Richards
Mr. C. Reid
Mr. J. Allen
Mr. B. Handal
Mr. A. Carty
Mr. H. Hill
Mr. K. Dorman
Mr. R. Williams
Ms. M. Lindo
Mr. J. Gayle**
Mr. F. Edwards
Mr. F. White**
Rep. – St. Catherine Parish Council

Mid-Clarendon District

Mr. R. Sadhi*

Mr. L. Farquharson
Mr. N. Lowe
Mr. B. Earle
Mr. D. Crossbourne
Mr. P. Shaw
Mr. H. Dwyer
Mr. N. Robinson
Rep. – Clarendon Parish Council

Braco District

Mr. V. Rose*

Mr. E. Montgomery
Mr. N. Simpson
Mr. R. Zinke
Mr. B. Hewitt
Mr. D. Chambers
Mr. D. Robinson
Rep. – Trelawny Parish Council

St. Elizabeth District

Mr. A. Bennett *

Mr. R. Watson
Ms. E. Gayle
Mr. A. Myers
Mr. E. Brown
Mr. K. Clarke
Mr. U. Myers
Mr. M. Spence
Mr. E. Bent
Mr. H. Hinds**
Mr. H. Baker**
Mr. G. Henry**
Rep.- Beacon/Little Park Water Users Group
Rep. - St. Elizabeth Parish Council

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

*** Demitted Office November 30, 2006.*

Executive Directorate



Mr. Andrew Robinson
Director, Finance and Corporate Planning



Mr. Milton Henry
Director, Engineering and Technical
Services



Mrs Vanica Cranston
Director, Commercial Operations



Rev. Doreth Sylvester-Brown
Director, Corporate and Legal Services/
Company Secretary

Minister's Message



The return of irrigation to the Ministry's portfolio signalled the Prime Minister's intuitive understanding of the natural synergy between present-day agricultural production techniques and the global imperatives of the sector modernization process.

The government has indeed provided the means to facilitate farmers making the shift from the vagaries of rain-fed production through

strategically targeted investments of more than \$2 billion. However, the highest commendation is due to the management and staff of the NIC for their tireless work in making the completion of two of our three flagship irrigation projects - Pedro Plains and Seven Rivers - a reality.

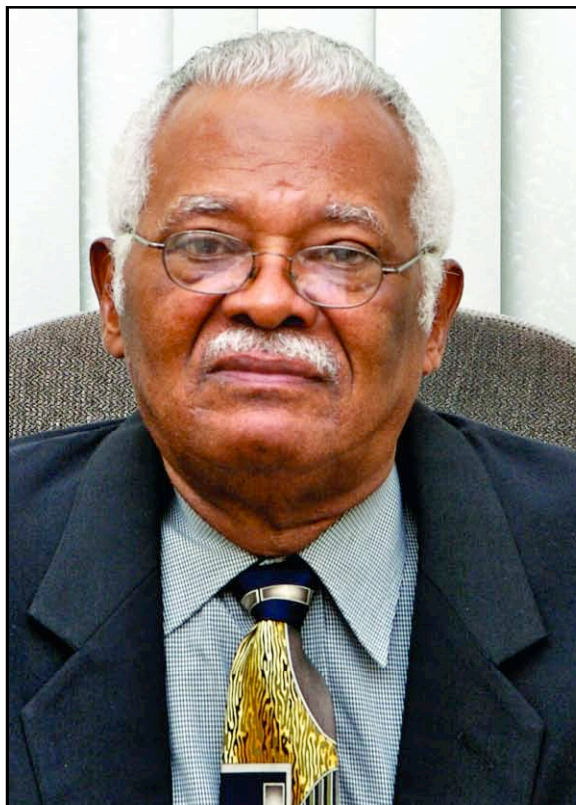
I would also like to use this medium to congratulate the NIC on the completion of the irrigation component of the National Water Sector Policy, which will provide a developmental framework for irrigation, within the context of our planned transformation of the agricultural sector.

Finally, I challenge the farmers and all stakeholders within the sector to embrace these new developments in the interest of progress, and to work with the NIC in the establishment of Water Users' Associations to ensure the maintenance and efficient use of the irrigation systems islandwide.

A handwritten signature in black ink, appearing to read 'Roger Clarke', with a stylized flourish at the end.

Hon. Roger Clarke, MP
Minister of Agriculture & Lands

Chairman's Message



It is important and necessary for firms and organizations to periodically review and evaluate their operations in order, among other things to match results against objectives and determine the effectiveness of the use of resources.

This year, the National Irrigation Commission celebrates twenty years of service to the agricultural sector in Jamaica. This report coincides with a number of landmark projects and activities being pursued; foremost among these being the Government of Jamaica and Caribbean Development Bank flagship projects at Pedro Plains and Hounslow in St. Elizabeth and Seven Rivers in St. James.

Other noteworthy programmes, projects and activities are highlighted in the report. We place emphasis, for

example, on our main stakeholders, the farmers, water users, staff development and a good inter-agency collaboration.

Any keen observer will be satisfied that the financial, human and physical factors have been well managed, and in this regard the competence and vigilance of management and staff must be commended.

The National Board and Regional Committees have performed their roles with diligence and commitment and the sub-committees, technical and financial, have executed their monitoring and troubleshooting roles with distinction.

Because of the high staff morale as well as their commitment and the contributions of the board and regional committees, it is obvious that the organization is in capable hands.

Finally, the support of the Ministries of Agriculture and Lands, and Finance and Planning, our co-sponsors, the Caribbean Development Bank, the Inter-American Development Bank and the Trade Unions is gratefully acknowledged.

It is my hope that the NIC will maintain and where possible, accelerate the pace of its operations. This is necessary for the transformation underway in agriculture.

God's richest blessing and guidance for many more successful years.

A handwritten signature in black ink, reading "Hopeton Fraser".

Hopeton Fraser, OD, JP
Chairman

Managing Director's Message



As we review another year, we realize how much we have to be grateful for as an organization. This has been the twentieth year of the existence of the National Irrigation Commission Limited, and signals the close of our adolescent years as a company. With that in mind, we continued in the development phase and are poised for further growth and maturity.

Consequently, it was no surprise to us that at the end of the financial year the flagship projects, the Pedro Plains and Seven Rivers Irrigation Systems

were nearing completion. We anticipate that these new irrigation systems will be commissioned in June and July 2007, respectively. It is also expected that the third flagship project in Hounslow should be ready for commissioning by October of this year. Therefore, by the close of the next financial year we should have successfully completed phase one of our National Irrigation Development Programme (NIDP) jointly financed by the Government of Jamaica (GOJ) and the Caribbean Development Bank.

During the year under review, we satisfied all the conditions precedent for first drawdown under the second phase of the NIDP jointly financed by the GOJ and the Inter-American Development Bank (IDB). This will facilitate the construction, and/or rehabilitation of another five irrigation systems in Yallahs, New Forest/Duff House, Colbeck, St. Dorothy and Essex Valley over the next four years. Undoubtedly, the construction and implementation of eight new or rehabilitated irrigation systems will not only be a strategic development but also a historic one in the irrigation sub-sector. This cannot be overstated.

During the year, the Commission enjoyed a \$29.9M or 27% increase in revenue from water sales and drainage charges. This contributed to the significant increase in our gross operating surplus, which stands at approximately \$199M at year-end. As a result, the Commission recorded a surplus of J\$34.6M with an accumulated surplus of \$149.5M. Notwithstanding the significant increase in the Government of Jamaica subsidy on behalf of farmers, a major revenue driver, we are quite proud of our continued positive financial performance.

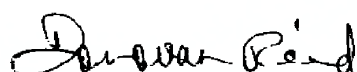
Managing Director's Message

We are mindful however, that a serious structural adjustment will be necessary to rebalance the Commission's revenue inflow more towards water sales than to government subsidy. This structural adjustment will necessitate increases in irrigation rates if the Commission is to achieve full recovery of operation and maintenance cost by 2010/11. Clearly, the major threat in this regard, particularly where our existing systems are concerned, would be the failure to transform the sugar industry, our largest customer. It is evident that our financial independence will, to a great extent, be dependent on the fortune of that industry and the lands, which they occupy in the sugar belt. It is our hope that the transformation of the sugar industry will reverse the fallout in agricultural production we observe in the Clarendon area.

I wish to thank the board, management and staff for their co-operation and support during the year. I must also express appreciation to the Minister of Agriculture and Lands, the Honourable Roger

Clarke who has assumed the irrigation portfolio with a vigour and vitality that is refreshing. This provides well-needed inspiration and motivation to the Commission at this time. Finally, I wish to thank all our customers and farmers for their continued patronage.

We pledge publicly to commit ourselves as an organization to the task of building and implementing these flagship projects and the others in the pipeline with all the strength that God gives us. We also say thanks to the government and people of Jamaica and in particular the farmers for the confidence that they have reposed in us. We will not let them down.



Donovan Reid
Managing Director

Administration & Human Resources

CORPORATE OBJECTIVES

To develop a cadre of professionals through an appropriate and dynamic Human Resources 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.

As the Commission strives to realize its vision, that of “facilitating the development, co-ordination and expansion of the Irrigation Sub-Sector in Jamaica in a sustainable manner”, so has every effort been made to maintain the climate of stability which is not only a positive ingredient, but a vitally necessary one for any organization seeking to fulfil its mandate. To this end, the Commission has sought for the past five years to maintain its staff complement totalling 173 members, comprising permanent, contracted and temporary personnel, with the majority being employed to the Engineering and Technical Services Department.

The Commission’s performance was again assessed during this period and the entire management staff participated in a two-day staff retreat. Divisions presented their achievements up to September 2006 vis-a-vis the Strategic Business Plan/Budgets for the year and plans were made for the way forward.

The efforts and energies of the staff must be commended as they all worked assiduously towards achieving the goals and objectives set for the period under review, despite the many challenges.

Health care has been one of our major focuses and so the Human Resources Department in conjunction with the Public Relations Unit initiated the development of a wellness programme, which is aimed at sensitizing staff to a healthy lifestyle, encouraging them to take responsibility for their health care, as well as providing the basic infrastructure for their physical well-being. This, we hope, will in the long run, reduce incidents of chronic diseases, high-risk sexual behaviour/violence, and injury, resulting in lower health care costs. In addition, this programme should assist in improving employee morale and productivity as well as in reducing absenteeism. Employees are also being encouraged to participate in and utilize the benefits provided under the National Health

Administration & Human Resources

Fund, as this will decrease the cost of drugs to the employee and reduce the Commission's insurance cost over time.

Union negotiations commenced with the two bargaining units, namely; the University and Allied Workers Union which represents the monthly-paid staff and the Joint Bargaining Unit, which comprises the following unions; National Workers Union (NWU), the Bustamante Industrial Trade Union (BITU) and the Jamaica Association of Local Government Officers (JALGO). Claims were submitted for improved wages and benefits; however, there were constraints due to the Memorandum of Understanding (MOU2) signed between the Government and the Unions. In July 2006, the negotiations were finalized and a new contract for the period April 1, 2005 – March 31, 2007 was signed.

TRAINING

The Commission remains fully dedicated to its staff and we do so with a sense of pride and commitment. We recognize that our employees are our most important resource and so it is important that we provide them with current, accurate and necessary information, which can be used to increase efficiency and productivity and in the long run heighten the organization's global competitiveness. With this in mind, every affordable opportunity was taken to facilitate training and development of staff through courses, administrative and technical, at the tertiary and

professional levels. Staff also benefited from short courses, seminars and workshops held internally and externally, to sharpen their performance 'on the ground', and to equip them to meet current challenges as they materialize.

One such course entitled, "Pension Administration: Managing the Changing Landscape" was sponsored by Life of Jamaica Limited (the Administrator/ Manager of our Pension Plan), and facilitated by the University of Technology. This was intended to train Sponsor and Member Trustees of the Plan regarding the new Pensions Act and Regulations, and trust principles and practices.

These Regulations were passed in March 2006, one year after the new legislation was enacted. The Pension Industry is now reformed and seeks:

- To create a regulatory framework to protect the financial interest of all stakeholders and to be the catalyst for growth.
- To facilitate member empowerment.

With the passing of these new regulations, proper governance and transparency will be the order of the day and trustees will be the cornerstones in the structure of the plan. Consequently, two member trustees were elected by the employees to sit on the Board of Trustees.

Administration & Human Resources

Congratulations to the following members of staff who completed their studies in the year under review:



Mrs. Viola Cammock
BSc. Public Administration
(Major)
Human Resources
Development
(Second Class Honours)



Mrs. Leonie Walker
BSc. Computing with
Management Studies



Miss Grace Thompson
Associate of Science Degree
Management Information
Systems

SECONDARY/ TERTIARY SCHOOL SCHOLARSHIP AWARDS

The scholarship awards programme is now in its eighth year and is intended to assist employees in meeting the cost of education for their children and to encourage consistency in high standards. A tertiary scholarship was awarded for the first time. This came out of negotiations with the Joint Trade Unions (JALGO, BITU, NWU) and the Commission. Consequently, five (5) scholarships were awarded on January 11, 2007; four (4) scholarships valued at \$40,000.00 each for students at the Secondary level and one valued at \$60,000.00 for the Tertiary level. Two recipients received awards for the second time.

The awardees are as follows:-

Students

Secondary Awards;

1. Michael Thomas -
2. Luke Wright-
3. Chrissome Young-
4. Kadeen Richardson

Parents

Michael Thomas
Mid-Clarendon District
John Wright
Mid- Clarendon
Glenmore Young
St Catherine
Sandra Rhone-
Richardson
Head Office

Tertiary Award;

Jodieann Wright
John Wright
Mid- Clarendon

Administration & Human Resources



Front row, L-R; Chrissome Young, Michael Thomas - Back row: Minister Errol Ennis, Jodieann Wright, Luke Wright, Kadeen Richardson & Mr. Donovan Reid

At a function to honour the awardees, the Hon. Errol Ennis, Minister of State in the Ministry of Agriculture and Lands, gave the main address while the Managing Director, Mr. Donovan Reid presented the scholarships to the awardees.

We would like to once again congratulate these awardees and encourage them to continue on the path of excellence.

SECURITY

Offices

We continue to heighten our programme for the security of staff and offices. During the period, electronic systems and other security features were installed at all our offices to monitor the movement of persons in and out of the buildings, to guard against criminal intrusion, injury to persons and theft of property. The aim is to provide a safer environment in which customers can transact business, and staff operate without fear.

Administration & Human Resources

At the Mid-Clarendon office a dyke was constructed by our 'in-house' construction/engineering team to prevent the recurrence of flood waters which in the past caused much damage not only to furniture and equipment, but also to important documentation.

Systems

The year 2006/2007 was a very active and intense period for the Security Unit. The major issues dealt with during this period are summarized below:

Pilfering

There was a steady flow of incidents, relating to pilfering from our Systems, and tampering with irrigation infrastructure, such as locks, gates and meters.

The Commission took legal action against three of these offenders. The Offender from St. Elizabeth and another from St. Catherine were found guilty by the Courts of the offences cited. They were ordered to pay sixty thousand dollars or six months in prison, and eighty thousand dollars or six months imprisonment, respectively. The third case is still before the Court.

The other offenders complied with the warning letters issued, and as such were not forwarded for legal action. With the assistance of the Police, and other security personnel, we remain vigilant

and determined to stem this illegal activity.

Easements and Right- of- Ways

Maintaining and accessing our canal and pipeline reservations proved to be a challenge in certain areas of operation. Infringements on our reservations usually impede the efficient monitoring of the system and obstruct repairs or maintenance work that may be required on that section of canal/pipeline.

This situation has escalated in recent times with the increase in subdivisions for Housing Development in irrigation areas. This inadvertently results in a number of problems, two of which are:

- i. Fencing of the canal reservation, leaving the NIC with little or no operating space;
- ii. Building of houses alongside the canals that at times results in the system being used as a waste disposal point that may contribute to increased blockages, flooding and pollution.

The Commission has however commenced, in the short term, the identification of all critical locations in and around our reservations that pose a security risk, to negotiate the requisite easements and right-of-ways. In the long-term, the Commission will on a phased basis finalize the outstanding easements and right-of-ways for its canals and pipelines.

Administration & Human Resources

Unauthorized Community Activities

We continue to face the challenge of some communities in St. Catherine and Clarendon staging recreational events known as “Canal Splash.” This unauthorized activity entails blocking of the canals in order to create a pool for swimming. Blocking of the canals disrupts supply to our customers and exposes participants to the risk of drowning.

Our Public Relations Unit (in collaboration with the Security Unit) has formulated a proposal to eliminate this practice. The approach is a collective one involving the Political Directorate, Community leaders, Police, Church, NEPA and of course the Commission to name a few. We have already begun a public awareness programme in community meetings, and with some community leaders.

PROPERTY MANAGEMENT

In addition to executing the everyday functions requisite for the proper management and maintenance of all the Commission’s assets island-wide, (lands, buildings, irrigation

structures, motor vehicles and equipment) the Property Unit was kept very busy this period responding to calls from the Districts and the Security Officer regarding illegal activities in the field, and the misuse of reservations occasioning numerous site visits, and surveying operations.

Also, during this period, the Commission’s assets were again put through the tender process for insurance purposes. For the second time, Allied Insurance Brokers were awarded the contract for a further three-year period which commenced November 1, 2006.

COFFEE TALKS

The Managing Director initiated Coffee Talks this year, which involved his visiting all the District Offices to hold ‘one-to-one’ discussions with staff. This facilitated the integrated approach to management, and resulted in very useful input from the staff that informed some very important decisions for staff welfare, as well as for greater efficiency ‘on the ground’.

Administration & Human Resources

PERSONAL MENTION



REV. DORETH SYLVESTER-BROWN

Congratulations are in order for Rev. Doreth Sylvester-Brown who was ordained to the Holy Order of Deacons in the Anglican Church in the Province of the West Indies on February 18, 2007 at the Church of St. Mary the Virgin, Molynes Road, where she now serves. She holds a Bachelor's Degree in Theology, a Post Graduate Diploma in Ministerial Studies and is a professed member of the Third Order of the Society of St. Francis. In addition to being a Director she has been appointed Ethics Officer for the Commission.



REV. DR. GARNET BROWN HONOURED

On January 24, 2007, former Chairman of the National Irrigation Commission Limited, the Rev. Dr. Garnet Brown, CD,JP, B.Sc., M.A., M.Div., Ph.D. was honoured for 49 years of sterling contribution to the public sector. The main building of the corporate office of the NIC was dedicated and officially named "The Garnet Brown Building". During the ceremony the Instrument of Dedication was read and unveiled. (see next page)

Revs. Dr & Mrs Garnet Brown & Minister Roger Clarke at the unveiling of the Garnet Brown Building



MR MILTON HENRY

Congratulations to NIC's Director of Engineering and Technical Services who became Manager of Jamaica's Senior Cricket Team in November 2006. Mr. Henry is also honorary Secretary of the Jamaica Cricket Association.

Mr. Milton Henry seated second left in front row poses with the Jamaica Senior Cricket Team

INSTRUMENT OF DEDICATION

DEDICATION OF THE CORPORATE OFFICE OF THE NATIONAL IRRIGATION COMMISSION LIMITED (NIC) IN HONOUR OF THE REV. DR. GARNET BROWN, CD, JP

WHEREAS the Board, Management and Staff of the National Irrigation Commission Limited (NIC) in collaboration with the Ministry of Agriculture and Lands deem it fit and requisite to recognize the outstanding service which the Rev. Dr. Garnet Brown, CD, JP has rendered, in building the Nation of Jamaica in multiple spheres; and

WHEREAS his contribution to national irrigation development, in particular, is specially significant in that he founded, chaired and nurtured the development of the organization for approximately twenty years; and

WHEREAS he also conceptualized the development of the National Irrigation Development Programme;

IT IS HEREBY RESOLVED that his unswerving commitment to the nation's development, in general, and the distinction with which he has served the NIC, in particular, be officially recognized by the Commission, in collaboration with the Ministry of Agriculture and Lands.

Special reference is hereby made to his outstanding leadership, visionary acumen and his sharp analytic mind.

Therefore, as a memento of all he represents the Commission in association with the Minister of Agriculture and Lands, officially declare that the Corporate Office of the National Irrigation Commission Limited (NIC) currently located at 191 Old Hope Road, Kingston 6 be named...

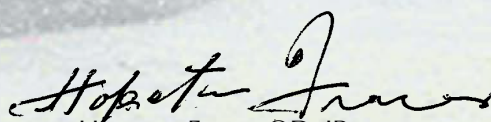
THE GARNET BROWN BUILDING.

It is further declared that wherever the Corporate Office of the Commission may be situated in the future, it shall always retain this nomenclature, in his honour.

Sincere gratitude is hereby expressed for his exemplary and dedicated national service. The Public Sector will always cherish his indelible contribution.



Roger Clarke, MP
Minister of Agriculture & Lands
January 24, 2007



Hopeton Fraser, OD, JP
Chairman
National Irrigation Commission Limited

Tribute

In Memory of Mr. Nathaniel Stewart
October 9, 1964 – March 14, 2007



Mr. Nathaniel Stewart “Stewie” of the National Irrigation Commission Limited died in the Kingston Public Hospital on Wednesday, March 14, 2007 after a brief illness.

Mr. Stewart displayed a high level of professionalism. He was an exemplary Security Guard who went beyond the call of duty. He was a man of integrity, always humble and very dependable. He enjoyed a good rapport with everyone and was very respectful.

A most selfless, compassionate and loving human being, Stewie was kind spirited and had a great sense of humor. He loved children dearly and was a good father.

Although sadly missed, Stewie will never be forgotten. We bid farewell to a colleague and friend.

Rest in peace.



**The Management and Staff of the
National Irrigation Commission Limited.**

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

During the period under review, the Operations Department focused on several areas for improvement including:

- Matching water produced to invoicing levels
- Implementing the energy management programme
- Preventative and restorative maintenance of equipment and facilities
- Capital works programme including

collaborative efforts with both public and private sector agencies to enhance customer base and service areas

- Maintenance of the drainage system in St. Elizabeth.

1. Water Production, Distribution and Energy Use

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

Table 1: Water Produced, Water Invoiced and Energy Consumed During 2006 - 2007

	Hours Pumped	Water Produced (m3)	Water Invoiced (m3)	%age Invoiced	Energy Used (kwh)	Energy Cost (\$)	(kwh/m3)	\$/m ³
Yallahs	2,357	406,110	277,078	68%	134,406	1,990,445	0.33	4.90
St. Dorothy	14,389	5,228,311	3,761,022	72%	995,639	13,921,785	0.19	2.66
Blocks + Spring Village	31,974	4,498,455	3,417,355	76%	689,065	14,711,073	0.15	3.27
Tot. (Esn. Region Pump)	48,720	10,132,876	7,455,455	74%	1,819,110	30,623,303	0.18	3.02
Canal flow (Esn, Region)		63,566,545	58,706,291	92%				
TOT. (EAST REGION)	48,720	73,699,421	66,161,746	90%	1,819,110	30,623,303	0.02	0.42
MID CLARENDON (DW)	38,923	14,169,524			3,287,604	50,788,635	0.23	3.58
River		17,293,154						
MCID (DW + RIVER)	38,923	31,462,678	19,081,337	61%	3,287,604	50,788,635	0.10	1.61
Hounslow	4,904	2,874,652	2,297,156	80%	887,488	15,413,029	0.31	5.36
Braco	3,062	648,212	625,957	97%	217,918	2,289,761	0.34	3.53
TOTAL (Western)	7,966	3,522,864	2,923,113	83%	1,105,406	17,702,790	0.31	5.03
OVERALL (pumped)	95,609	27,825,264			6,212,120	99,114,726	0.22	3.56
GRAND TOTAL	95,609	108,684,962	88,166,196	81%	6,212,120	99,114,726	0.06	0.91

Operations

The overall invoicing levels improved significantly over the previous year's. This moved from sixty-two per cent (62%) during 2005 – 2006 to eighty-one per cent (81 %) during 2006 – 2007. Additionally, while water production levels decreased by two per cent (2%) over the period, invoicing levels increased by thirty-one per cent (31%). Generally, all regions showed improved performance, with the Rio Cobre open canal network generating the greatest improvement in invoicing levels. Its overall level of water invoiced, increased from 62% during 2005 – 06 to 92% in 2006 – 07. The main reasons for this transformation include:

- **Improved maintenance along the main canals as well as increased monitoring of the water distribution system.** These activities ensured proper accountability for water produced. The Rio Cobre's main canal, for example, was cleaned more frequently during the year. This ensured continued 'free flow' of water as well as more accurate measurement of the discharge.
- **Increased accuracy of flow measurements in key areas.** The NIC installed several flow meters at pumps in the Block E, Bernard Lodge and Spring Village areas. This greatly enhanced the data accuracy, while allowing the operations staff to identify locations of low invoicing. This programme will be expanded during the next financial year to include the Mid-Clarendon District as well as the Hounslow Scheme.
- **Recovery from previous storms within the agricultural sector.** The passage of

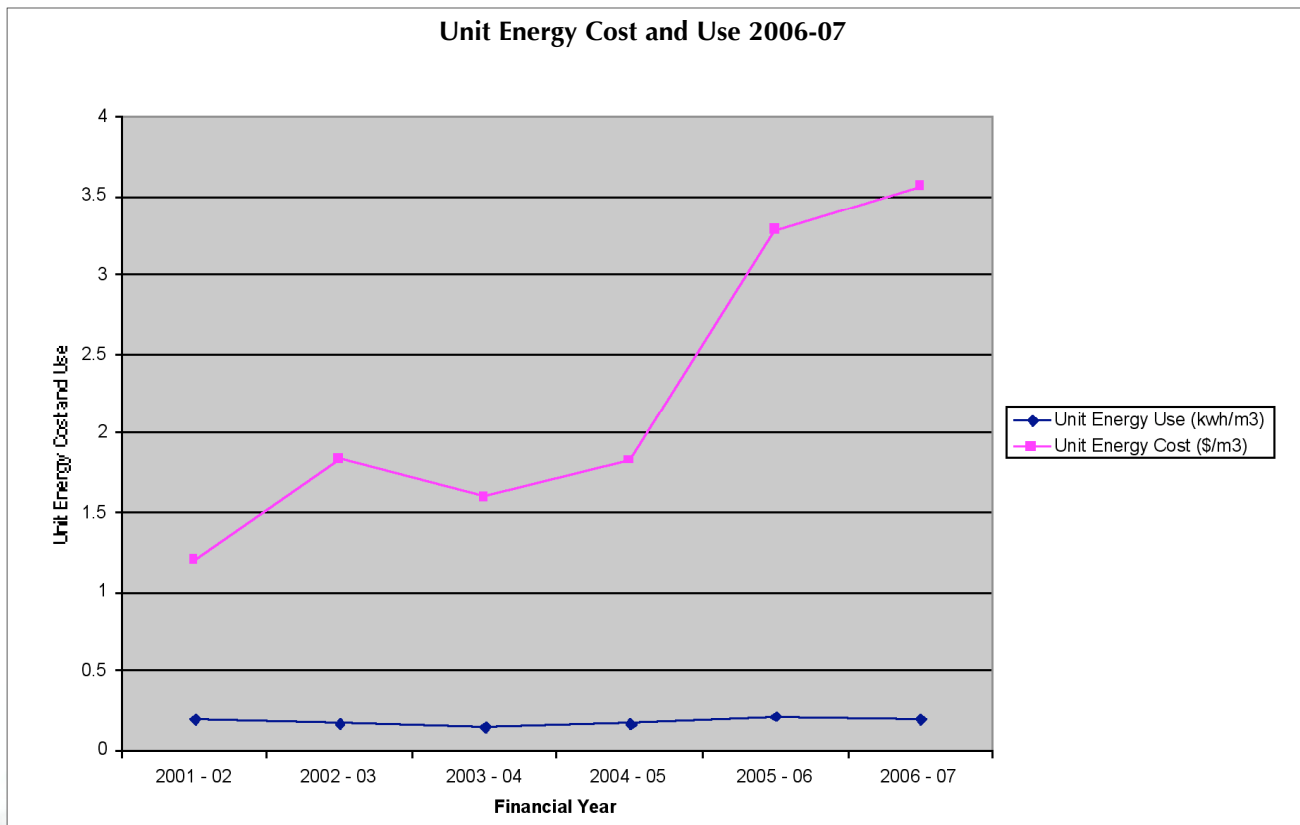
several hurricanes during the previous year negatively affected Jamaica, causing setback to the agricultural sector. An incident free year enabled recovery in the agricultural sector. Production increased in Thetford and Bernard Lodge in St. Catherine along with Hounslow in St. Elizabeth. Unfortunately, sugar cane farmers in Mid-Clarendon were not as fortunate; they experienced a reduction in their levels of agricultural activity mainly because of the cost of producing the crop.

During the next financial year, we will continue to focus on improving system maintenance and water measurements as key areas of customer satisfaction and accountability. We note the threats posed to agricultural development by several factors including the transfer of lands for non-agricultural use and the loss of sugar cane farmers notably in Clarendon.

Energy Use and Cost in Water Delivery

The NIC continues to grapple with increasing electrical energy costs during the year. Overall energy cost to the NIC has climbed from approximately \$82 million in 2005-2006 to \$99 million in 2006 – 2007. This movement has translated to a unit energy cost of \$3.56 per cubic metre of water pumped in 2006 – 2007 compared to \$3.28 per cubic metre during the previous year. This is shown in Figure 1. This 8.5% increase in unit energy cost was due to increases in the electricity rates. This movement in unit energy cost would have been much more severe had the Commission not embarked on an energy management programme during the year.

Operations



It must be noted that the unit energy input was held steady at 0.22 (kwh/m3) kilowatt-hour per cubic metre during the year, being similar to that of the previous year when the energy management programme commenced.

The Energy Management Programme

This programme commenced during 2005 and continued during the financial year. Work under this programme focused on monitoring of the energy bills from JPSCO, improved management of the pumps; water metering and water use monitoring in two pilot areas as well as the development of a computer based Energy Management Information System (EMIS). This

EMIS is being developed by the Information System Department in conjunction with the Energy Management Consultant.

Financial savings have been realized as a result of this programme as indicated in Table 2.

Some of the main achievements under the EMIS include:

- Identification of \$5.055 million of over-billing by the JPSCO
- Completion of hydraulic simulation and installation of flow metering at pumping stations in the pilot schemes in Block E and Spring Village, St. Catherine.
- Correction of metering and water

Operations

distribution problems resulting in an estimated \$2.5 million savings

- Capacitance retro-fitting and JPSCO rate changes for some pumping stations. These contribute to an annual savings of \$1.5 million.

In addition to completing the EMIS and the accrual of the gains thus far, the Energy Management Programme will also seek to introduce additional projects during the next financial year. These include the establishment of a pilot solar energy pump project, additional water metering facilities and further education of a larger number of users of pumped water. This programme seeks to determine how these users can lower their water cost through more efficient use of the irrigation water.

Table 2: Key components of the energy management programme

Objective	Stations identified in Audit	Stations completed to date	Exp Cost (\$ '000)	Exp. annual savings (\$'000)	Remarks
JPSCO Rate class change	5	5	0.00	820	-
JPSCO Energy Monitoring				5,055	
Capacitance retrofitting	5	5	1,414	672	Clarendon
Flow metering	35	7	6,900	915	
Pilot hydraulic simulation	7	7	700	1,500	Completed
Install Energy Infor. Sys.	-	-	2,000	2,500	50% completed

Electrical and Mechanical Services

During the period under review, the department continued to complete the preventative maintenance programme in a timely manner. This helped to reduce system downtime by minimizing the level of pump and motor failure. Consequently, the department reported only two motor failures for the period. Unfortunately there were six cases of failure of the deep well turbines, with three occurring in the Bernard Lodge area of St. Catherine. The efficacy of the maintenance programmes in these areas will be assessed to determine possible areas for improvement.

In order to improve the quality of service, the department procured one spare motor and three (3) spare turbines. These turbines were a welcomed addition to the NIC stock as they are spares for sole source pumping stations including Ebony Park and Bowers Drive. Customers in these areas can now be assured of a shortened service downtime in the case of a failure.

The Electrical and Mechanical Division also continued fabrication, repairs and equipment maintenance work through the workshop at St. Dorothy, St. Catherine. Some of the major fabrication work included gates and flumes as well as improvement to sections of the roof of the Mid-Clarendon Office. The workshop team also did major repair work on the drag line in St. Elizabeth as well as on the Rio Cobre aqueduct in St. Catherine.

Operations

In order to reduce disruptions caused by disasters, the Electrical and Mechanical Unit installed standby generators at all offices. Additionally, the team installed lightning arrestors and checked electrical groundings at the pumping stations.

Civil Works Maintenance and Improvement

During the year, the Civil Works Unit continued work both on maintenance of the existing infrastructure as well as on the implementation of the capital works programme. The effort to improve, install new infrastructure and extend existing ones was limited by the availability of funds. However, the team completed several infrastructure projects that have benefited our consumers. Some partnership initiatives have contributed to improvement in the infrastructure, the growth of water sales and the number of consumers. This is shown in Table 3 below. The NIC expects to grow its customer base by approximately 120 farmers and bring approximately 350 hectares of land into production. It is hoped that such partnerships can be further developed and extended to other stakeholders.

Table 3: Capital Works Partnership Projects

Project	Partner	Cost (J\$ '000)	Potential Consumers	Status
St. Jago No.2 Pump Station Rehab	JAMALCO	16,700	10	Complete
Amity Hall Ag. Project	ASSP (GOJ)	3,100	20	Complete
Ebony Park Rehab	ASSP (GOJ)	14,000	40	30% Complete
McGilchrist Development	JAMALCO	60,000	40	90% Complete

The civil works team also embarked on a substantial canal rehabilitation and repair programme especially in the Mid-Clarendon District. Where feasible, leaking canals were either repaired or replaced with polyethylene pipes. The installation of these pipes, serves to reduce maintenance costs as they can be easily laid in the existing canals. A total of 1320 metres of concrete lining was repaired and 2020 metres replaced with polyethylene pipes respectively. These programmes will continue, funds permitting.

Civil Works Repair Programme

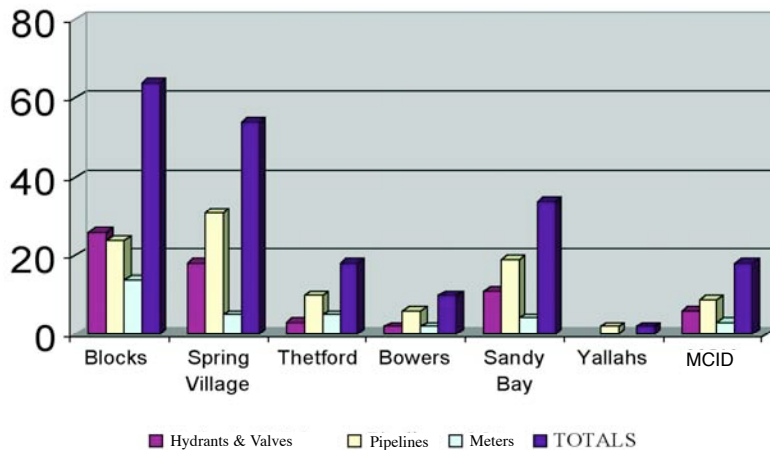
The repairs undertaken during the year are shown in Table 4 and Figure 3 below. Most of the effort was expended on hydrant and valve repairs in the Rio Cobre and Mid-Clarendon Districts.

Table 4: Some pipe repairs along with meter and hydrant installation

Location	Blocks	Spring Village	Thetford	Bowers	Sandy Bay	Yallahs	MCID
Infrastructure							
Hydrants & Valves	26	18	3	2	11		6
Pipeline	24	31	10	6	19	2	9
Meter	14	5	5	2	4		3
TOTALS	64	54	18	10	34	2	18

Operations

Fig 3: Repairs to Pressurized Infrastructure



Section of a cleaned drain in the Upper Morass, St. Elizabeth

Drainage Works

Drain maintenance especially in the Upper and Lower Morass areas of St. Elizabeth was one of the Operations Department's focal areas during the financial year. The Water Resources Authority completed a hydrological study in those areas and



Flooded farm roadway caused by heavy rains in the Upper Morass, St. Elizabeth

identified several opportunities for improving drainage flows in the area including:

- Possible effects of drain cleaning
- The critical locations where flooding is likely

The NIC has responded to the opportunities presented, by purchasing and putting into service a CAT Hydraulic Excavator. The employment of this machine forms a major part of the drain maintenance programme. To date, more than fifteen (15) kilometres of major drains have been cleaned and restored. This has relieved drainage problems on several hectares of croplands and

Operations



Minister Roger Clarke cutting ribbon at the handing over ceremony for the Cat Hydraulic Excavator while Mr. Barclay Ewart, Chairman, Power & Tractors Limited, Mr. Donovan Stanberry, Permanent Secretary in the Ministry of Agriculture and Lands and Mr. Donovan Reid look on.

reduced the risk of flooding in communities including New River and Thornton. This drainage improvement service will continue to benefit the farmers and residents in the drainage areas in the future. Additional drainage flow improvement work done in the area includes:

- Dialogue with the residents in the New River area to discuss the preferred programme of drainage improvements to the area.
- Removal of the old submersible pumps at the Grass River Station to enhance drainage flows to the Black River. This has substantially reduced the water

level in the Grass River and the subsequent risk of flooding.

- Maintenance of the banks of several Black River tributaries as well as the removal of fallen trees that could impede both navigation and flow.

During the next financial year, the NIC proposes to continue the drainage improvement service by procuring a 'rubber-wheeled' backhoe to clean some of the smaller drains. The addition of a field office in the Upper Morass area is also being contemplated as part of the overall effort to improve the service.

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.



Prime Minister Portia Simpson Miller giving the keynote address at the contract signing and launch of the Hounslow (Rehab.) Irrigation Project in June 2006

Master Plan

In 1998 the Government of Jamaica (GOJ), through the National Irrigation Commission, 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 the year 2015, and further the Government's proposed plan to increase farmer participation in irrigation and make the NIC self sustainable.

Main Features of NIDP

The specific outputs of the 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 the ranking of them in order of priority;
- a training programme in irrigation management.

National Irrigation Development Programme

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

- evaluated over 125 projects island-wide and recommended 51 of these projects (US\$ 106.3 million construction cost), up to year 2015.
- will increase the presently irrigated area of 25,000 ha by some 60 per cent (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,

Farmer Participation

The involvement in the planning process, of farmers and government officials at the national, regional and local levels was considered essential, 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 Users 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.

CDB's 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\$12million.

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, pepper, pumpkin, and sweet potato.

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.)

National Irrigation Development Programme

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 dasheen, pepper, pumpkin 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 in the region of 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.

Status of CDB 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.

Contracts A-C are for the Installation of Pipes, Fittings, Valves and Appurtenances on each of the three areas respectively. Rural Water Supply Company Ltd. (RWS), formerly Carib Engineering Corporation Ltd. (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. Periodic meetings between NIC,

RWS/CECL and the contractors continue to focus on the supervision and administration of the construction contracts.

Contract A

Contract A Data

Location: Seven Rivers (St. James)
Contractor: Y.P. Seaton & Associates Co. Ltd.
Contract Amount: J\$ 23,791,323.38
Revised start-up date: November 2005
Contract Period: 9 months

The contract for the execution of works was signed on November 23, 2005 and the contractor took possession of the site on February 8, 2006, commencing with the setting up of the site office and preliminary layout surveying. A Ground Breaking ceremony was held on March 3, 2006.

Progress on this contract is satisfactory and it is now in its Defects Liability period. This scheme is expected to be commissioned into service by July 2007.

Contract B

Contract B Data

Location: Hounslow Rehabilitation (St. Elizabeth)
Contractor: M & M Jamaica Ltd.
Contract Amount: J\$41,037,700.00
Start-up date: June 2006
Contract Period: 15 months

The signing and launch of this contract was held on June 29, 2006 at the Hounslow Playfield, in Hounslow, St Elizabeth. The keynote speaker was Prime Minister, the Most Honourable Portia Simpson Miller, ON, MP. The contractor has progressed satisfactorily and pipe laying works are near completion.

National Irrigation Development Programme



Prime Minister Portia Simpson Miller signing Contract B along with her colleague Ministers, Roger Clarke and Donald Buchanan

Contract C

Contract C Data

Location : Beacon/Little Park (St. Elizabeth)
Contractor: M & M Jamaica Ltd.
Contract Amount: \$53,531,115.00
Status: Completed

M&M Jamaica Ltd. took possession of the site in January, 2005. The contract duration was 15 months, but the contractor accelerated the work programme and finished the required work ahead of schedule (within 9 months).

The contract has now completed its Defects Liability Period and the scheme is expected to be commissioned into service by June 2007.

Contract D

Contract D Data

Contractor: Jamaica Wells & Services Ltd.
Contract Amount: J\$ 102,317,775.86
Status: Beacon/Little Park completed,
First two (of five) wells have been refurbished in Hounslow

This is for the Supply & Installation of Pumps and Switchgear for the wells in the two St. Elizabeth schemes. The contract was signed on November 23, 2005.

Below is a summary of the actual implementation schedule for works on Contract D in Beacon/Little Park.

Mobilization of Contractor
Dec. 2005 – January 2006

Construction of Civil Works
January – May 2006

JPS Installation
June – October 2006

Delivery of Pumps and Equipment
August – November 2006

Installation and Testing
Sept. 2006 - April 2007

Commissioning of Equipment
May - July 2007

Work is continuing on the refurbishing of the wells in Hounslow. The contractor is being assisted by the Water Resources Authority. This is being done on a staggered basis as supply disruptions to existing farmers is being kept at a minimum.

Contract E

This is for the Supply of Pipes, Fittings, Valves and Appurtenances for all schemes. This contract was awarded first.

Contract E Data

Contractor: Trans Carib Enterprises Limited.
Revised Contract Amount: US\$2,304,666.08
Signed: May 14, 2003

National Irrigation Development Programme

All deliveries of Pipes, Fittings, Valves and Appurtenances to the project's Materials Storage Yard in St. Elizabeth, have now been completed. Final verifications of quantities of materials, and compliance with specifications, have been completed by an independent inspector.

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 Hounsflow for a select group of farmers from the Pedro Plains/Hounsflow 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 in securing loans for working capital. Planting started in November 2004 and reaping and delivery to contracted buyers are ongoing.

A project proposal for the Seven Rivers area has been prepared by the ADO, and approved by the Water Users Group. Funding is now being sought for its implementation.

Water Users Associations (WUAs).

Working with Water Users Groups and training of farmers continue 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, with guidance from the Consultant Social Organizer.

A 2-day Pre-registration Workshop was conducted in August 2006 for members of the Water Users Groups (WUGs) by the Dept. of Cooperatives. This is in preparation for the legal registration of WUAs which should be concluded by June 2007.



Mrs Lydia Hunter Snape, Project Engineer giving an address at the pre-registration workshop



The Yallahs Water Users Group assembled at the pre-registration workshop

Collaboration with the LAMP Project & 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. Meetings have been held between NIC, National Land Agency (NLA) and Land Administration Management Project (LAMP) to formalize their respective roles in this respect. A Memorandum of Understanding for activities to be undertaken on the NIDP project, by each agency has been jointly prepared and signed. LAMP has commenced preliminary

National Irrigation Development Programme

assessments in St. Elizabeth and budgets are now being finalized for land regularization activities. The NIC has commenced monthly progress meetings with the LAMP and NLA. There is also representation of the Parish Councils (St. Elizabeth & St. James) at these meetings.

IDB's participation in funding of NIDP

The Inter-American Development Bank (IDB) continues to demonstrate its commitment to support Jamaica's Irrigation Sector. The NIDP Master Plan, which now provides the blueprint for development in the Irrigation Sector was funded by the IDB between 1996 and 1998. Over recent years, there has been much discussion between the IDB and the Government of Jamaica with respect to Water Policy and the future direction of the NIC. With agreement on these issues, both parties signed an Irrigation Development loan on May 27, 2005 for the implementation, over a period of five years, of some of the priority projects identified in the NIDP, as well as for the provision of the necessary resources to effect institutional strengthening for NIC's changing role (Total cost, US\$ 21.5 million).

Conditions Precedent to First Disbursement of proceeds from the loan have been satisfied by the Government of Jamaica.

Main Components of proposed IDB funding

• I. Institutional Strengthening of the NIC

The NIC will be reorganized to progressively focus on planning, monitoring and regulating the irrigation sector. This component will achieve the following five outputs: (i) NIC business Strategy developed and Company reorganized; (ii) Management of

Information Systems (MIS) strengthened; (iii) Accounting systems strengthened; (iv) Billing systems strengthened; and (v) Operations strengthened.

• II. Promotion and Formation of Water Users Associations

It will support (i) the establishment of a WUA Support and Regulation Unit within the Programme Implementation Unit, and (ii) the formation and consolidation process of WUAs in all NIDP irrigation systems, i.e., Yallahs, Colbeck, New Forrest, Essex Valley and Saint Dorothy. In each of these systems, a specific Action Plan will be implemented.

• III. Technical Assistance and Training for Farmers

It will support farmers' economic activities by training them in the correct use of relevant agricultural and marketing techniques to properly manage their natural and financial resources under irrigated conditions, and therefore, enhance the performance of their agricultural businesses.

• IV. Construction of Irrigation System Infrastructure

The irrigation infrastructure includes wells, pump houses, power supply, pipe networks, pumping equipment, and on-farm systems in five irrigation areas: Yallahs, Colbeck, New Forrest/Duff House, Essex Valley and Saint Dorothy. It is estimated that these systems will benefit about 1,700 ha and 1,000 farmers.

Feasibility evaluations and Final Designs have been completed for the first three (3) projects:

National Irrigation Development Programme

• Yallahs, St Thomas

Over 400 farmers on 313 ha will benefit. Three new wells will be drilled and existing damaged water sources will be fully reinstated. Crops are mainly vegetables, and also include bananas and fruit trees.

• Colbeck, St Catherine

Over 90 farmers on 110 ha will benefit. One new well will be drilled and an existing well renovated. Road and drainage improvements are also planned. Crops are mainly vegetables, and also include bananas and fruit trees.

• New Forrest/Duff House, Manchester

Over 420 farmers on 368 ha will benefit. Five new wells will be drilled to provide secure water supplies. Crops are mainly vegetables, and also include bananas and fruit trees.

Below is a table summarizing the main features and costs of the first three IDB projects:

State of Project Execution

The GOJ and IDB agreed to extend the period taken to satisfy Conditions Precedent to First Disbursement from six months to one year. This period was concluded at the end of May 2006.

Owing to the agreed longer than usual period taken to satisfy these Conditions Precedent, most of the actual activities on the project did not commence until June-July 2006. In fact, there were no disbursements from the IDB to the Project Implementation Unit (PIU) until October 2006. This meant that from the outset, the expected date of completion (five years after the signing of project) was in jeopardy. In recognition of this fact, the Government of Jamaica sought an extension of the completion date of the project from May 2010 to May 2011, and this has been accepted by the IDB.

Main Features & Costs of First Three IDB Projects

Project	Yallahs	Colbeck	New Forrest/ Duff House
Crop area, ha	313	110	368
Number of Farmers served	400	90	420
Construction Cost, US\$ x 10 ⁶	2.020	0.869	2.978
Annual O & M Cost, US\$ x 10 ⁶	0.07	0.05	0.36
Financial IRR, %	> 100	63	> 100
Economic IRR, %	39	36	36

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.***

A major objective for the period under review was:

Institutional Strengthening of the National Irrigation Commission's Management Information System(MIS). This involves initiating:-

- The provision and acquisition of technical training in mission critical operational software used in the NIC
- The acquisition of relevant software, computer and networking equipment
- The development of the new Customer Information & Billing System (CRMS)
- The implementation of a Wide Area Network for the NIC

Other elements included:

- Enhanced collaboration through the use of Microsoft Outlook of up to 100 percent for all computer users
- Company-wide participation in data / disaster recovery
- Ninety-five per cent (95%) network availability.
- Enhanced Geographic Information System (GIS) via a landuse database

for the Mid-Clarendon Irrigation District.

The IS Unit focused on the following strategies within the framework of NIC's corporate objective:

- Continue the transition from the use of manual systems to Computer Based Information (CBI) Systems.
- Deliver timely, efficient and cost effective Computer Based Information Systems to reduce operational costs through improved efficiencies.
- Ensure the coordination of NIC's business activities through the integration of Computer Based Information (CBI) Systems.
- Enhance customer service through the provision and availability of relevant information.
- Ensure the continuity of business at the NIC by implementing a disaster recovery plan for the security and recovery of mission critical data.

Information Systems

Continue the transition from the use of manual systems to Computer Based Information (CBI) systems.

This transition process embraces two areas:

- The acquisition of relevant computer hardware and software to facilitate the standardization of all systems and user interfaces.
- The development of Human Resource expertise in the use of Information and Communication Technology.

Under the M.I.S. programmes for the institutional strengthening of the NIC, the assessment of hardware and software has been completed and the procurement processes have begun through the Project Implementation Unit (PIU). The assessment includes server systems, end user computer requirements, desktop applications and training.

With up to 35% of desktop computers acquired more than 5 years ago, the Unit has been keeping a close watch on their performance. Of this number, eight (8) computers have been identified for immediate replacement; however due to limited budget, only two (2) have been replaced in the Rio Cobre Office and at the Head Office because of emergency conditions.

In summary, some accomplishments include:

- Acquisition of a server for the Head Office to boost network services across NIC
- Replacement of two (2) printers, also for the Head Office

- Replacement of one (1) laptop for a Commercial Field Officer.

To maintain human expertise in I.T. at industry standard and to remain technologically savvy, personnel from the IS Unit attended nine (9) professional seminars. Among the areas covered were:

- Voice Over Internet Protocol (VOIP) Solutions
- Data Management & Administration
- Information Technology Contingency Planning
- G.I.S. database training.

As the NIC continues to expand its accounting capabilities with Microsoft Business Solutions, senior accountants have received training in new modules, as well as refresher courses in the old applications. The objective is to increase return on investment by developing various power users of the system.



Senior Accountants in training

Information Systems

Deliver timely, efficient and cost effective Computer Based Information Systems to reduce operational costs through improved efficiencies

Microsoft Business Solution-Great Plains is a mission critical application that requires constant support and maintenance. Infotech Caribbean, the local supplier, has been providing this support through access to Customer Source and the renewal of a help desk support.

The Great Plains Software includes:

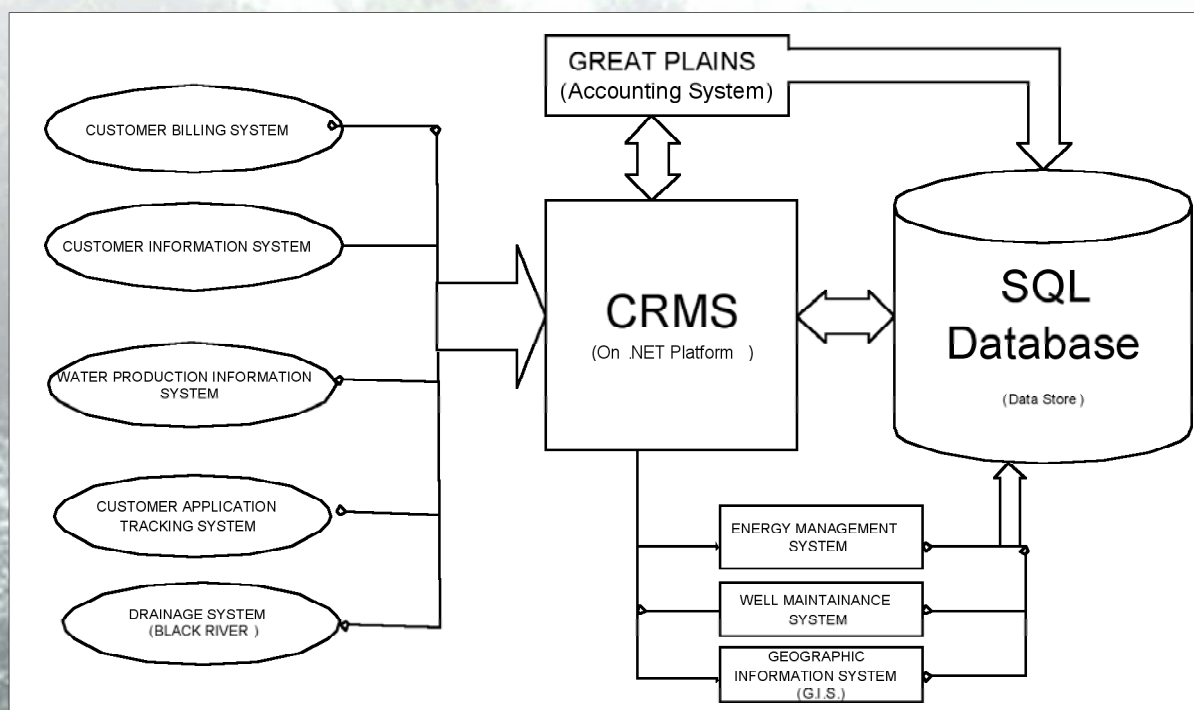
- Human Resource Management
- General Ledger
- Bank Reconciliation
- Accounts Payables
- Fixed Asset
- Inventory
- Procurement
- Project Management

With respect to the development of the new Customer Relationship Management System (CRMS), that includes the Customer Information & Billing System, the in-house planning stage is completed and continuously reviewed while procurement is underway. These include:

- Consultation with end users
- Gathering of preliminary user requirements
- Drafting of the requirements for the proposal document for the selection of a consultant.

The CRMS is an integrated system that will consist of several modules of NIC's business processes. The following simple illustration depicts the system; its implementation will continue in the next financial year.

The CRMS illustrated



Information Systems

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

Action to secure integration was strategically taken as part of the Wide Area Network (WAN). With some improvements in local infrastructure at the NIC Offices, the emphasis was on points of access to the Internet for the proposed Virtual Private Network (VPN).

Accomplishments were as follows:

- Setting up of dedicated server rooms at the Operation Centre (St. Catherine) and the Mid-Clarendon District Office in May 06 and February 07 respectively.
- Relocation of network control system (panels, hubs & fibre) to server room at the Operation Centre in June 06
- Re-wiring of the network of the Rio Cobre District Office in June 06
- Installation and configuration of Fibre Link Internet Service in Head Office in October, for more reliable upload and download during connection with other offices.
- ADSL installation at the Braco Irrigation District Office in March 2007, providing faster and more reliable connection for transferring files.

Note: Neither ADSL nor Fibre services is yet available in Watchwell, St. Elizabeth, to service the Hounslow Office. However, the I.S. Team is looking at Wireless as an option.

Technological collaboration has increased with MS Exchange Server and MS Outlook 2003 mailing system available to all Offices except the Yallahs Office.

Benefits continue to be:

- Savings in paper and time with respect to disseminating information
- Availability and immediate information flow
- Increased productivity through team work from different locations/offices
- Individual organizer and activity management tools (digital dairy).

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

The IS Unit continues to maintain the Customer Information System to satisfy the demands of both the internal and external customers. Even though on a platform soon to be replaced, the system has provided maximum returns by:

- Granting instant access to Customer Information
- Ensuring that the right data and report were delivered to the right people.
- Simplifying access to information
- Providing the required tool for the Commercial field staff

NIC's website was again redesigned and re-launched in September 2006. The goal is to continue to make information about the NIC, current and available to all audiences.

Information Systems

The use of the Geographic Information System (GIS) has enabled the Unit to undertake a land use dataset project in the Mid-Clarendon Irrigation District. This is a pilot project that will continue in the next financial year. The objective is to provide land use information to assist with irrigation distribution management.

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

Working with an established Back-up Procedure, the primary objectives are:

- Continuity of business at the Organization
- Confidentiality of information
- Integrity of data and
- Availability of information

A planned review of the existing Backup Procedure is set for the next financial year after which the procedure document will be upgraded.

In addition to Server configuration and Database backup, automated backups of users' working files were configured on a weekly basis.

To assist with disaster recovery, the I.S. Unit acquired the following during the period under review:

- Six (6) external hard drives
- Fire proof vault for Server Room – Operation Centre.

Commercial

CORPORATE OBJECTIVE

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

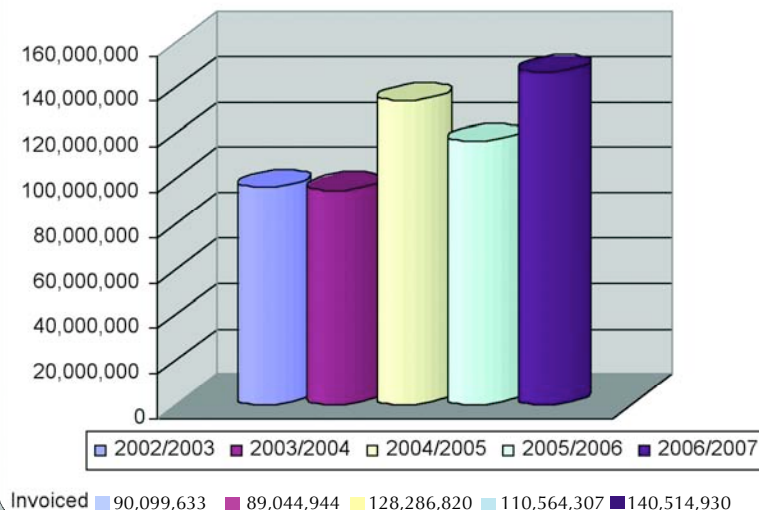
WATER SALES & DRAINAGE

Water Sales and Drainage for the year under review grew by 27% or \$29.9M to \$140.5M from \$110.6M. The rate of collection remained above eighty percent.

The Commission continues to accommodate credit challenged customers through its payment arrangement facility. However, other collection strategies have been implemented.

The Commission's levels of invoicing for the financial years 2002/2003 to 2006/2007 are outlined below: -

TOTAL WATER SALES AND DRAINAGE



Customer Service

The Commission continues its focus on customer satisfaction. Consequently, the Commission has continued to provide the appropriate training of all its personnel; this will be an on-going exercise.

On May 9, 2006, a Customer Appreciation Day was held at the Braco Irrigation Office, Duncans, Trelawny. The customers got the opportunity to interact with management and staff of the Commission and participated in a number of activities throughout the day. They were also treated to a beautiful rendition titled "Planting Time" from the students of the Rio Bueno All Age School. Both current and prospective customers were presented with agricultural items.



NIC's Director of Finance and Corporate Planning (left) presenting a token to Mr. Rudolph Dawkins from Trelawny Aggregate in appreciation of his Company's contribution to the customer appreciation day.

Commercial

The Commission remains fully committed to introducing more measures aimed at further improvements in 'Customer Satisfaction.'

Customer Status

The pie chart below depicts the distribution of irrigated lands among customers classified as active, suspended and terminated. With a total customer base of 1,929, occupying 10,865.43 hectares of land, 69% or 1,331 on 8,085.2 hectares were active, 6.9% or 134 on 424.84 hectares were suspended and 24.1% or 464 on 2,355.39 hectares were terminated.

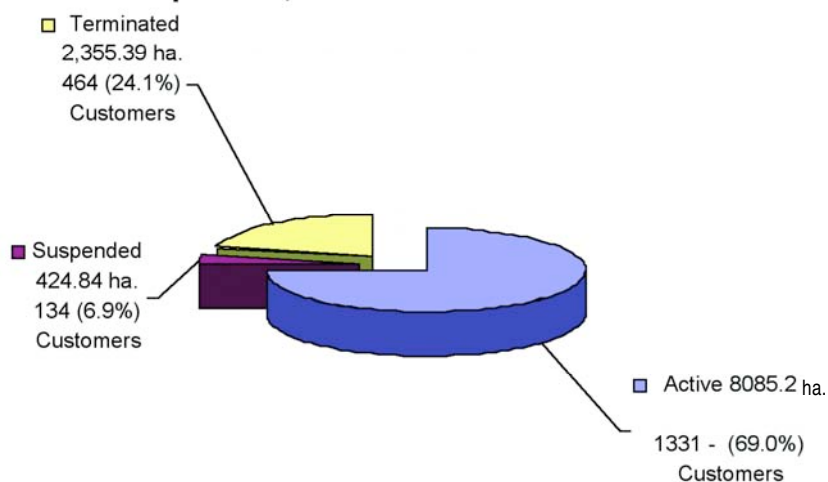
The Commission has observed a fall out in lands under production, particularly, in the Mid-

Clarendon area. In that regard, it has undertaken an internal review of the situation. At year end, it was decided that a special intervention was required on a pilot basis in collaboration with Rural Agricultural Development Authority (RADA) and the Ministry of Agriculture & Lands. This will be pursued in the next financial year.

Complaints

Over the period, seventeen complaints were received in the Western Region. Fifteen were dealt with at the District Office, while two were dealt with at the Head Office. Four major complaints were received and dealt with at the District Office in the Eastern Region. All complaints were satisfactorily dealt with.

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



Commercial

Irrigation Water Applications

Eastern Region

Applications for the year under review increased by 11.9% from 42 to 47 and were categorized as follows: -

- (1) 35 - approved;
- (2) 12 – are awaiting approval.

The forty-seven applications received during the period accounted for 198.04 hectares.

Western Region

Applications received increased by 41.8%, from 67 to 95 and were categorized as follows: -

- (1) 84 - approved;
- (2) 11 – are awaiting approval.

The ninety-five applications received during the period accounted for 221.94 hectares.

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.

Financial Summary

The 2006/2007 financial year was excellent for the Commission. We recorded a surplus of \$34.6M that represented a 58% increase over the previous year. This increased surplus arose, primarily, from additional inflows in the operating revenue streams of water sales and drainage charges and the GOJ subsidy on behalf of farmers. These sources of primary revenue moved by 27 and 29%, representing increases of approximately \$30M and \$80M, respectively. Consequently, operating revenue increased by \$60.6M or 13.8%. These increases coupled with prudent financial management and rigorous cost control resulted in the Commission performing significantly better than in the prior year.

This performance comes in the face of increased demand for irrigation water as a result of the prolonged drought experienced by the country during the period under review and a sustained effort by the Commission to get farmers back into agriculture. Furthermore, the Government of Jamaica increased its subsidy on behalf of farmers to \$359.4M (2006: \$279.2M) an increase of \$80.2M (2006: \$17.6M).

Other key financial highlights of the Commission for 2007 included:

- An increase in accumulated surplus by 30.1% over the previous year to \$149.5M (2006: \$114.9M) thus enabling Shareholder Equity to increase by \$34.6M (2006: \$21.9M).
- A minimal increase in the cost of producing water and distribution to farm gate by 3.3% over 2006 as a result of the Commission managing its cost drivers effectively during 2006/2007.
- A significantly lower increase in electricity cost because of the continued measures implemented by the Engineering and Technical Services Division supported by the Finance Division to mitigate the impact of rising electricity rates. Electricity cost increased during the year by 22.84% to \$108.3M (2006: \$88.2M) however, this was as a direct result of the rising and increasing energy charges, as well as the demand for irrigation water during the financial year. Significant financial investment will have to be undertaken in the area of energy management within the next three years to ensure meaningful and sustained results.
- The maintenance of a current assets ratio of 1.09:1 (2006: 1.12:1).

Finance & Corporate Planning

Highlights of International Financial Reporting Standards (IFRS)

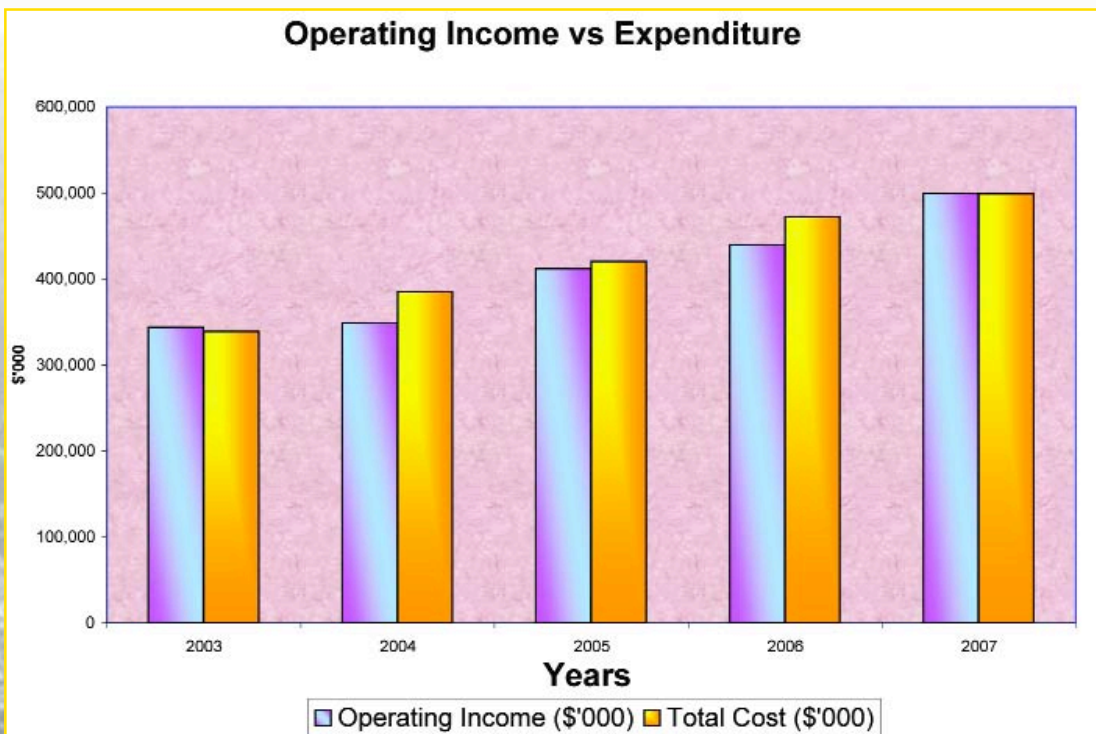
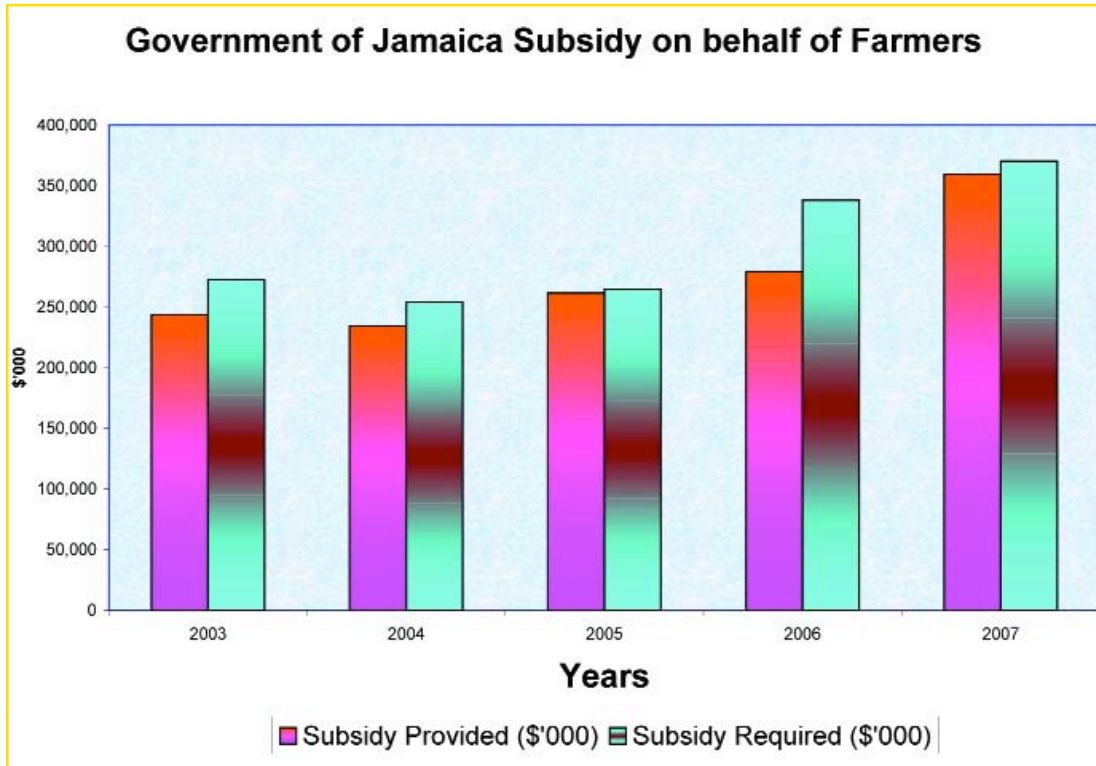
For the year ended March 2007, the company adopted amendments to IAS 19 Employee Benefits that became effective during the year.

The adoption of IAS 19 amendments did not result in any change in accounting policies nor did it have any effect on the company's financial position and operating results, except that the amendments resulted in additional disclosures in the financial statements.

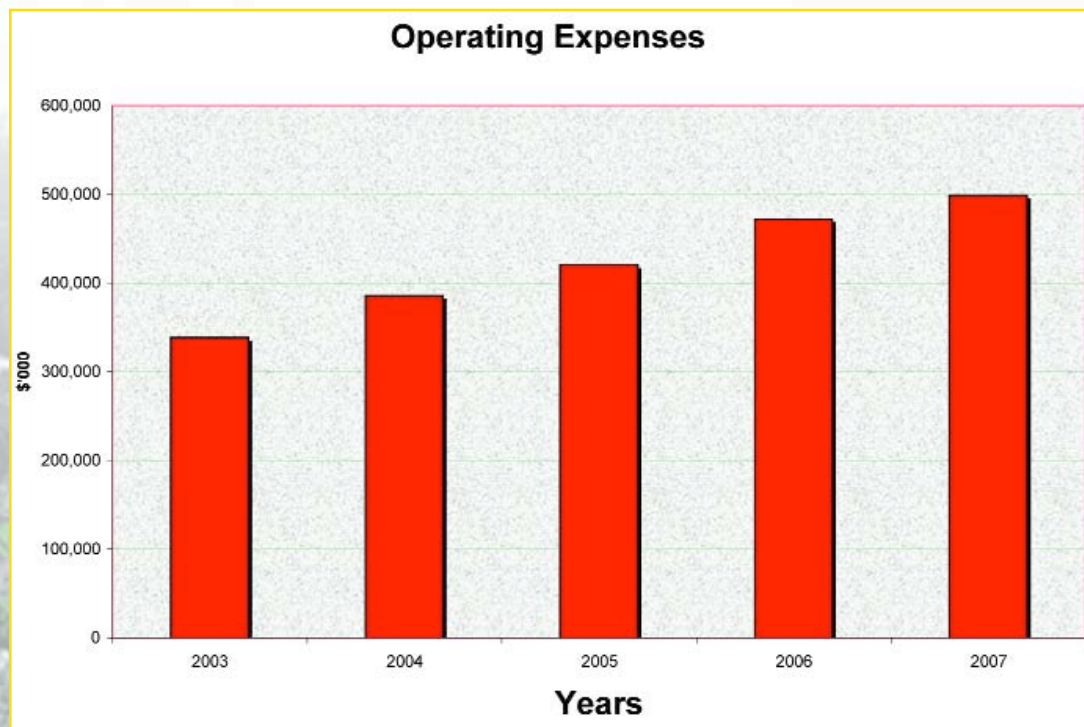
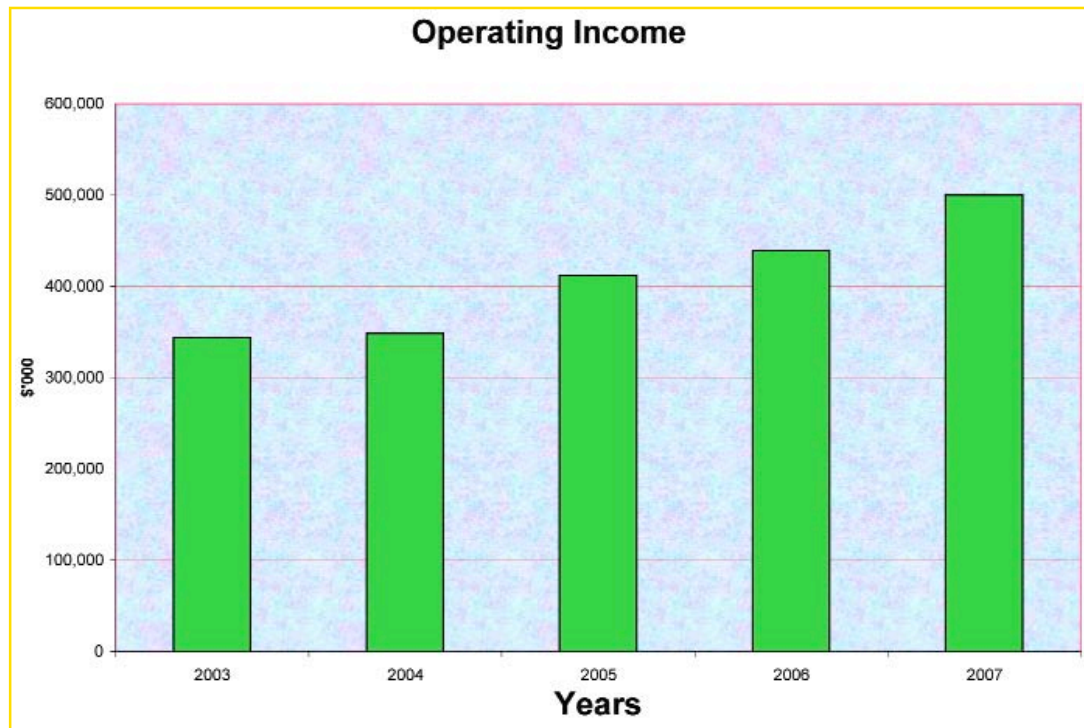
National Irrigation Commission Limited Five Year Statistics

	\$'000 2007	\$'000 2006	\$'000 2005	\$'000 2004	\$'000 2003
Shareholders Equity	557,662	523,039	501,096	480,018	477,919
% inc. over prior year	6.62%	4.38%	4.39%	0.44%	8.28%
PROFIT AND LOSS ACCOUNT					
Operating Revenue	499,885	439,265	411,877	348,447	343,943
% inc. over prior year	13.80%	6.65%	18.20%	1.31%	26.49%
Accumulated Surplus (Deficit)	149,531	114,909	92,966	71,887	69,789
% inc. over prior year	30%	24%	29%	3%	110%
IMPORTANT RATIOS					
Admin. exp. as a % of total costs	23.67%	21.93%	23.86%	27.50%	25.13%
Operating exp. as a % of total costs	76.33%	78.05%	76.13%	72.50%	72.70%
Electricity exp. as a % of total costs	21.71%	18.68%	21.61%	15.93%	17.48%
Electricity exp. as a % of operating costs	28.45%	23.93%	28.38%	21.98%	24.04%
Rates as a % of total costs	28.16%	23.42%	30.53%	23.09%	26.61%
Rates as a % of operating costs	36.90%	30.01%	40.10%	31.85%	36.61%
GOJ subsidy as a % of total costs	72.03%	59.13%	62.25%	60.79%	71.92%
GOJ subsidy as a % of operating costs	94.37%	75.76%	81.77%	83.85%	98.93%

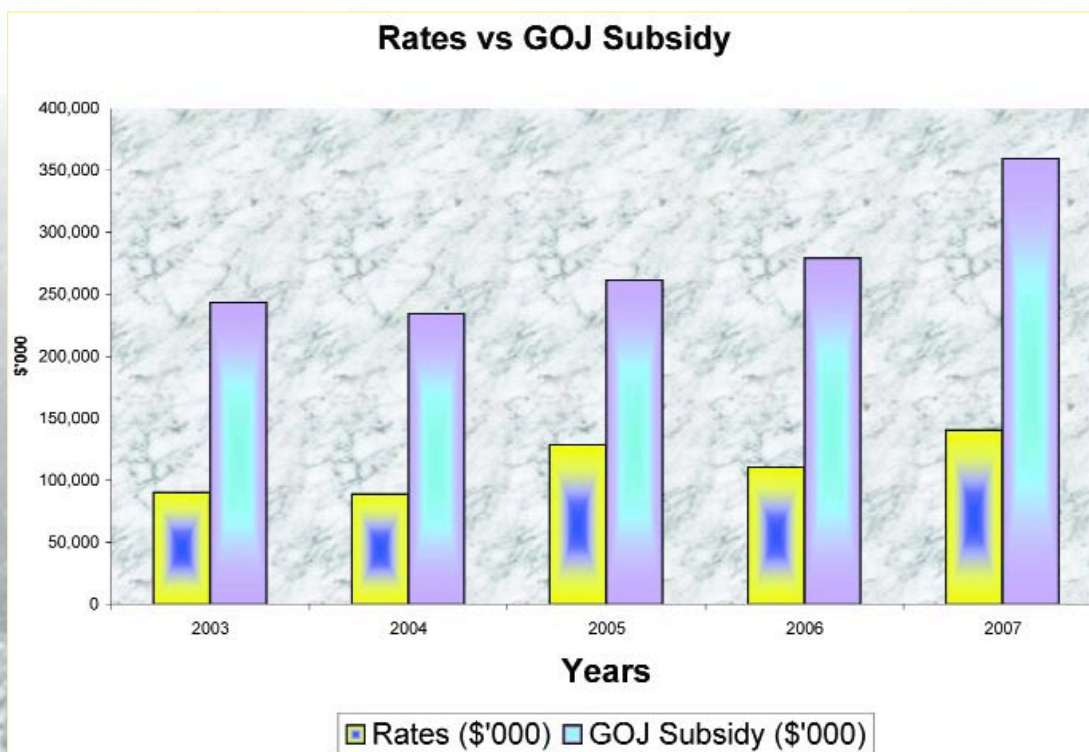
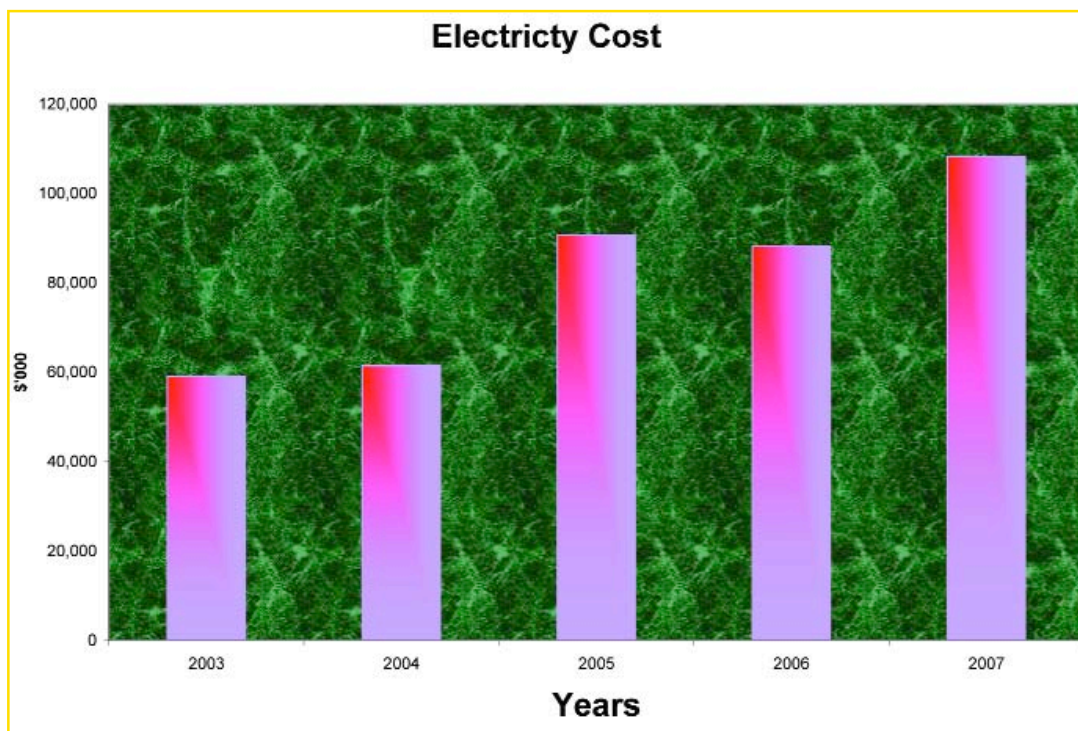
Finance & Corporate Planning



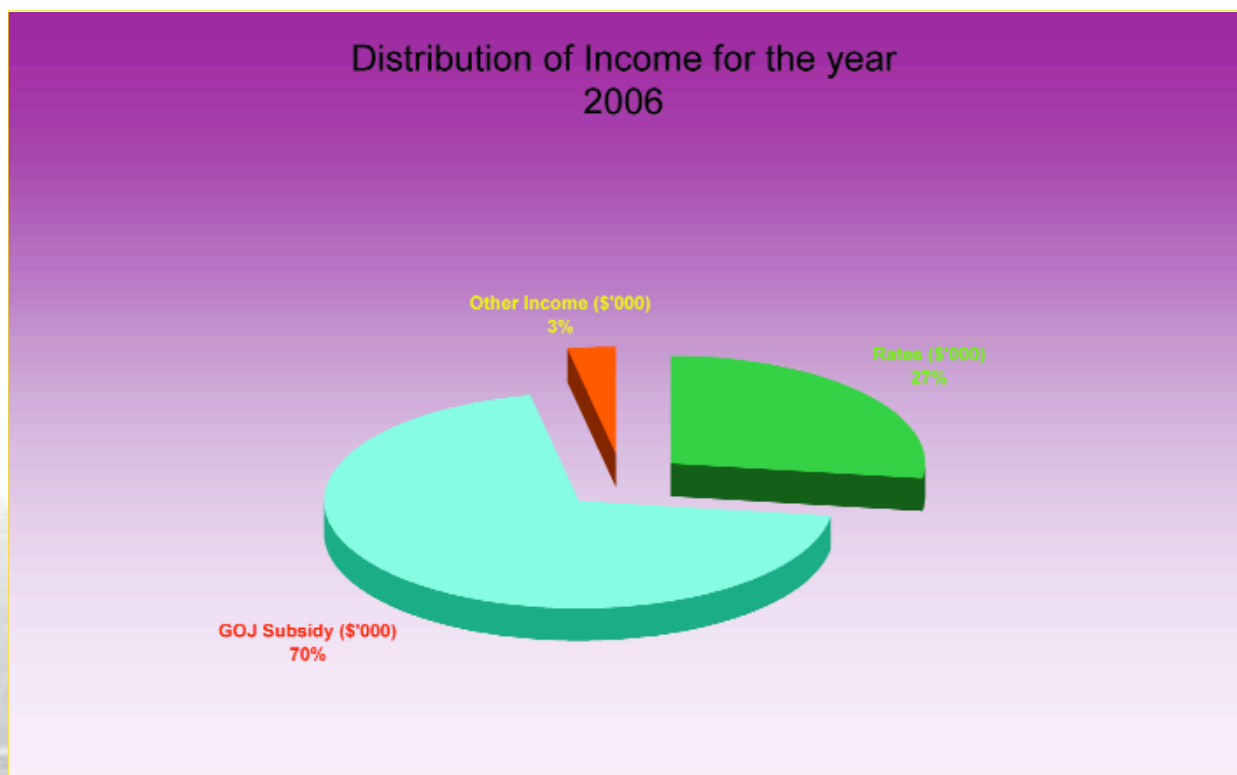
Finance & Corporate Planning



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Finance & Corporate Planning





Financial Statements
March 31, 2007



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To the Members of
NATIONAL IRRIGATION COMMISSION LIMITED

Report on the Financial Statements

We have audited the financial statements of National Irrigation Commission Limited ("company"), set out on pages 52 to 75, which comprise the balance sheet as at March 31, 2007, statements of revenue and expenses, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG, a Jamaican partnership,
is the Jamaican member firm of KPMG
International, a Swiss cooperative.

Raphael E. Gordon
Patrick A. Chin
R. Brian Hinds

Daryl A. Fenton
Patrick O. Deley-Smith
Cynthia L. Lawrence

Elizabeth A. Jones
Leroy J. Marshall
Rajan Trehen



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To the Members of
NATIONAL IRRIGATION COMMISSION LIMITED

Report on the Financial Statements, (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2007, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act.

Additional reporting requirements of the Companies Act

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

JUNE 27, 2007

KPMG, a Jamaican partnership,
is the Jamaican member firm of KPMG
International, a Swiss cooperative.

Raphael E. Gordon
Patrick A. Chin
R. Titon Henda

Clay A. Fenton
Patricia O. Delaney-Smith
Cynthia L. Lawrence

Elizabeth A. Jones
Leroy J. Marshall
Rajen Tishen



NATIONAL IRRIGATION COMMISSION LIMITED

Balance Sheet

March 31, 2007

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
CURRENT ASSETS			
Cash and cash equivalents	4	115,588,273	45,014,549
Resale agreements	5	66,761,932	27,169,983
Accounts receivable	6	65,636,183	60,900,069
Inventories	7	10,809,999	11,496,280
Current portion of long-term receivables	9	7,644,758	6,788,741
Income tax recoverable		<u>3,347,664</u>	<u>5,655,853</u>
Total current assets		<u>269,788,809</u>	<u>157,025,475</u>
NON-CURRENT ASSETS			
Employee benefit asset	8	53,213,000	38,701,000
Long-term receivables	9	17,638,753	17,214,365
Property, plant and equipment	10	<u>837,405,768</u>	<u>846,225,969</u>
Total non-current assets		<u>908,257,521</u>	<u>902,141,334</u>
Total assets		<u>\$1,178,046,330</u>	<u>1,059,166,809</u>
CURRENT LIABILITIES			
Accounts payable and accrued charges	11	72,118,985	75,107,125
Income tax payable		8,659,146	-
Government of Jamaica project advances	12	<u>165,443,345</u>	<u>64,861,958</u>
Total current liabilities		<u>246,221,476</u>	<u>139,969,083</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	13	7,983,129	7,163,838
Deferred credit	14	<u>366,180,028</u>	<u>388,995,032</u>
Total non-current liabilities		<u>374,163,227</u>	<u>396,158,870</u>
Total liabilities		<u>620,384,703</u>	<u>536,127,953</u>
EQUITY			
Share capital	15	100	100
Capital reserve	16	408,130,161	408,130,161
Accumulated surplus		<u>149,531,366</u>	<u>114,908,595</u>
Total equity		<u>557,661,627</u>	<u>523,038,856</u>
Total equity and liabilities		<u>\$1,178,046,330</u>	<u>1,059,166,809</u>

The financial statements on pages 52 to 75 were approved for issue by the Board of Directors on June 27, 2007 and signed on its behalf by:


 Hopey Fraser Chairman


 Demetrius Reid Managing Director

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

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Revenue and Expenses Year ended March 31, 2007

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Operating revenue:			
Water sales and drainage charges		140,514,930	110,564,307
Government of Jamaica subsidy on behalf of farmers	17	359,369,698	279,176,003
Other funding for non-capital expenditure		<u>-</u>	<u>49,524,261</u>
		499,884,628	439,264,571
Cost of producing water and distributing it to farm gates		<u>(380,808,806)</u>	<u>(368,477,038)</u>
Gross operating surplus		119,075,822	70,787,533
Amortisation of deferred credit	14	<u>32,030,652</u>	<u>34,381,688</u>
Other income	18	15,633,684	13,945,787
Administration expenses		<u>(118,081,965)</u>	<u>(103,553,013)</u>
		48,658,193	15,561,995
Finance costs	19	<u>(16,150)</u>	<u>(102,372)</u>
Surplus before taxation		48,642,043	15,459,623
Taxation (charge)/credit	20	<u>(14,019,272)</u>	<u>6,483,030</u>
Surplus for the year	21	<u>\$ 34,622,771</u>	<u>21,942,653</u>

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

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Changes in Equity Year ended March 31, 2007

	Share capital (Note 15)	Capital reserve (Note 16)	<u>Accumulated surplus</u>	<u>Total</u>
Balances at March 31, 2005	100	408,130,161	92,965,942	501,096,203
Surplus, being total gains recognised, for the year	-	-	<u>21,942,653</u>	<u>21,942,653</u>
Balances at March 31, 2006	100	408,130,161	114,908,595	523,038,856
Surplus, being total gains recognised, for the year	-	-	<u>34,622,771</u>	<u>34,622,771</u>
Balances at March 31, 2007	<u>\$100</u>	<u>408,130,161</u>	<u>149,531,366</u>	<u>557,661,627</u>

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

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Cash Flows Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Surplus for the year	34,622,771	21,942,653
Adjustments to reconcile surplus for the year to net cash provided by operating activities:		
Items not involving cash:		
Depreciation	40,095,416	39,052,831
Gain on disposal of property, plant and equipment	(369,812)	(1,528,879)
Amortisation of deferred credit	(32,030,652)	(34,381,688)
Employee benefit asset	(14,512,000)	(14,043,000)
Property, plant and equipment written off	-	10,455,653
Income tax	14,019,272	(6,483,030)
Interest income	(7,343,470)	(4,905,378)
Foreign exchange gain	(460,744)	(624,515)
Interest expense	<u>16,150</u>	<u>102,372</u>
	34,036,931	9,587,019
Decrease/(increase) in current assets:		
Resale agreements	(39,591,949)	7,377,105
Accounts receivable	(3,901,322)	(14,441,981)
Inventories	686,181	(3,483,768)
Income tax recoverable	(1,688,219)	(1,190,181)
(Decrease)/increase in current liabilities:		
Accounts payable and accrued charges	(2,988,140)	3,804,245
Government of Jamaica project advances	100,581,387	29,983,697
Interest paid	(16,150)	(102,372)
Income taxes paid	<u>(544,327)</u>	<u>(2,242,751)</u>
Net cash provided by operating activities	<u>86,574,392</u>	<u>29,291,013</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(31,398,059)	(27,981,191)
Proceeds from disposal of property, plant and equipment	492,656	3,798,142
Interest received	6,508,678	4,827,613
Long-term receivables	<u>(1,280,405)</u>	<u>(345,701)</u>
Net cash used by investing activities	<u>(25,677,130)</u>	<u>(19,701,137)</u>
Cash flows from financing activity:		
Capital grants, being net cash provided by financing activity	<u>9,215,718</u>	<u>-</u>
Net increase in cash and cash equivalents	70,112,980	9,589,876
Cash and cash equivalents at beginning of the year	45,014,549	34,800,158
Effect of exchange rate fluctuations on cash held	<u>460,744</u>	<u>624,515</u>
Cash and cash equivalents at end of the year	<u>\$115,588,273</u>	<u>45,014,549</u>

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

1. Identification

National Irrigation Commission Limited ("company") is incorporated and domiciled in Jamaica, and is wholly-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. Statement of compliance, basis of preparation and accounting estimates and judgements

(a) Statement of compliance:

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

The following standards and interpretations which became effective during the year did not result in any change in accounting policies or had any effect on the company's financial position or operating results, except that IAS 19 amendments resulted in additional disclosures:

IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRIC 4	Determining whether an Arrangement Contains a Lease
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IAS 19 Amendments	Actuarial Gains & Losses, Group Plans and Disclosures
IAS 39 Amendments	Financial Instrument Cash Flow Hedge Accounting for Forest Intra-group Transactions
IAS 39 Amendments	Financial Guarantee Contracts

(b) Basis of preparation:

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.

2. Statement of compliance, basis of preparation and accounting estimates and judgements (cont'd)

(c) Accounting estimates and judgements:

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are presented below:

(i) Pension and other post-employment benefits:

The amounts recognised in the balance sheet and income statement for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, and the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations.

The expected return on plan assets assumed considers the long-term historical returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimate of yield on long-term Government securities that have maturity dates approximating the terms of the company's obligations; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(ii) Provision for bad debts:

In determining amounts recorded for impairment of accounts receivable in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from accounts receivable, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired accounts receivable as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant accounts receivable and total trade accounts receivable with similar characteristics, such as credit risks.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amounts reflected in the financial statements.

3. Significant accounting policies

The significant accounting policies below comply, in all material respects, with IFRS and have been applied consistently to all periods presented in the financial statements.

(a) Cash and cash equivalents:

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(b) 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 loans and receivables 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.

(c) Property, plant and equipment and depreciation:

(i) Owned assets

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the company and its cost can be reliably measured.

(ii) Depreciation

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

Building and leasehold improvements	24%
Utility plant	2-3%
Furniture, fixtures and equipment	10% and 20%
Computer equipment	20%
Motor vehicles	20%

The depreciation method, useful lives and residual values are reassessed at each reporting date.

3. Significant accounting policies (cont'd)

(d) 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).

(e) Inventories:

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

(f) 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.

(g) 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-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

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.

3. Significant accounting policies (cont'd)

(g) Employee benefits (cont'd):

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 statement of revenue and expenses on the 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.

(h) 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.

(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.

3. Significant accounting policies (cont'd)

(h) Impairment (cont'd):

(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.

(i) 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 surpluses 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.

(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.

3. Significant accounting policies (cont'd)

(1) Related parties:

A party is related to an entity if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - (a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (b) has an interest in the entity that gives it significant influence over the entity; or
 - (c) has joint control over the entity;
- (ii) the party is an associate (as defined in IAS 28, *Investments in Associates*) of the entity;
- (iii) the party is a joint venture in which the entity is a venturer (see IAS 31, *Interests in Joint Ventures*);
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(20) New and revised standards and interpretations not yet effective:

The following new standards, amendments to standards and interpretations become effective for financial years beginning after December 31, 2006, and have therefore not been applied in preparing these financial statements:

- *IFRS 7 Financial Instruments: Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the company's 2007 financial statements, will require additional disclosures with respect to the company's financial instruments and share capital.

3. Significant accounting policies (cont'd)

(vi) New and revised standards and interpretations not yet effective (cont'd):

- *IFRS 3 Operating Segments* requires disclosures based on the components of the company that management monitors in making decisions about operating matters as well as qualitative disclosures on segments. The standard is not considered relevant to the company and is not expected to have any impact on the financial statements.
- *IFRIC 3 Scope of IFRS 2 Share-based Payments* addresses the accounting for share based payment transactions in which some or all goods or services received cannot be specially identified. IFRIC 3 is not considered relevant to the company and is not expected to have any impact on the financial statements.
- *IFRIC 9 Reassessment of Embedded Derivatives* requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the company's 2007 financial statements, is not expected to have any impact on the financial statements.
- *IFRIC 10 Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset at cost. IFRIC 10 is not considered relevant to the company and is not expected to have any impact on the financial statements.
- *IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash-settled), in the financial statements of the entity whose employees are entitled to the share-based payment, where equity instruments of the parent or another group company are transferred in settlement of the obligation. IFRIC 11 is not considered relevant to the company and is not expected to have any impact on the financial statements.
- *IFRIC 12 Service Concession Arrangements* addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12 is not considered relevant to the company and is not expected to have any impact on the financial statements.
- *IAS 23 (Amendments) Borrowing Costs* removes the option of immediately recognising all borrowing costs as an expense, and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. IAS 23 is effective for accounting periods beginning on or after January 1, 2009 and is not expected to have any impact on the company's statements.

4. Cash and cash equivalents

	<u>2007</u>	<u>2006</u>
Cash	279,103	112,500
Bank balances	<u>115,309,170</u>	<u>44,902,049</u>
	<u>\$115,588,273</u>	<u>45,014,549</u>

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2007

5. Resale agreements

At the balance sheet date, the fair value of underlying securities used as collateral for resale agreements was \$70,052,568 (2006: \$28,021,827).

6. Accounts receivable

	<u>2007</u>	<u>2006</u>
Trade receivables for water sales and drainage charges	62,965,704	53,253,356
Provision for probable losses	<u>(14,493,798)</u>	<u>(16,330,480)</u>
	48,471,906	36,922,876
Other receivables	<u>17,164,277</u>	<u>23,977,193</u>
	<u>\$65,636,183</u>	<u>\$60,900,069</u>

7. Inventories

	<u>2007</u>	<u>2006</u>
At cost	5,058,482	7,122,224
At valuation	4,374,056	4,374,056
Goods in transit	<u>1,377,461</u>	<u>-</u>
	<u>\$10,809,999</u>	<u>11,496,280</u>

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 14).

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

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.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)

March 31, 2007

8. Employee benefit asset (cont'd)

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

(a) Asset recognised on balance sheet:

	<u>2007</u>	<u>2006</u>
Present value of funded obligations	(289,236,000)	(205,697,000)
Fair value of plan assets	<u>342,449,000</u>	<u>278,796,000</u>
Net asset obligations	53,213,000	73,099,000
Unrecognised actuarial gains	(1,883,000)	(34,398,000)
Unrecognised asset due to section 58	<u>1,883,000</u>	<u>-</u>
Asset recognised on balance sheet	<u>\$ 53,213,000</u>	<u>38,701,000</u>

(b) (i) Movements in the liability for defined benefit obligation:

	<u>2007</u>	<u>2006</u>
Present value as at April 1, 2006	205,796,000	193,168,000
Benefits	6,379,000	7,305,000
Service and interest costs	34,953,000	34,538,000
Contributions	10,641,000	8,811,000
Actuarial loss/(gain)	<u>44,324,000</u>	<u>(23,515,000)</u>
Present value at March 31, 2007	<u>\$289,236,000</u>	<u>205,097,000</u>

(ii) Movement in plan assets:

	<u>2007</u>	<u>2006</u>
Fair value of plan assets as April 1, 2006	278,796,000	271,802,000
Contributions paid	26,951,100	22,300,000
Actual return on plan assets	48,114,000	(3,463,000)
Benefits	<u>(11,412,000)</u>	<u>(11,412,000)</u>
Fair value of plan assets on March 31, 2007	<u>\$342,449,000</u>	<u>278,796,000</u>

Plan assets consist of the following:

	<u>2007</u>	<u>2006</u>
Equity Fund	105,031,000	89,890,000
Money Market Fund	27,338,000	16,589,000
Mortgage and Real Estate Fund	20,318,000	8,748,000
Fixed Income Fund	83,755,000	69,742,000
Foreign Currency Fund	105,146,000	90,204,000
Uninvested contributions	<u>861,000</u>	<u>3,623,000</u>
Total assets	<u>\$342,449,000</u>	<u>278,796,000</u>

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2007

8. Employee benefit asset (cont'd)

(c) Income/(expense) recognised in the statement of revenue and expenses:

	<u>2007</u>	<u>2006</u>
Current service costs	10,641,000	11,784,000
Interest on obligation	24,312,000	22,754,000
Expected return on plan assets	(34,655,000)	(33,516,000)
Recognised actuarial (gain)/loss	(383,000)	(1,576,000)
Change in unrecognised asset	<u>1,883,000</u>	<u>-</u>
Recognised in the statement of revenue and expenses (see note 22)	<u>\$ 1,798,000</u>	<u>(554,000)</u>
Actual return on plan assets (%)	<u>15%</u>	<u>12.02%</u>

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

	<u>2007</u>	<u>2006</u>
Discount rate	12.0%	12.5%
Expected return on plan assets	12.0%	12.5%
Future salary increases	10.0%	11.0%
Future pension increases	<u>3.5%</u>	<u>3.5%</u>

(e) Historical information:

	<u>2007</u> \$	<u>2006</u> \$	<u>2005</u> \$	<u>2004</u> \$	<u>2003</u> \$
Present value of defined benefit obligation	(289,236,000)	(205,987,000)	(193,168,000)	(151,189,000)	(115,992,000)
Fair value of plan assets	<u>342,449,000</u>	<u>278,796,000</u>	<u>271,802,000</u>	<u>188,805,000</u>	<u>106,878,000</u>
Surplus/(deficit) in plan	<u>53,213,000</u>	<u>73,009,000</u>	<u>78,634,000</u>	<u>37,617,000</u>	<u>(8,114,000)</u>
Experience adjustments arising on plan liabilities	(44,324,000)	23,515,000	(6,433,000)	(6,785,000)	(18,085,000)
Experience adjustments arising on plan assets	<u>8,426,000</u>	<u>(41,517,000)</u>	<u>(36,680,000)</u>	<u>50,012,000</u>	<u>(1,550,000)</u>

9. Long-term receivables

	<u>2007</u>	<u>2006</u>
Refundable utility deposits	2,575,379	2,575,379
Employee loans	<u>22,708,132</u>	<u>21,427,727</u>
	25,283,511	24,003,106
Less: current portion	<u>(7,644,758)</u>	<u>(6,788,741)</u>
	<u>\$17,638,753</u>	<u>17,214,365</u>

Employee loans are for the purchase of motor vehicles. The loans are repayable over 7-10 years [see note 14(ii)].

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)

March 31, 2007

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</u> (Restated) [see (b) below]	<u>Total</u>
Cost:						
March 31, 2005	41,357,576	1,607,601,324	32,399,704	18,502,275	43,908,776	1,743,769,655
Additions	-	5,304,494	8,107,904	642,404	13,926,389	27,981,191
Disposals	-	(2,195,142)	(1,157,234)	(1,912,080)	-	(5,265,060)
Written off	-	-	-	-	(10,455,653)	(10,455,653)
March 31, 2006	41,357,576	1,610,710,676	39,350,374	17,231,989	47,379,512	1,756,030,127
Additions	386,200	4,595,789	4,134,460	13,055,892	9,215,718	31,398,059
Disposals	-	-	(144,488)	(423,700)	-	(568,188)
March 31, 2007	<u>41,743,776</u>	<u>1,615,306,465</u>	<u>43,340,346</u>	<u>28,874,181</u>	<u>56,595,230</u>	<u>1,785,859,998</u>
Depreciation:						
April 1, 2005	6,497,608	844,502,960	17,373,535	5,373,027	-	873,747,130
Change for the year	1,113,786	31,447,081	4,405,628	2,086,336	-	39,052,831
Eliminated on disposals	-	(338,457)	(1,113,088)	(1,543,648)	-	(2,995,803)
Reclassification	-	-	-	-	-	-
March 31, 2006	7,611,394	875,611,584	20,665,465	5,915,715	-	909,804,158
Change for the year	1,114,590	31,625,720	4,841,277	2,513,829	-	40,095,416
Eliminated on disposals	-	-	(48,125)	(397,219)	-	(445,344)
March 31, 2007	<u>8,725,984</u>	<u>907,237,304</u>	<u>25,458,617</u>	<u>8,032,325</u>	<u>-</u>	<u>949,454,230</u>
Net book values:						
March 31, 2007	<u>33,017,792</u>	<u>708,069,161</u>	<u>17,881,729</u>	<u>21,841,856</u>	<u>56,595,230</u>	<u>837,405,768</u>
March 31, 2006	<u>33,746,182</u>	<u>735,089,092</u>	<u>18,684,909</u>	<u>11,316,274</u>	<u>47,379,512</u>	<u>846,225,969</u>

(a) Included in building and leasehold improvements is leasehold improvement of \$24,478,181 (2006: \$24,091,981).

(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 14). This has now been derecognised, as the company will not have ownership nor any beneficial interest in the assets on completion of the projects.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)

March 31, 2007

11. Accounts payable

	<u>2007</u>	<u>2006</u>
Trade payables	15,737,645	21,498,414
Accrued expenses	19,158,536	21,860,634
Accrued vacation leave	20,387,831	16,017,323
Other payables	<u>16,834,273</u>	<u>15,730,754</u>
	<u>\$72,118,285</u>	<u>75,107,125</u>

12. Government of Jamaica project advances

This balance represents the net unspent portion of funds received from the Government of Jamaica and its agencies for the following projects:

<u>Project</u>	<u>2007</u>	<u>2006</u>
Yallahs Delta Irrigation	(1,122,550)	(1,122,550)
National Irrigation Development Plan (NIDP)		
- Implementation [see below]	112,804,022	57,660,216
Miscellaneous capital projects	10,080,879	8,324,292
Lining of canals	<u>43,680,294</u>	<u>-</u>
	<u>\$165,443,345</u>	<u>64,861,958</u>

The NIDP involves the implementation of an irrigation plan for Jamaica and is being jointly funded by the Caribbean Development Bank ("the CDB"), Inter-American Development Bank ("the IDB") and the Government of Jamaica. The project is being administered by the company, however, disbursement of funds is made directly to contractors by the CDB, while the National Irrigation Commission Limited makes direct payments to contractors from the IDB funds.

13. Deferred tax liability

Deferred tax liability is attributable to the following:

	<u>2007</u>	<u>2006</u>
Property, plant and equipment	(3,476,348)	(424,977)
Accounts receivable	364,331	86,067
Accounts payable and accrued charges	(6,795,944)	(5,339,108)
Unrealised exchange gains	153,581	208,172
Employee benefit asset	17,737,509	12,900,333
Tax losses carried forward	<u>-</u>	<u>(266,649)</u>
	<u>\$ 7,983,129</u>	<u>7,163,838</u>

Movement in temporary differences during the year:

	<u>Balance at March 31, 2006</u>	<u>Recognised in income [note 20 (a) (ii)]</u>	<u>Balance at March 31, 2007</u>
Property, plant and equipment	(424,977)	(3,051,371)	(3,476,348)
Accounts receivable	86,067	278,264	364,331
Accounts payable and accrued charges	(5,339,108)	(1,456,836)	(6,795,944)
Unrealised foreign exchange gain	208,172	(54,591)	153,581
Employee benefit asset	12,900,333	4,837,176	17,737,509
Tax losses carried forward	<u>(266,649)</u>	<u>266,649</u>	<u>-</u>
	<u>\$ 7,163,838</u>	<u>819,281</u>	<u>7,983,129</u>

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2007

14. Deferred credit

	Balance 2005	Movement during the year	Balance 2007
Grant for acquisition of fixed assets (net of disposals) [see (i)]	59,293,451	-	59,293,451
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	591,096,098	-	591,096,098
Revaluation surplus on inventories (note 7)	1,233,211	-	1,233,211
Expenditure on contracts-in-progress (net of amounts expended) (note 10(b)) out of GOJ project advances	43,900,460	9,215,718	53,116,178
	845,283,370	9,215,718	854,499,088
Amortisation transferred to statement of revenue and expenses [see note (ii) below]	(456,288,338)	(32,030,652)	(488,318,990)
	<u>\$ 388,995,032</u>	<u>(22,814,934)</u>	<u>\$ 366,180,098</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).

15. Share capital

	2007	2006
Authorized:		
100 ordinary shares at no par value		
Stated capital:		
Issued and fully paid - 100 ordinary shares at no par value	\$100	100

Under the Companies Act 2004 (the "Act"), which became effective on February 1, 2005, all shares in issue are deemed to be shares without a par (or nominal) value, unless the company, by ordinary resolution, elects to retain its shares with a par value. The company did not so elect.

16. 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.

17. 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 company's directors that the subsidy would need to be \$370.55 million (2006: \$338.1 million) in order for the company to deliver irrigation water as required by farmers, in the context of the schemes mentioned in note 1(a). However, only \$359.4 million (2006: \$279.2 million) was approved by parliament and paid to the company.

18. Other income

	<u>2007</u>	<u>2006</u>
	\$	\$
Interest	7,343,470	4,668,224
Exchange gain/loss	460,744	624,515
Gain on disposal of property, plant and equipment	369,812	1,528,879
Miscellaneous	<u>7,459,658</u>	<u>7,124,169</u>
	<u>\$15,633,684</u>	<u>13,945,787</u>

19. Finance costs

This comprises interest on bank overdraft on financing activities.

20. Taxation

- (a) The provision for income tax is computed at 33⅓% of the surplus for the year, as adjusted for tax purposes, and is made up as follows:

	<u>2007</u>	<u>2006</u>
(i) Current tax charge:		
Current tax	15,199,981	-
Overprovision of prior year tax charge	<u>-</u>	<u>(6,343,511)</u>
	15,199,981	(6,343,511)
(ii) Deferred tax:		
Origination and reversal of temporary differences (rate 15)	<u>819,291</u>	<u>62,281</u>
	<u>\$14,019,272</u>	<u>(6,485,030)</u>

At March 31, 2007, subject to the agreement of the Commissioner, Taxpayer Audit and Assessment, taxation losses available for offset against future taxable surpluses, amounted to approximately \$Nil (2006: \$800,000).

In his April 2005 budget presentation, the Minister of Finance and Planning announced that, instead of indefinitely, the carry forward of taxation losses would be restricted to five years, with effect from January 1, 2006. Up to the date of approval of the financial statements, enabling legislation had not been passed. The amounts disclosed, therefore, do not reflect any change in the current treatment of taxation losses.

20. Taxation (cont'd)

(b) Reconciliation of expected tax charge to actual tax (credit)/charge

The effective tax rate for 2007 was 28% (2006: 42%) of \$48,642,043 (2006: \$15,459,623) pre-tax profits, compared to the statutory tax rate of 33 1/3% (2006: 33 1/3%). The actual charge differs from the "expected" tax charge for the year as follows:

	<u>2007</u>	<u>2006</u>
Surplus before taxation	<u>\$48,642,043</u>	<u>15,459,623</u>
Computed "expected" tax expense	16,214,914	5,155,208
Tax effect of treating items differently for financial statements and tax reporting purposes -		
Depreciation charge and capital allowances	8,599,717	7,440,041
Accrued vacation leave	571,815	-
Unrealized gain on foreign exchange	(208,157)	208,172
Amortisation of deferred credits	(10,675,816)	(11,457,791)
Expenses not allowed for tax purposes	72,598	55,406
Gain on disposal of property, plant and equipment	(125,258)	(509,626)
Employee benefit asset	515	472
Interest on concessionary loans	(298,605)	(805,601)
Prior year overprovision	-	(6,545,511)
Tax losses b/f	<u>266,649</u>	<u>-</u>
Actual tax charge/(credit)	<u>\$14,019,272</u>	<u>(6,485,090)</u>

21. Surplus for the year

The following are among the items charged in arriving at surplus for the year:

	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>
Directors' emoluments [note 25(4)]:		
Fees	1,248,700	1,567,816
Management remuneration	4,886,291	4,117,123
Auditors' remuneration	1,169,256	1,200,000
Depreciation	40,095,416	39,052,831
Property, plant and equipment written off	<u>-</u>	<u>10,455,653</u>

22. Employee numbers and costs

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

	<u>2007</u>	<u>2006</u>
Full-time	140	138
Part-time	6	6
Other	<u>27</u>	<u>20</u>
	<u>173</u>	<u>164</u>

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2007

22. Employee numbers and costs (cont'd)

The aggregate payroll costs for these persons were as follows:

	<u>2007</u>	<u>2006</u>
Salaries	183,663,836	154,876,020
Statutory payroll contributions	8,055,926	6,467,919
Labour	23,605,407	18,580,570
Pension benefit cost (net of contributions) [note 8(c)]	1,798,000	(554,000)
Travel and subsistence	36,126,919	26,908,689
Gratuities	1,032,251	1,667,801
Training	2,448,714	2,603,177
Accrued vacation leave	4,370,508	5,390,831
Other	<u>14,432,802</u>	<u>13,054,220</u>
	<u>\$275,534,363</u>	<u>228,995,227</u>

23. Related party transactions

Identity of related parties:

- (a) The company has a related party relationship with its associates, directors and other key management personnel, comprising certain senior executives.
- (b) The balance sheet includes balances, arising in the ordinary course of business, with related parties as follows:

	<u>2007</u>	<u>2006</u>
	\$	\$
Accounts receivable:		
Directors	13,592	19,189
Long-term receivables:		
Employee loans - key management personnel	<u>4,991,409</u>	<u>3,938,987</u>

- (c) The statement of revenue and expenses includes transactions with key management personnel in the ordinary course of business, as follows:

	<u>2007</u>	<u>2006</u>
	\$	\$
Interest income	(509,927)	(879,645)
Consultancy expense	<u>-</u>	<u>444,620</u>

23. Related party transactions (cont'd)

- (d) Compensation paid to key management personnel is as follows:

	<u>2007</u>	<u>2006</u>
Directors' emoluments (note 21)	6,154,991	5,484,989
Salaries to other key management personnel	15,749,384	13,565,986
Post-employment benefits	<u>249,000</u>	<u>72,000</u>
	<u>\$22,133,375</u>	<u>19,122,925</u>

24. Financial instruments

A financial instrument is any contract that gives rise to 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 and cash equivalents, resale agreements, accounts receivable, long-term receivables, accounts payable and Government of Jamaica project advances. 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 amount 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 and cash equivalents and resale agreements, 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 cash equivalents, 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.

- (b) Financial instrument risks:

- (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 and cash equivalents 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.

24. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd):

(i) 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. Concentration of credit risk is substantially in respect of cash and cash equivalents, resale agreements and account receivable. Cash and cash equivalents and resale agreements are held primarily with reputable financial institutions. 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.

(ii) 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, 2007, totalled US\$1,052,646 (2006: US\$148,957).

(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 16). To the extent practicable, 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.

(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.

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Notes to the Financial Statements (Cont'd)
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25. 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.
- (iv) 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.

The Commission is insured in respect of the above claims and no provision has been made in the financial statements in these regards.

26. Capital commitments

At March 31, 2007, there were commitments amounting to approximately \$Nil (2006: \$5,681,000) in respect of the acquisition of property, plant and equipment.

Executive Compensation

Appendix I

The compensation package for four (4) Directors for the twelve (12) month period ending March 31, 2007 range as follows:

		2007	2006
		\$'000	\$'000
Executive Directors (4)	from	3,731	3,168
	To	4,192	3,569

The remuneration of the Chairman and Managing Director is shown elsewhere (note 21 in the financial statements).