The Registrar of the DCFS had stipulated that the Irrigation Specially Authorized Societies should hold Inaugural General Meetings within 60 days of the date of registration. However, due to the passage of Hurricane Dean, these meetings were not held within that period. Therefore, the Registrar granted permission to hold each Inaugural Annual General Meeting by October 31, 2007.

The meetings for the three groups were held by October 31, 2007. They were convened to elect a new Committee of Management (COM) which will be responsible for the Societies' daily operations. A Disciplinary Committee that will resolve disputes and will place sanctions on members who do not abide by the Rules and Regulations of the Society was established. An Audit Committee was also established to act as a "watch dog" over the COM, to ensure that there are necessary checks and balances as it relates to the Societies' accounts.

All the Inaugural General Meetings were attended by representatives of the DCFS who conducted the elections and ensured that the meetings adhered to the Friendly Societies Act and Regulations.

Training and mobilization of the beneficiaries is ongoing, in preparation for the WUAs assuming management of the irrigation systems.

Irrigation Area Land Regularization

A Memorandum of Understanding was signed on February 28, 2006, between the NIC, the Land Administration and Management Project (LAMP), and the National Land Agency (NLA) to undertake Land Regularization Activities.

Budgets for activities of NLA and LAMP have been negotiated and concluded. Funding, of NLA and LAMP activities, continues to be provided by the NIC/PIU from GOJ counterpart resources.

- LAMP/NLA is continuing work in St. Elizabeth and St. James (CDB schemes) to establish the extent of land to be purchased in the schemes for pumping installations and way leaves.

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 of some of the priority projects identified in the NIDP, as well as to provide the necessary resources to effect institutional strengthening for NIC's changing role (Total cost, US$ 21.5 million).

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 User Associations
  It will support (i) the establishment of a WUA Support and Regulation Unit within the Program Implementation Unit, and (ii) the formation and consolidation process of WUAs in all NIDP irrigation systems, i.e., Yallahs, Colbeck, New Forest, 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 hectares and 1,000 farmers.

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

- Yallahs, St Thomas

  Over 400 farmers on 313 ha will benefit. Three new wells will be drilled and existing damaged water sources will be 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:

Main Features & Costs of First Three IDB Funded 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

Land Regularization Activities

Under the Memorandum of Understanding between the NIC, the Land Administration and Management Project (LAMP), and the National Land Agency (NLA), LAMP and NLA are presently undertaking the following Land Regularization Activities on the IDB project.

- Land audits in Yallahs and New Forest/ Duff House areas have been completed by NLA. The engagement of Land Surveyors for all three areas (Yallahs, Colbeck, New Forest/Duff House) is in progress.

- LAMP has completed the transfer of Titles to 32 beneficiaries in the proposed Colbeck Irrigation Scheme. Work continues in Colbeck for the transfer of more titles.

- LAMP has commenced work in Yallahs. One hundred and ninety three (193) files have been opened thus far. 144 of these parcels required First Registration and to date First Registrations have been prepared for 130 parcels.

Information Systems

CORPORATE OBJECTIVES

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

The Information Systems Department is responsible for implementing and supporting information and communication based technology for the NIC. The NIC staff activities are increasingly dependent upon technology that has raised expectations of the I.S. Department to deliver efficient, quick, consistent and professional services to end users.

Despite challenges, the IS Department progressed under the following framework of NIC's corporate objectives:

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

Objectives for the period were to:

- Continue the implementation of the Wide Area Network (WAN)
- Develop the new Customer Relationship Management System (CRMS)
- Ensure availability of corporate e-mail at all District Offices
- Develop an Energy Management System (EMS)
- Develop GIS Data for the Clarendon District
- Maintain high quality user support and train employees.

ACCOMPLISHMENTS

Wide Area Network (WAN)

A Wide Area Network is used to connect Local Area Networks (LAN) and other types of networks. Users and computers in one location can communicate with users and computers in other locations. The objective therefore is to have all Offices of the NIC linked for the purposes of data, file sharing, Customer / Billing Information Systems, Financial System, GIS and other relevant systems within our operations.

The less costly Internet technology is being used for this development using Virtual Private Network (VPN) configuration.
Progress towards this goal includes:

- High speed Internet access at the Head Office
- High Speed Internet in Rio Cobre / Operation Centre Offices; St. Dorothy Office; Mid-Clarendon and Braco Offices.
- Configure and test VPN connection to Head Office and Operation Centre.

There are still availability issues concerning High Speed Internet connection for the Hounslow and Yallahs District Offices. They are still using Dial–up connection.

Development of Customer Relationship Management System (CRMS)

The new CRMS is a customize software that is going to replace the existing old Billing / Customer Information System. The planned CRMS contains the following modules:

- Customer Billing System
- Customer Information System
- Water Production Information System
- Customer Application Tracking System
- Drainage System

Progress made were:

- Completion for Request for Proposals (RFP)
- Interests request and short list – June 2007
- Requests for proposals – Dec – Jan 07/08
- Proposal submitted – March 2008

The next step is to engage the services of the consulting firm during the new financial year in an effort to start the development process.

Corporate Email System

The Corporate e-mail system is based around Microsoft Exchange Server and Microsoft Outlook. It provides a reliable and efficient way for message and electronic document transfer throughout the NIC. The e-mail system was reconfigured in July 2007 to centralize the mail server that is located at the Head Office. This allowed system availability to mobile computer users.

Technology use:

- Internet
- VPN configuration (for initial setup)
- Microsoft Exchange Server & Outlook
- Microsoft ISA Server

Benefits:

- Centralize Mail Server
- Access limited to mail services
- Encrypted mail / Security
- Reliable configuration
- Mobile users – same outlook experience

With this configuration, the IS Department was able to achieve its target of making Corporate e-mail available to all offices (high speed or dial-up Internet access). We will continue to make improvements to enhance this system.

Energy Management System (EMS)

With the rising cost of energy, the I.S. Department was asked to develop an in-house application – called EMS. The EMS empowers the Operations staff to manage energy consumption by assessing data as it relates to electrical power use versus water production from the wells. The diagram overleaf shows input data types and output reports. In total, 14 reports can be produced.

Achievements include:

- The completion of programming with constant review and testing;

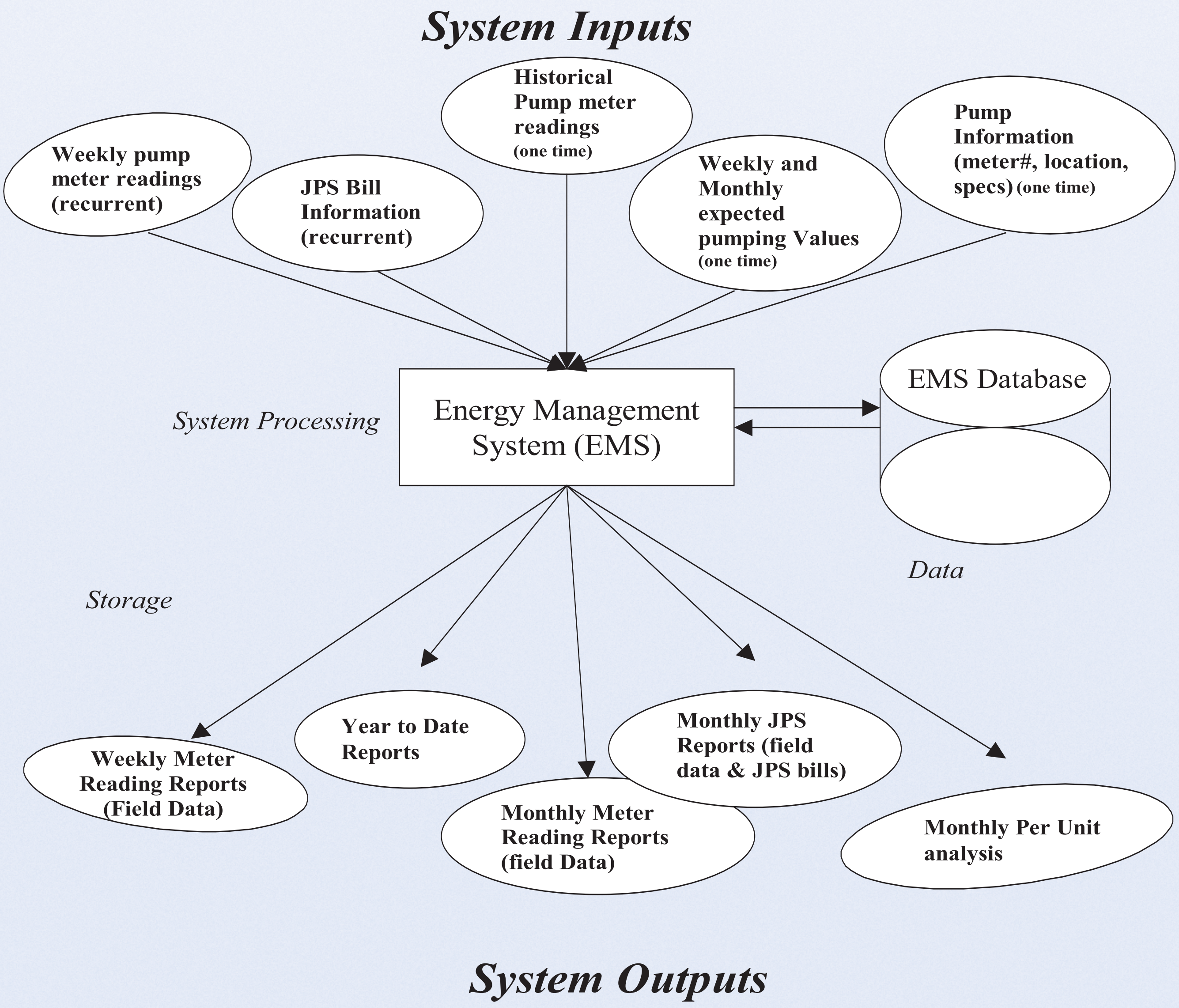
- The inputting of historical data form April 2006 to September 2007 that will allow for comparative data analysis over a two-year period.

The plan for the coming year is to continue historical data input and full deployment as well as staff training.

Geographic Information System

Geographic Information System (GIS) personnel continued the land use dataset project in the Mid-Clarendon Irrigation District. This is a pilot project that will continue in the next financial year. Of approximately 143 km of canals in Mid-Clarendon, data on 92 km of canals, gates and other structures have been gathered using GPS.

Figure 1: *Energy Management System*



USER SUPPORT

The Department continues to maintain its high quality user support to NIC in areas of computer hardware and applications. Hardware replaced consisted of two (2) laptops, four (4) printers, three (3) large UPSs and eight (8) monitors.

The New Hardware acquired included one (1) server and two (2) desktops for billing purposes re NIDP areas and one (1) scanner for the IS Department to serve requests from staff. Additionally, ten (10) desktops were repaired.

Applications support included:

- Microsoft Great Plains Support renewal
- Infotech Helpdesk renewal re Great plains
- McAfee anti-virus

The local networks across NIC remained stable for the period with over 95% availability to users. There were noticeable improvements in the Internet services available from Providers that resulted in higher reliability of services to NIC users.

STAFF DEVELOPMENT

To keep informed with technology and industry standards, the I.S. staff participated in nine (9) Information Technology seminars.

These included:

- Network security
- Voice over Internet Protocol (VOIP)
- Disaster recovery
- GPS
- New product technologies

Upgrading of user skills continue through the helpdesk support from the I.S. Department.

Commercial

CORPORATE OBJECTIVES

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

Water Sales and Drainage

Water Sales and Drainage for the year under review fell by 2½% or $3.5M from $140.5M to $137M.

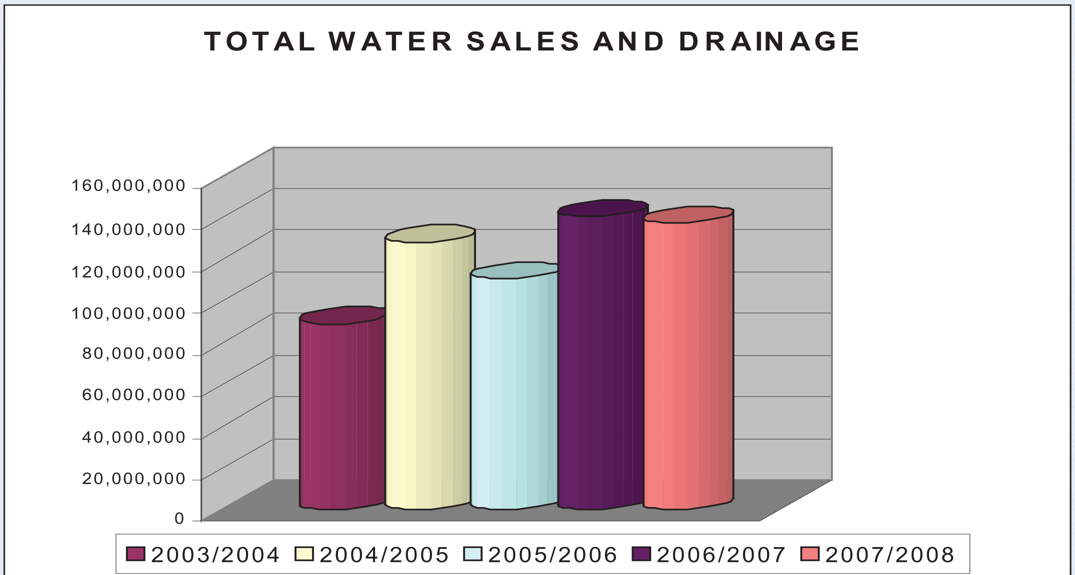
This decrease can be attributed to the effects of Hurricane Dean in mid 2007, as well as excessive rainfall in January and February 2008, resulting in the delay of sugarcane harvesting to late March 2008.

The percentage rate of collection fluctuated between high eighties and low nineties.

The Commission continues to facilitate delinquent customers by way of payment arrangements.

Among the collection strategies being implemented is our Early Payment Policy (EPP) for contracted customers. This provides an incentive to motivate customers to pay their irrigation bills on or before the due date. A survey on the EPP was conducted and sixty-five per cent (65%) of those surveyed gave a positive response to this policy.

The Commission's levels of invoicing for the financial years 2003/2004 to 2007/2008 are outlined below:-



	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Invoiced	89,044,944	128,286,820	110,564,307	140,514,390	137,055,070

Customer Service

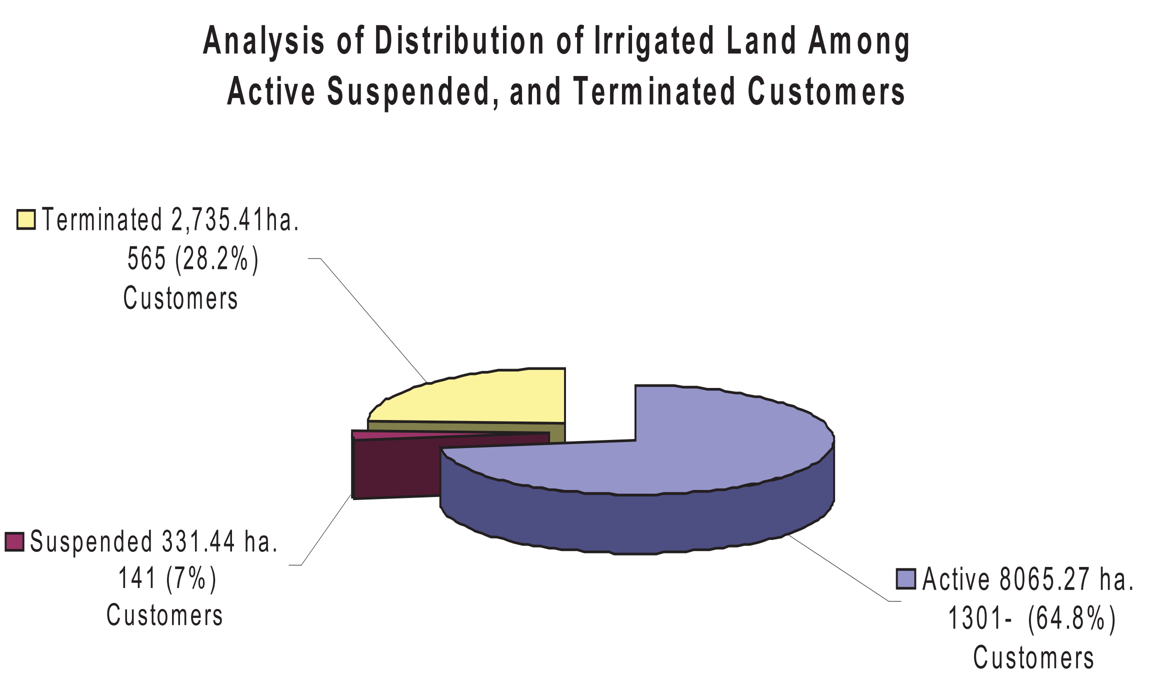
The Commission in its quest to become a more customer-focused organization has put in place the necessary measures to achieve this. The Commission continues to provide the appropriate on-going training to its personnel and is very responsive to customers concerns and complaints.

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 2007, occupying 11,132.12 hectares of land, 64.8% or 1,301 on 8,065.27 hectares were active, 7% or 141 on 331.44 hectares were suspended and 28.2% or 565 on 2,735.41 hectares were terminated.

Newly irrigated area, in Ebony Park – Mid-Clarendon. This was through a joint effort between NIC and the Agricultural Support Services Project (ASSP).

The fall out in lands under production in the Mid-Clarendon area was given significant attention during this financial year. An in-depth survey of terminated customers was conducted during the period March 2007 - February 2008 to ascertain the reasons for the decline in the usage of irrigation services by customers, which resulted in the termination of their contracts.



Based on feedback garnered from the survey, the issues facing these farmers were mostly external such as, an aging farming population, praedial larceny, illicit fires, stray animals, lack of land titles, unstable markets, cane cutters overcharging, no harvesting of cane over the last two years and the price of the sugarcane. However, collaborative efforts are being made with the Ministry of Agriculture and Lands, Rural Agricultural Development Authority and other stakeholders with a view to finding solutions to some of these issues.

The Commercial Department has developed several in house interventions, chief among which are the Prepayment Policy, which will assist certain categories of potential customers who are experiencing difficulties with documented proof of tenure in becoming contracted customers and the Revision of the Termination Policy. This revision allows for a further twelve (12) months of inactivity upon written request from the customer.

Surveys will be conducted throughout all the irrigation districts in an effort to achieve the Department's corporate objectives.

Complaints

A total of twenty-two complaints were received during the year under review. Six were received in the Western Region and were dealt with at the District Office. Sixteen were received in the Eastern Region with fourteen resolved and two awaiting resolution.

A farm in the Beacon/Little Park area being irrigated.

Mr. Trevor Rose a farmer in Seven Rivers using drip irrigation in his sweet pepper field.

IRRIGATION WATER APPLICATIONS

New Project Areas

On December 1, 2007, two project areas were added to the Commission's Irrigation System. These project areas Beacon/Little Park in St. Elizabeth and Seven Rivers in St. James became operational. To date, there has been an addition of 174 new customers occupying 200.14 hectares from the Beacon/Little Park System. Total number of potential customers in this area is 360 with 467 hectares.

Two new customers have been contracted to the Seven Rivers System with 2.2 hectares. This system has 32 potential customers with 32 hectares. Training was conducted for the new Systems Operators in meter reading and basic Customer Service.

Eastern Region

Forty-six applications accounting for 121 hectares of land were received during the period. They are categorized as follows:-

1. Thirty-one were approved;
2. Fifteen are awaiting approval.

Western Region (Mid-Clarendon, Hounslow, Braco)

Seventy-six applications were received during the period accounting for 160 hectares of land. They are categorized as follows:-

1. Fifty-two were approved;
2. Twenty-four are awaiting approval.

Finance & Corporate Planning

CORPORATE OBJECTIVES

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 Commission recorded a significant increase in its surplus for the 2008 financial year, with surplus of $61.3M, an increase of 77% or $26.7M over the 2007 financial year. However, there was decline in revenues from the Commission's core business - water sales. Specifically, water sales revenue declined by $3.4M or 2% when compared to the prior year. This decline resulted from reduced demand for water by customers, due largely to the negative effects of inclement weather experienced during the year.

Consequently, our increased surplus was driven primarily by increases in the categories of 'other funding for non-capital expenditure' and 'GOJ subsidy on behalf of farmers.' Compared to the prior year, these categories of revenue increased by $40.3M and $50.4M, representing increases of 100% and 14% respectively.

Other funding for non-capital expenditure arose primarily from the recognition of GOJ grants, received during the year, as income. The amounts recognized as income represents the equivalent of monies expended during the period on the maintenance and rehabilitation of the Commission's conveyance systems.

Other key financial highlights of the Company for 2008 included:

- Accumulated surplus increased by 41% over the previous year to $210.8M (2007: $149.5M) thus enabling Shareholder Equity to increase by $61.3.6M (2007: $54.6M).

- Cost of producing water and distribution to farm gate increased by 9.3% over 2007, an increase of $35.6M. This increase was due to the increased electricity costs as well as extensive rehabilitation work carried out on the conveyance systems to facilitate serving our customers more efficiently.

- The Commission maintains a current assets ratio of 1.28:1 (2007: 1.09:1).

Highlights of International Financial Reporting Standards (IFRS)

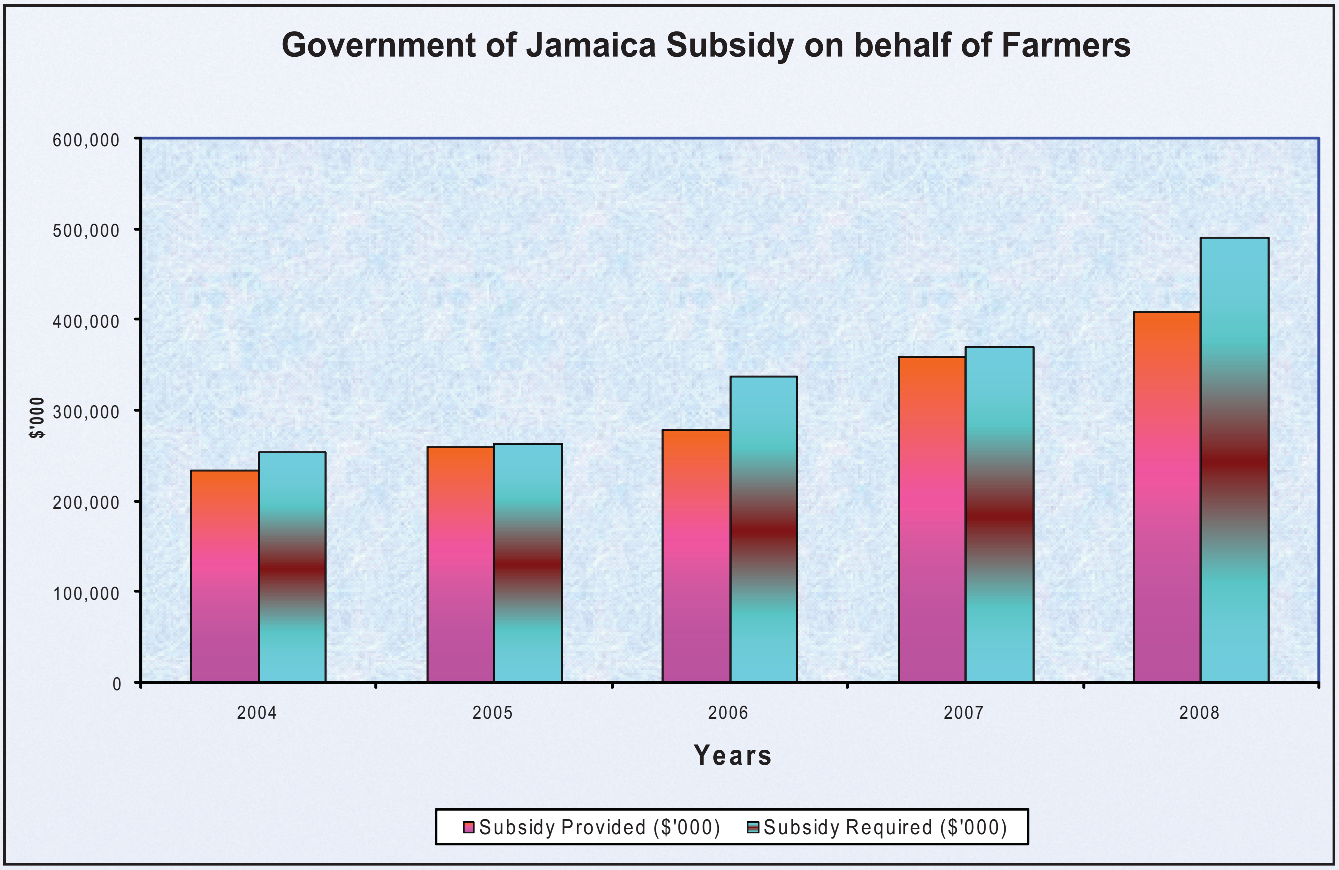
For the year ended March 2008, certain new IFRS and interpretations of and amendments to existing standards that were in issue came into effect. The standards relevant to the Company were *IFRS 7 Financial Instruments: Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures.*

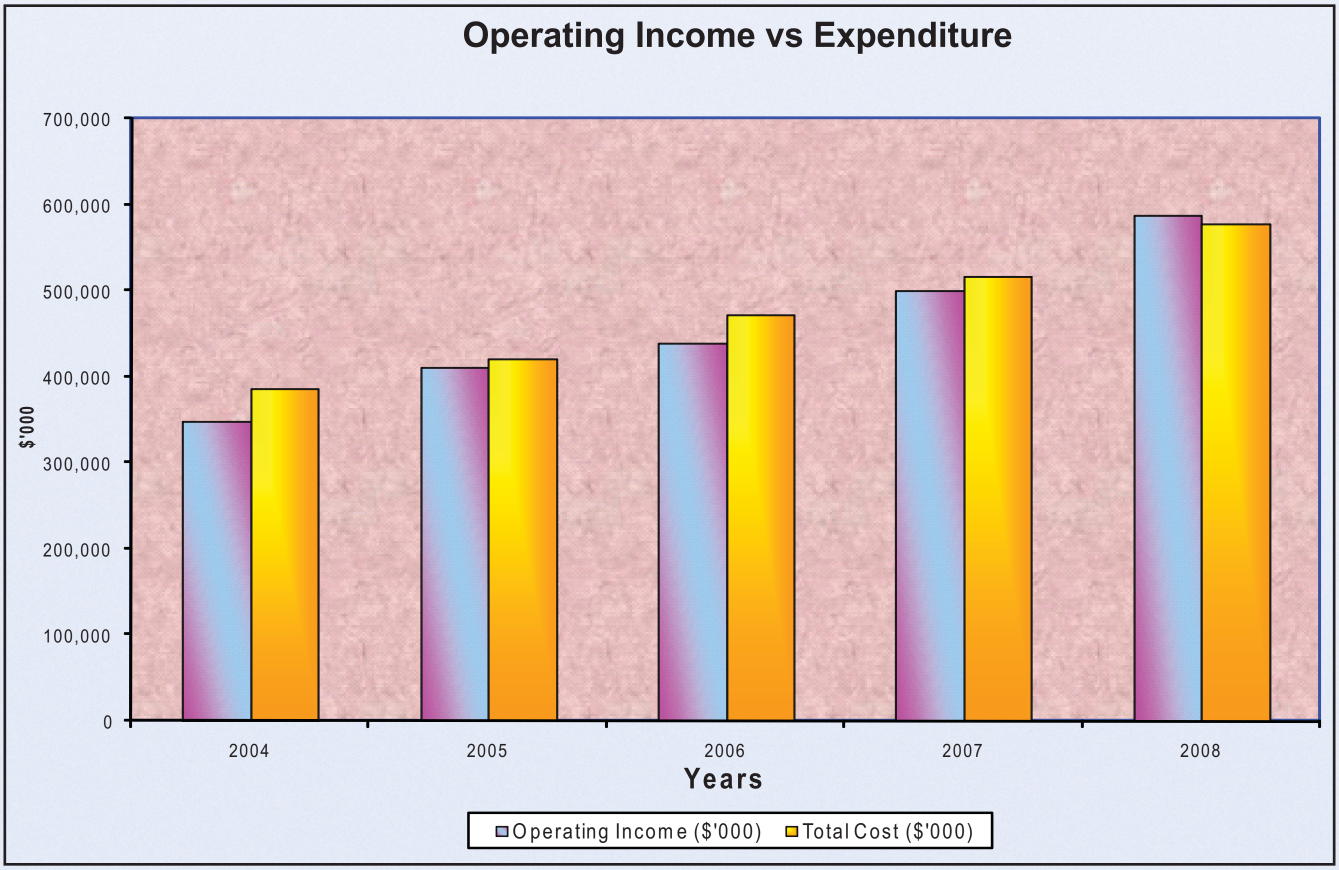
IFRS 7 required disclosures about the significance of financial instruments for an entity's financial position and performance as well as qualitative and quantitative disclosures on the nature and extent of risks. The amendment to IAS 1 required disclosures about the level of the entity's capital and how it is managed.

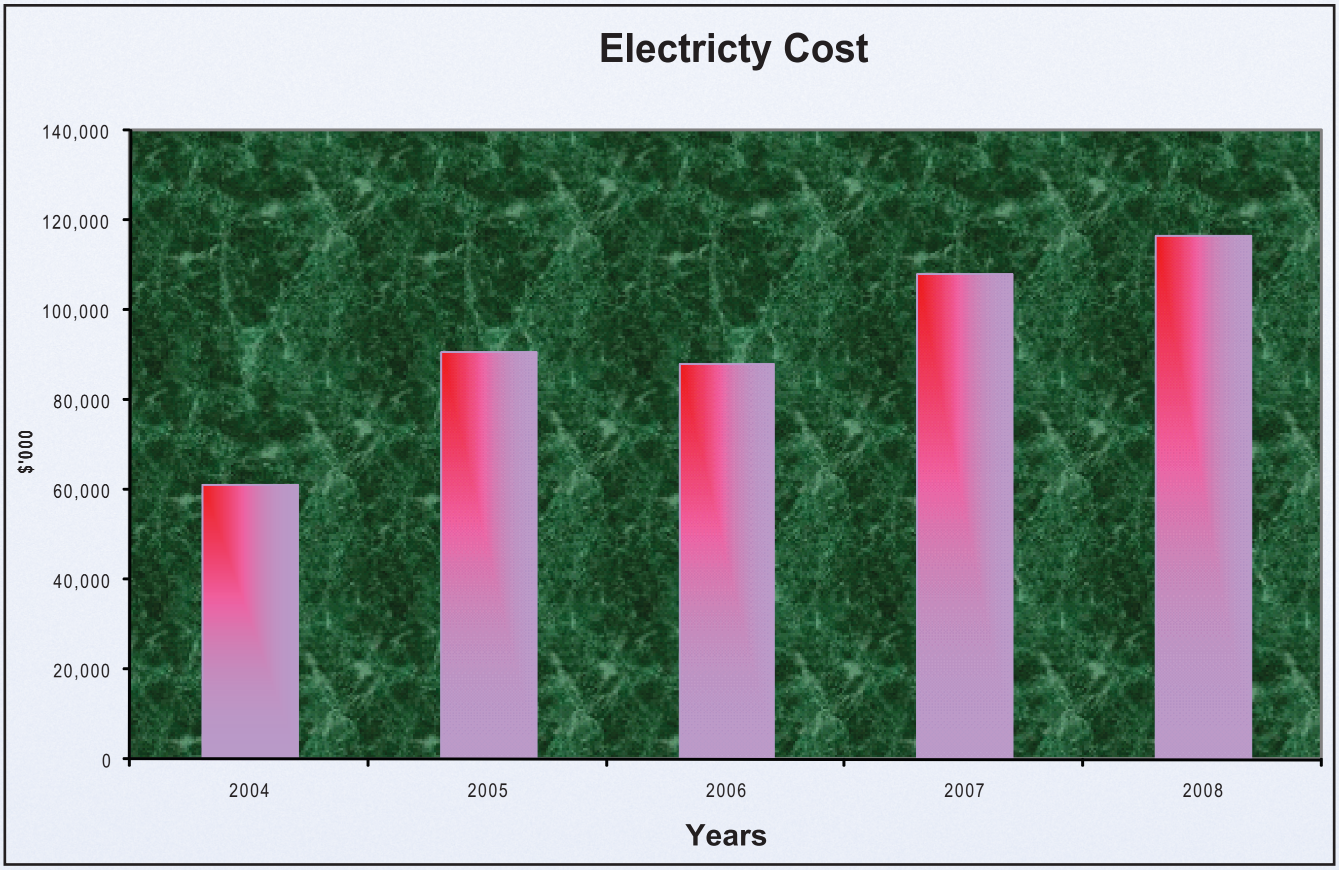
The adoption of IFRS 7 and the amendments to IAS1 had no effect on the Company's financial position or operating results, except that the standards required additional disclosures in respect of financial instruments in the financial statements.

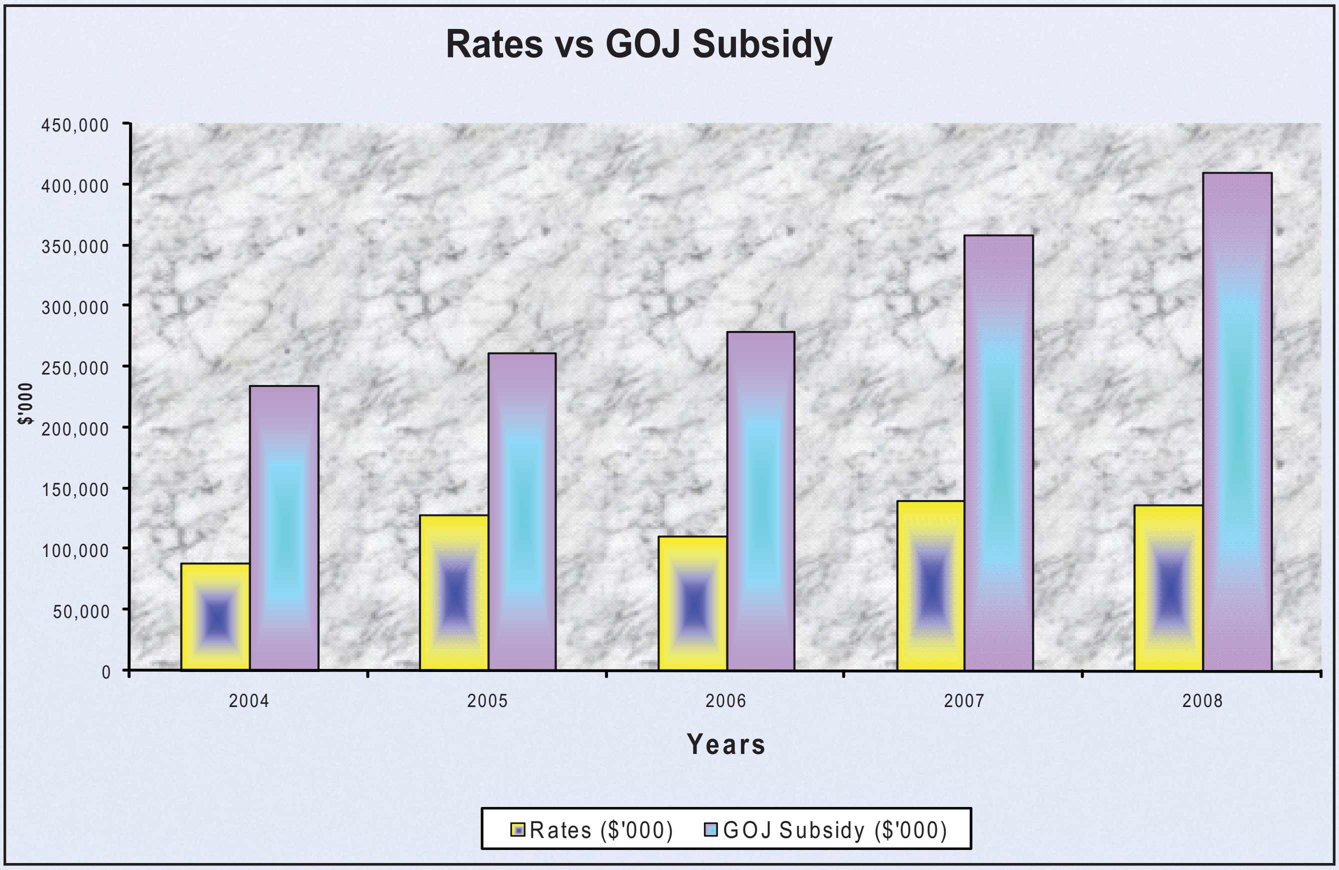
National Irrigation Commission Limited
Five Year Statistics

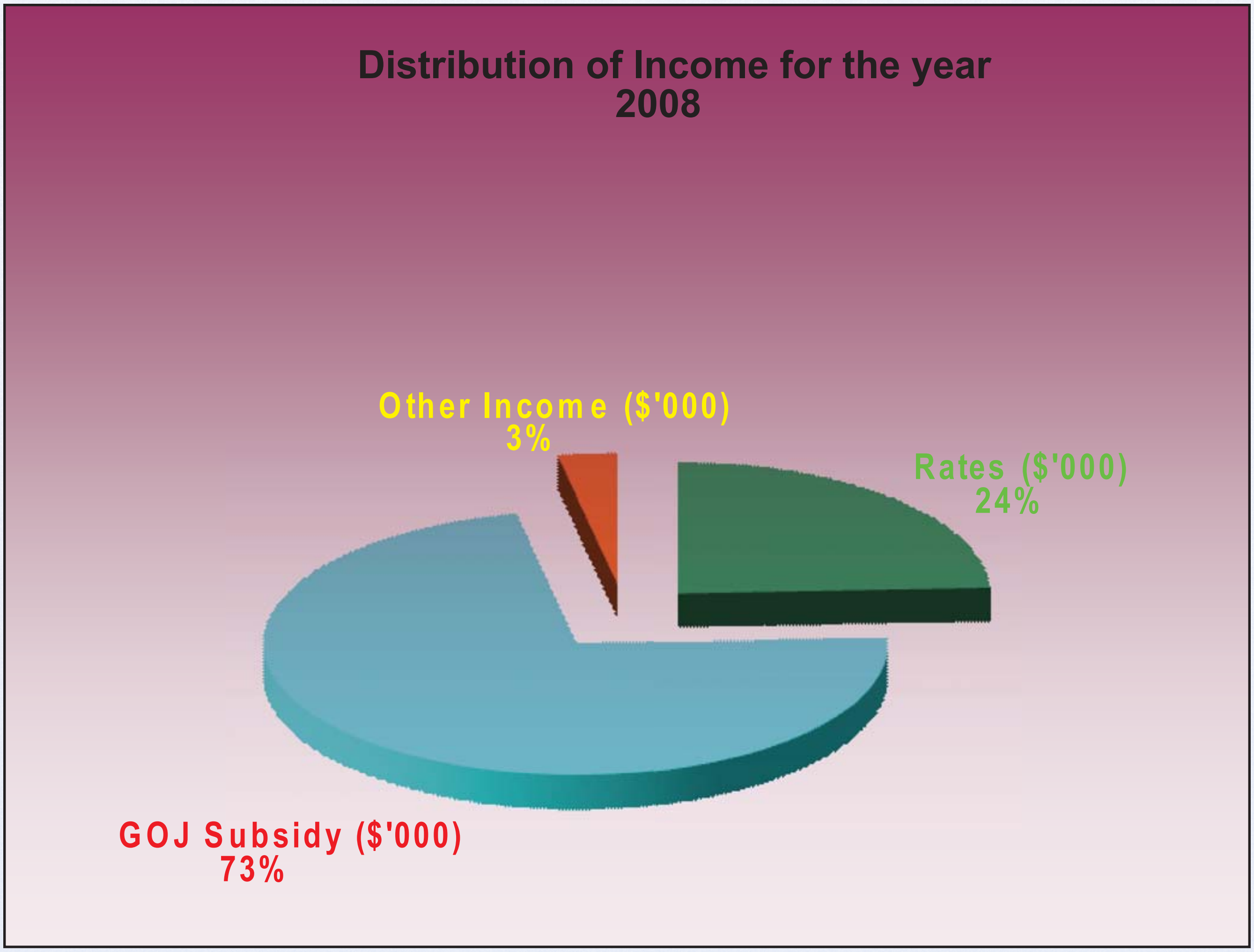
	$'000	$'000	$'000	$'000	$'000	$'000
	2008	2007	2006	2005	2004	2003
Shareholders Equity	618,993	557,662	523,039	501,096	480,018	477,919
% inc. over prior year	**11.00%**	**6.62%**	**4.38%**	**4.39%**	**0.44%**	**8.28%**
PROFIT AND LOSS ACCOUNT						
Operating Revenue	587,265	499,885	439,265	411,877	348,447	343,943
% inc. over prior year	**17.48%**	**13.80%**	**6.65%**	**18.20%**	**1.31%**	**26.49%**
Accumulated Surplus (Deficit)	210,863	149,531	114,909	92,966	71,887	69,789
% inc. over prior year	**41%**	**30%**	**24%**	**29%**	**3%**	**110%**
IMPORTANT RATIOS						
Admin. exp. as a % of total costs	26.87%	24.27%	21.93%	23.86%	27.50%	25.13%
Operating exp. as a % of total costs	73.13%	75.73%	78.05%	76.13%	72.50%	72.70%
Electricty exp. as a % of total costs	20.51%	21.54%	18.68%	21.61%	15.93%	17.48%
Electricty exp. as a % of operating costs	28.04%	28.45%	23.93%	28.38%	21.98%	24.04%
Rates as a % of total costs	24.07%	27.94%	23.42%	30.53%	23.09%	26.61%
Rates as a % of operating costs	32.91%	36.90%	30.01%	40.10%	31.85%	36.61%
GOJ subsidy as a % of total costs	71.98%	71.46%	59.13%	62.25%	60.79%	71.92%
GOJ subsidy as a % of operating costs	98.43%	94.37%	75.76%	81.77%	83.85%	98.93%


Government of Jamaica Subsidy on behalf of Farmers
600,000
500,000
400,000
300,000
200,000
100,000
0
$'000
2004
2005
2006
2007
2008
Years
Subsidy Provided ($'000)
Subsidy Required ($'000)


Operating Income vs Expenditure
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
$'000
2004
2005
2006
2007
2008
Years
Operating Income ($'000)
Total Cost ($'000)


Electricty Cost
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
$'000
2004
2005
2006
2007
2008
Years


Rates vs GOJ Subsidy
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
$'000
2004
2005
2006
2007
2008
Years
Rates ($'000)
GOJ Subsidy ($'000)


Distribution of Income for the year 2008
Other Income ($'000) 3%
Rates ($'000) 24%
GOJ Subsidy ($'000) 73%

Financial Statements

March 31, 2008

KPMG

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INDEPENDENT AUDITORS' REPORT

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 50 to 78 which comprise the balance sheet as at March 31, 2008, 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 Jamaican 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

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, 2008, 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 Jamaican Companies Act.

Additional reporting requirements of the Jamaican Companies Act

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

KPMG

December 23, 2008

NATIONAL IRRIGATION COMMISSION LIMITED

Balance Sheet
March 31, 2008

	Notes	2008	2007
CURRENT ASSETS			
Cash and cash equivalents	4	143,384,420	115,588,273
Resale agreements	5	78,157,840	66,761,932
Accounts receivable	6	71,428,276	65,636,183
Inventories	7	9,638,138	10,809,999
Current portion of long-term receivables	9	9,615,534	7,644,758
Income tax recoverable		3,277,620	3,347,664
Total current assets		315,501,828	269,788,809
NON-CURRENT ASSETS			
Employee benefit asset	8	59,057,000	53,213,000
Long-term receivables	9	20,323,385	17,638,753
Property, plant and equipment	10	817,935,088	837,405,768
Deferred tax asset	13	3,095,015	-
Total non-current assets		900,410,488	908,257,521
Total assets		$1,215,912,316	1,178,046,330
CURRENT LIABILITIES			
Accounts payable and accrued charges	11	71,138,818	72,118,985
Income tax payable		26,219,654	8,659,146
Government of Jamaica project advances	12	148,961,337	165,443,345
Total current liabilities		246,319,809	246,221,476
NON-CURRENT LIABILITIES			
Deferred tax liability	13	-	7,983,129
Deferred credit	14	350,599,247	366,180,098
Total non-current liabilities		350,599,247	374,163,227
Total liabilities		596,919,056	620,384,703
EQUITY			
Share capital	15	100	100
Capital reserve	16	408,130,161	408,130,161
Accumulated surplus		210,862,999	149,531,366
Total equity		618,993,260	557,661,627
Total liabilities and equity		$1,215,912,316	1,178,046,330

The financial statements on pages 3 to 31 were approved for issue by the Board of Directors on December 23, 2008 and signed on its behalf by:

Chairman
Oliver Nembhard

Director
Dwight Clacken

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

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Revenue and Expenses
Year ended March 31, 2008

	Notes	2008	2007
Operating revenue:			
Water sales and drainage charges		137,055,071	140,514,930
Government of Jamaica subsidy on behalf of farmers	17	409,863,174	359,369,698
Other funding for non-capital expenditure		40,346,941	-
		587,265,186	499,884,628
Cost of producing water and distributing it to farm gates		(416,413,438)	(380,808,806)
Gross operating surplus		170,851,748	119,075,822
Amortisation of deferred credit	14	35,300,960	32,030,652
Other income	18	17,288,224	19,607,621*
Administration expenses		(153,035,258)	(122,055,902)*
		70,405,674	48,658,193
Finance costs	19	-	(16,150)
Surplus before taxation		70,405,674	48,642,043
Income tax	20	(9,074,041)	(14,019,272)
Surplus for the year	21	$ 61,331,633	34,622,771

*After reclassification to conform to 2008 presentation.
The accompanying notes form an integral part of the financial statements.

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Changes in Equity
Year ended March 31, 2008

	Share capital (note 15)	Capital reserve (note 16)	Accumulated surplus	Total
Balances at March 31, 2006	100	408,130,161	114,908,595	523,038,856
Surplus, being total gains recognised, for the year	-	-	34,622,771	34,622,771
Balances at March 31, 2007	100	408,130,161	149,531,366	557,661,627
Surplus, being total gains recognised, for the year	-	-	61,331,633	61,331,633
Balances at March 31, 2008	$100	408,130,161	210,862,999	618,993,260

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

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Cash Flows
Year ended March 31, 2008

	2008	2007
Cash flows from operating activities:		
Surplus for the year	61,331,633	34,622,771
Adjustments to reconcile surplus for the year to net cash provided by operating activities:		
Items not involving cash:		
Depreciation	40,809,065	40,095,416
Loss/(gain) on disposal of property, plant and equipment	254,417	(369,812)
Amortisation of deferred credit	(35,300,960)	(32,030,652)
Employee benefit asset	(5,844,000)	(14,512,000)
Income tax	9,074,041	14,019,272
Interest income	(10,005,928)	(7,738,470)*
Foreign exchange gain	(665,954)	(460,744)
Interest expense	-	16,150
	59,652,314	33,641,931
Decrease/(increase) in current assets:		
Resale agreements	(11,395,908)	(39,591,949)
Accounts receivable	(7,532,377)	(3,901,322)
Inventories	1,171,861	686,181
Income tax recoverable	(2,521,633)	(1,688,219)
(Decrease)/increase in current liabilities:		
Accounts payable and accrued charges	(980,167)	(2,988,140)
Government of Jamaica project advances	(16,482,008)	100,581,387
Interest paid	-	(16,150)
Income taxes paid	-	(544,327)
Net cash provided by operating activities	21,912,082	86,179,392
Cash flows from investing activities:		
Purchase of property, plant and equipment	(22,695,376)	(31,398,059)
Proceeds from disposal of property, plant and equipment	1,102,573	492,656
Interest received	9,775,437	6,903,678*
Long-term receivables	(2,684,632)	(1,280,405)
Net cash used by investing activities	(14,501,998)	(25,282,130)
Cash flows from financing activity:		
Capital grants, being net cash provided by financing activity	19,720,109	9,215,718
Net increase in cash and cash equivalents	27,130,193	70,112,980
Cash and cash equivalents at beginning of the year	115,588,273	45,014,549
Effect of exchange rate fluctuations on cash held	665,954	460,744
Cash and cash equivalents at end of the year	$143,384,420	115,588,273

* After reclassification to conform to 2008 presentation

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 by the Government of Jamaica through the Accountant General. 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, Beacon/Little Park, Seven Rivers 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 complies with the provisions of the Jamaican Companies Act.

Certain new IFRS and interpretations of, and amendments to, existing standards, which were in issue, came into effect for the current financial year. The standards considered relevant and significant to the company in preparing these financial statements are *IFRS 7 Financial Instruments*: *Disclosures* and *the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* require 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. The amendment to IAS 1, introduces disclosures about the level of an entity's capital and how it manages capital.

The adoption of IFRS 7 and the amendment to IAS 1 impacted the type and amount of disclosures made in these financial statements in respect of financial instruments, but had no impact on the reported surplus or financial position of the company.

New standards, and interpretations of and amendments to existing standards that are not yet effective:

At the date of approval of the financial statements, certain new standards, and amendments to and interpretations of existing standards, were in issue but are not yet effective and have not been early-adopted. The company has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has concluded as follows:

- *IAS 1 (Revised 2007) Presentation of Financial Statements* requires the presentation of all non-owners changes in equity in one or two statements: either in a single statement of comprehensive income, or in an income statement and a statement of comprehensive income. The standard, which becomes effective for accounting periods beginning on or after January 1, 2009, will result in a change in the presentation of the statements of revenue and expenses and changes in equity.

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

(a) Statement of compliance (cont'd):

New standards, and interpretations of and amendments to existing standards that are not yet effective (cont'd):

- *IAS 23 (Revised) – Borrowing Costs,* which becomes effective for financial periods beginning on or after January 1, 2009, removes the option of either capitalising borrowing costs relating to qualifying assets or expensing the borrowing costs and requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. An example is self-constructed assets such as buildings, machinery and internally developed software (intangible assets). The standard is not expected to have a significant impact on the financial statements.
- Amendments to *IAS 32 Financial instruments: Presentation* and *IAS 1, Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. The standard is not expected to have any significant impact on the financial statements.
- Amendment to *IFRS 2 Share-based payment – Vesting Conditions and Cancellations* is effective for annual periods beginning on or after January 1, 2009. Under the amendment, non-vesting conditions are taken into account in measuring the grant date fair value of the share-based payment and there is no adjustment for differences between expected and actual outcomes. The standard is not expected to have any impact on the financial statements.
- Revised *IFRS 3 Business Combinations* and *amended IAS 27 Consolidated and Separate Financial Statements* are effective for annual periods beginning on or after July 1, 2009. The definition of business combination has been revised and focuses on control. All items of consideration transferred by the acquirer are measured and recognised at fair value as of the acquisition date, including contingent consideration. An acquirer can elect to measure non-controlling interest at fair value at the acquisition date or on a transaction by transaction basis. New disclosure requirements have been introduced. The standard is not expected to have any impact on the financial statements.
- *IFRS 8 Operating Segments* is effective for accounting periods beginning on or after January 1, 2009. IFRS 8 replaces IAS 14 and sets out requirements for disclosure of information about a publicly listed entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. The standard is not relevant to the company and will not have any impact on the financial statements

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

(a) Statement of compliance (cont'd):

New standards, and interpretations of and amendments to existing standards that are not yet effective (cont'd):

- *IFRIC 12 Service Concession Arrangements (effective for accounting periods beginning on or after January 1, 2008)* 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 will not have any impact on the financial statements.

- *IFRIC 13 Accounting for Customer Loyalty Programmes*, creates consistency in accounting for customer loyalty plans. The interpretation is applicable to all entities that grant awards as part of a sales transaction (including awards that can be redeemed for goods or services not supplied by the entity). IFRIC 13, effective for accounting periods beginning on or after July 1, 2008, is not expected to have any impact on the financial statements of the company.

- *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction,* which becomes effective for accounting periods beginning on or after January 1, 2008, provides guidance on assessing the limit set in IAS 19 on an amount of the surplus that can be recognised as an asset. It also explains how a pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The impact of any potential effect of IFRIC 14 and IAS 19 on the company's financial statements have not yet been determined.

(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.

(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.

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

(c) Accounting estimates and judgements (cont'd):

(i) Key sources of estimation uncertainty

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:

- 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 obligation; 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 would impact the amounts recorded in the financial statements for these obligations.

- 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 probable, 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

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

The depreciation rates, 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 valuators.

(f) Projects managed:

Project receipts are deferred as advances. When utilised, they are 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-employments 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)

(l) Related parties:

A party is related to an the company if:

(i) directly, or indirectly through one or more intermediaries, the party:

(a) controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);
(b) has an interest in the company that gives it significant influence over the company; or
(c) has joint control over the company;

(ii) the party is an associate (as defined in IAS 28, *Investments in Associates*) of the company;

(iii) the party is a joint venture in which the company is a venturer (see IAS 31, *Interests in Joint Ventures*);

(iv) the party is a member of the key management personnel of the company or its parent;

(v) the party is a close member of the family 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 company, or of any company that is a related party of the company.

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

4. Cash and cash equivalents

	2008	2007
Cash	290,966	279,103
Bank balances	143,093,454	115,309,170
	$143,384,420	115,588,273

5. Resale agreements

At the balance sheet date, the fair value of underlying securities used as collateral for resale agreements was $79,348,727 (2007: $70,052,568).

6. Accounts receivable

	2008	2007
Trade receivables for water sales and drainage charges	63,768,056	62,965,704
Provision for probable losses	(15,318,759)	(14,493,798)
	48,449,297	48,471,906
Other receivables	22,978,979	17,164,277
	$71,428,276	65,636,183

7. Inventories

	2008	2007
At cost	5,264,082	5,058,482
At valuation	4,374,056	4,374,056
Goods in transit	-	1,377,461
	$ 9,638,138	10,809,999

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, therefore, 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.

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

(a) Asset recognised in balance sheet:

	2008	2007
Present value of funded obligations	(303,589,000)	(289,236,000)
Fair value of plan assets	421,234,000	342,449,000
Net asset	117,645,000	53,213,000
Unrecognised actuarial (gains)/losses	(50,106,000)	1,883,000
Unrecognised asset due to section 58	(8,482,000)	(1,883,000)
Asset recognised in balance sheet	$ 59,057,000	53,213,000

8. Employee benefit asset (cont'd)

(a) Asset recognised in balance sheet (cont'd):

Movement in the net asset recognised in the balance sheet:

	2008	2007
Balance at beginning of year	53,213,000	38,701,000
Contributions paid	17,460,000	16,310,000
Benefit expense	(11,616,000)	(1,798,000)
Balance at end of year	$59,057,000	53,213,000

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

	2008	2007
Present value of obligation as at April 1, 2007	289,236,000	205,697,000
Benefits paid	(11,777,000)	(6,379,000)
Service and interest costs	47,117,000	34,953,000
Contributions	11,575,000	10,641,000
Actuarial (gain)/loss	(32,562,000)	44,324,000
Present value of obligation at March 31, 2008	$303,589,000	289,236,000

(ii) Movement in plan assets:

	2008	2007
Fair value of plan assets as April 1, 2007	342,449,000	278,796,000
Contributions paid	29,035,000	26,951,000
Actual return on plan assets	67,598,000	48,114,000
Benefits paid	(17,848,000)	(11,412,000)
Fair value of plan assets at March 31, 2008	$421,234,000	342,449,000

Plan assets consist of the following:

	2008	2007
Equity Fund	142,381,000	105,031,000
Money Market Fund	30,011,000	27,338,000
Mortgage and Real Estate Fund	40,176,000	20,318,000
Fixed Income Fund	90,148,000	83,755,000
Foreign Currency Fund	116,230,000	105,146,000
Uninvested contributions	2,288,000	861,000
Total assets	$421,234,000	342,449,000

8. Employee benefit asset (cont'd)

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

	2008	2007
Current service costs	15,932,000	10,641,000
Interest on obligation	31,185,000	24,312,000
Expected return on plan assets	(42,100,000)	(34,655,000)
Recognised actuarial gain	-	(383,000)
Change in unrecognised asset	6,599,000	1,883,000
Recognised in the statement of revenue and expenses (see note 22)	11,616,000	1,798,000
Actual return on plan assets	18%	15%

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

	2008	2007
Discount rate	13.0%	12.0%
Expected return on plan assets	13.0%	12.0%
Future salary increases	10.0%	10.0%
Future pension increases	3.5%	3.5%

(e) Historical information:

	2008 $	2007 $	2006 $	2005 $	2004 $
Present value of defined benefit obligation	(303,589,000)	(289,236,000)	(205,697,000)	(193,168,000)	(151,189,000)
Fair value of plan assets	421,234,000	342,449,000	278,796,000	271,802,000	188,806,000
Surplus/(deficit) in plan	117,645,000	53,213,000	73,099,000	78,634,000	37,617,000
Experience adjustments arising on plan liabilities	32,562,000	(44,324,000)	23,515,000	(6,433,000)	(6,785,000)
Experience adjustments arising on plan assets	19,427,000	8,426,000	(41,517,000)	(36,660,000)	50,012,000

The company expects to pay $28,364,000 in contributions to the plan in 2008/2009.

9. Long-term receivables

	2008	2007
Refundable utility deposits	2,575,379	2,575,379
Employee loans	27,363,540	22,708,132
	29,938,919	25,283,511
Less: Current portion	(9,615,534)	(7,644,758)
	$20,323,385	17,638,753

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

10. Property, plant and equipment

	Building & leasehold improvements	Utility plant	Furniture, fixtures & equipment	Motor vehicles	Capital work-in-progress (Restated) [see (b) below]	Total
Cost:						
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	13,065,892	9,215,718	31,398,059
Disposals	-	-	(144,488)	(423,700)	-	(568,188)
March 31, 2007	41,743,776	1,615,306,465	43,340,346	29,874,181	56,595,230	1,786,859,998
Additions	-	7,037,654	3,777,513	10,269,937	1,610,272	22,695,376
Disposals	-	-	(150,932)	(2,984,102)	-	(3,135,034)
March 31, 2008	41,743,776	1,622,344,119	46,966,927	37,160,016	58,205,502	1,806,420,340
Depreciation:						
March 31, 2006	7,611,394	875,611,584	20,665,465	5,915,715	-	909,804,158
Charge 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	8,725,984	907,237,304	25,458,617	8,032,325	-	949,454,230
Charge for the year	1,123,441	31,916,671	4,764,704	3,004,249	-	40,809,065
Eliminated on disposals	-	-	(86,318)	(1,691,725)	-	(1,778,043)
March 31, 2008	9,849,425	939,153,975	30,137,003	9,344,849	-	988,485,252
Net book values:						
March 31, 2008	$31,894,351	683,190,144	16,829,924	27,815,167	58,205,502	817,935,088
March 31, 2007	$33,017,792	708,069,161	17,881,729	21,841,856	56,595,230	837,405,768
March 31, 2006	$33,746,182	735,099,092	18,684,909	11,316,274	47,379,512	846,225,969

(a) Included in building and leasehold improvements is leasehold improvement of $24,478,181 (2007: $24,478,181).

(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 had 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.

11. Accounts payable and accrued charges

	2008	2007
Trade payables	16,633,485	15,737,645
Accrued expenses	9,696,921	19,158,536
Accrued vacation leave	25,134,102	20,387,831
Other payables	19,674,310	16,834,973
	$71,138,818	72,118,985

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:

Project	2008	2007
Yallahs Delta Irrigation	(1,122,550)	(1,122,550)
National Irrigation Development Plan (NIDP)		
- Implementation [see below]	118,565,245	112,803,718
Miscellaneous capital projects	10,028,300	10,081,183
Lining of canals	21,490,342	43,680,994
	$148,961,337	165,443,345

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 (asset)/liability

Deferred tax (asset)/liability is attributable to the following:

	2008	2007
Property, plant and equipment	(14,605,002)	(3,476,348)
Accounts receivable	441,162	364,331
Accounts payable and accrued charges	(8,838,826)	(6,795,944)
Unrealised exchange gains	221,985	153,581
Employee benefit asset	19,685,666	17,737,509
	$(3,095,015)	7,983,129

Movement in temporary differences during the year:

	Balance at March 31, 2007	Recognised in income [note 20 (a) (ii)]	Balance at March 31, 2008
Property, plant and equipment	(3,476,348)	(11,128,654)	(14,605,002)
Accounts receivable	364,331	76,831	441,162
Accounts payable and accrued charges	(6,795,944)	(2,042,882)	(8,838,826)
Unrealised foreign exchange gain	153,581	68,404	221,985
Employee benefit asset	17,737,509	1,948,157	19,685,666
	$ 7,983,129	(11,078,144)	(3,095,015)

14. Deferred credit

	Balance 2006	Movement during the year	Balance 2007	Movement during the year	Balance 2008
Grant for acquisition of fixed assets (net of disposals) [see (i)]	59,293,451	-	59,293,451	18,109,837	77,403,288
Fixed assets gifted by Agro 21 Corp., net, in 1991	1,198,152	-	1,198,152	-	1,198,152
Fixed assets gifted by Ministry of Agriculture	1,203,061	-	1,203,061	-	1,203,061
Fixed assets transferred from NIDP Project	1,896,725	-	1,896,725	-	1,896,725
Fixed assets, other than utility plant, gifted by district irrigation authorities	3,520,295	-	3,520,295	-	3,520,295
Utility plant acquired under CD/I project and utility plant of previously unrecorded irrigation authorities capitalised during 1991	141,941,917	-	141,941,917	-	141,941,917
Utility plant acquired out of project funds	591,096,098	-	591,096,098	-	591,096,098
Revaluation surplus on inventories (note 7)	1,233,211	-	1,233,211	-	1,233,211
Expenditure on contracts-in-progress (net of amounts expensed) [note 10(b)] out of GOJ project advances	43,900,460	9,215,718	53,116,178	1,610,272	54,726,450
	845,283,370	9,215,718	854,499,088	19,720,109	874,219,197
Amortisation transferred to statement of revenue and expenses [see note (ii) below]	(456,288,338)	(32,030,652)	(488,318,990)	(35,300,960)	(523,619,950)
	$388,995,032	(22,814,934)	366,180,098	(15,580,851)	350,599,247

(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 (see note 9) to purchase motor vehicles, as these amounts were originally credited to the Deferred Credit account.

15. Share capital

Authorised:
100 ordinary shares at no par value

	2008	2007
Issued and fully paid: 100 ordinary shares	$100	100

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 $491.9 million (2007: $370.5 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, $409.9 million (2007: $359.4 million) was approved by parliament and paid to the company.

18. Other income

	2008 $	2007 $
Interest:		
From investments and cash & cash equivalents	9,791,767	7,584,840*
Other	214,161	153,630*
Amortisation of concessionary loans	4,421,404	3,973,937*
Exchange gain	665,954	460,744
Service fees	720,728	224,638*
(Loss)/gain on disposal of property, plant and equipment	(254,417)	369,812
Insurance settlements	573,500	2,031,969*
Litigation settlements	179,056	4,255,551*
Miscellaneous	976,071	552,500*
	$17,288,224	19,607,621

*After reclassifications to conform to 2008 presentation.

19. Finance costs

In the prior year, this comprised interest on bank overdraft.

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:

	2008	2007
(i) Current tax charge:		
Provision for charge on current year's profits	22,233,943	13,199,981
Overprovision of prior year tax charge	(2,081,758)	-
	20,152,185	13,199,981
(ii) Deferred tax:		
Origination and reversal of temporary differences (note 13)	(11,078,144)	819,291
Actual tax charge recognised	$ 9,074,041	14,019,272

20. Taxation (cont'd)

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

The effective tax rate for 2008 was 13% (2007: 28%) of $70,405,674 (2007: $48,642,043) pre-tax surplus, compared to the statutory tax rate of 33 1/3% (2007: 33 1/3%). The actual charge differs from the "expected" tax charge for the year as follows:

	2008	2007
Surplus before taxation	$70,405,674	48,642,043
Computed "expected" tax expense	23,468,558	16,214,014
Tax effect of treating items differently for financial statements and tax reporting purposes -		
Depreciation charge and capital allowances	(814,683)	8,399,717
Accrued vacation leave	-	371,813
Unrealized gain on foreign exchange	(153,581)	(208,157)
Amortisation of deferred credits	(11,766,987)	(10,675,816)
Expenses not allowed for tax purposes	128,686	72,398
Loss/(gain) on disposal of property, plant and equipment	417	(123,258)
Employee benefit asset	158	515
Interest on concessionary loans	293,230	(298,603)
Prior year overprovision	(2,081,757)	-
Tax losses b/f	-	266,649
Actual tax charge	$ 9,074,041	14,019,272

21. Surplus for the year

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

	2008 $	2007 $
Directors' emoluments [note 23(c)]:		
Fees	1,655,328	1,248,700
Management remuneration	4,685,676	4,886,291
Auditors' remuneration	1,512,500	1,169,256
Depreciation	40,809,065	40,095,416

22. Employee numbers and costs

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

	2008	2007
Full-time	144	140
Part-time	6	6
Other	27	27
	177	173

The aggregate payroll costs for these persons were as follows:

	2008	2007
Salaries	204,061,661	183,663,836
Statutory payroll contributions	8,084,344	8,055,926
Labour	21,258,672	23,605,407
Pension benefit cost (net of contribution) [note 8(c)]	11,616,000	1,798,000
Travel and subsistence	40,563,950	36,126,919
Gratuities	2,188,374	1,032,251
Training	2,233,347	2,448,714
Accrued vacation leave	4,746,271	4,370,508
Other	16,400,885	14,432,802
	$311,153,504	275,534,363

23. Related party transactions

Identity of related parties:

(a) The company has a related party relationship with its associates and key management personnel, comprising directors and certain senior executives.

(b) The balance sheet includes balances, arising in the ordinary course of business, with related parties as follows:

	2008	2007
	$	$
Accounts receivable:		
Directors	-	15,392
Long-term receivables:		
Employee loans - key management personnel	4,297,779	4,991,409

23. Related party transactions (cont'd)

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

	2008	2007
Compensation paid to key management personnel:		
Directors' emoluments (note 21)	6,341,004	6,134,991
Salaries to other key management personnel	18,077,778	15,749,384
Post-employment benefits	1,110,000	249,000
	$25,528,782	22,133,375
Interest income	$(734,534)	(509,927)

24. Financial risk management

(a) Overview

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, market and liquidity risks arise 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.

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board established the Finance, Audit and General Purposes Committee, which is responsible for developing and monitoring the company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

24. Financial risk management (cont'd)

(a) Overview (cont'd)

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Finance, Audit and General Purposes Committee oversees management's monitoring of compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Finance, Audit and General Purposes Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Finance, Audit and General Purposes Committee.

(b) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade receivables, investment securities and long-term motor vehicle loans to employees.

(i) Cash and cash equivalents and agreements

The company limits its exposure to credit risk by investing only in liquid securities that are backed by the Government of Jamaica through established counterparties that are licensed under the Financial Institutions Act and registered with the Financial Services Commission. Consequently, management does not expect any counterparties to fail to meet their obligations. Collateral is held for resale agreements.

(ii) Long-term receivables

The company grants loans to its employees to facilitate the purchase of motor vehicles. Loans granted are secured by the registration of a lien on the motor vehicles acquired as well as a Bill of Sale. Loans are repayable over a period of 7-10 years; however, the repayment period may not exceed the expected remaining years to retirement of individual employees. Management does not expect any counterparty to fail to meet their obligations.

24. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Trade receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The company has a policy under which each customer is analysed before being contracted for the supply of services. Contracted customers are required to make a refundable security deposit that is based on three months projected consumption with regard to the customer's holdings. Customers that fail to meet the company's benchmark for the supply of services may transact with the company on a prepayment basis.

The ten largest customers hold more than 50 percent of the company's trade receivables.

The Director of Commercial Operations has overall responsibility for ensuring the timely collection of outstanding receivables. The Commercial Department reports on the status of collections and receivables to the Finance, Audit and General Purposes Committee bimonthly.

Allowances for impairment

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables based on pre-determined criteria. The main component of this allowance is a specific loss component that relates to individual exposures.

Impairment losses

The aging of trade receivables (note 6) at the reporting date was:

	Carrying amount	
	2008	2007
Not Past Due	16,580,882	8,356,800
Past Due 1-30 Days	14,294,921	10,014,789
Past Due 31-60 Days	9,616,828	7,659,683
Past Due 61-90 Days	1,073,229	3,517,399
More Than 90 Days	22,202,196	33,417,033
	$63,768,056	62,965,704

The allowance account in respect of trade receivables is used to record impairment losses, unless the company is satisfied that no recovery of the amount owing is possible; at that point, management obtains permission from the Minister of Agriculture to write off the amounts against the receivable balance directly.

24. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Trade receivables (cont'd)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Carrying amount	
	2008	2007
Balance as at April 1, 2007	14,493,798	16,330,481
Written off/(recovered)	(1,418,021)	(2,319,077)
Provision Recognised	2,242,982	482,394
Balance as at March 31, 2008	$15,318,759	14,493,798

(iv) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2008	2007
Cash and cash equivalents	143,384,420	115,588,273
Resale agreements	78,157,840	66,761,932
Trade accounts receivable	71,428,276	65,636,183
Long-term receivables:		
Current portion	9,615,534	7,644,758
Long-term portion	20,323,385	17,638,753
	$322,909,455	273,269,899

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2008	2007
St. Thomas	92,041	84,249
St. Catherine	39,117,358	39,437,851
Clarendon	13,083,114	13,922,837
St. Elizabeth	10,108,823	8,133,575
Trelawny	1,361,936	1,387,192
St. James	4,784	-
	$63,768,056	62,965,704

24. Financial risk management (cont'd)

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Typically, the company ensures that it has sufficient cash on demand to meet expected operational expenses.

The contractual outflow for accounts payable and accrued charges is represented by its carrying amount and may require settlement within 12 months of the balance sheet date. Government of Jamaica project advances represents the amounts remaining from Government grants and multilateral financing received to finance the company's capital budget as well as to undertake specific NIDP projects. Funds are received from the government and multilateral agencies based on an approved budget.

There has been no change to the company's exposure to liquidity risk or the manner in which it manages and measures the risk during the year.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Exposure to currency risk

The company is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the functional currency of the company, primarily the United States Dollar (US$). The company's net exposure at balance sheet date was:

	2008 US$	2007 US$
Cash and cash equivalents	905,968	1,045,259
Government of Jamaica project advances	(697,601)	(840,000)
Net Exposure	208,367	205,259

24. Financial risk management (cont'd)

(d) Market risk (cont'd)

(i) Currency risk (cont'd)

The average exchange rate for the US dollar in terms of Jamaica dollars, at March 31, 2008 was: J$70.9413 = US$1.00 (2007: J$67.6822).

Sensitivity Analysis:

A 5% strengthening/weakening of the Jamaica dollar against the United States dollar at March 31, 2008 would have increased/decreased equity and surplus or loss by $740,011 (2007: $718,899). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2007.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Profile:

At the reporting date, the interest rate profile of the company's interest-bearing financial instruments was:

	Carrying amount	
	2008	2007
Resale agreements	$78,157,840	66,761,932

A change of 100 basis points in interest rates would have increased or decreased equity and profit or loss by $1.11M (2007: $1.15M).

(e) Fair values

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some of the company's financial instruments lack an available trading market.

The fair values of cash and cash equivalents, accounts receivable, and accounts payable, balances are assumed to approximate to their carrying value, due to their short-term nature.

Long-term receivables are carried at their fair values. The fair value for resale agreements are $79,348,727 (2007: $70,052,568).

24. Financial risk management (cont'd)

(f) Capital management

It is the Board's policy to maintain a strong capital base so as to sustain the future development of the company. The Board of Directors monitors the return on capital, which the company defines as total shareholders' equity.

25. Contingent liabilities

(i) A claim has been made against the company for wrongful dismissal arising from the termination of an employee in December 1991. The company'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 company for negligence, costs and interest arising out of an accident on the Sir Alexander Bustamante Highway on the 18th December 1999. The company'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 company 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 company'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 company 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 company'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.

Management considers that the company is adequately insured in respect of the above claims and no provision in the financial statements in these regards is considered necessary.

Executive Compensation

Appendix 1

The compensation package fees for four (4) Directors for the twelve (12) month period ending March 31, 2008 range as follows:

		2008	2007
		$,000	$,000
Executive Directors (4)	from	3,889	3,731
To	4,318	4,192	

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

Notes