



National Irrigation
Commission
Limited

ANNUAL REPORT | 2011-2012



Our Vision is:

“To become a first class company with a committed cadre of qualified employees empowered to professionally facilitate the development, coordination and expansion of the irrigation sub-sector in Jamaica in a sustainable manner.”



Our Mission is:

*“To use
the available resources
to develop irrigation systems
and to provide the most
efficient and effective
service possible to the
agricultural community.”*

Table of Contents

Corporate Data	1
Board Members	2
District Advisory and Monitoring Committees	4
Minister's Message	5
Chairman's Message	7
Chief Executive Officer's Message	8
Executive Directorate	10
Corporate, Legal Affairs and Human Resources	11
Operations	15
National Irrigation Development Programme	21
Information Systems	29
Commercial	32
Finance and Corporate Planning	35
Auditor's Report	42
Financial Statements	44
Appendix I	73
Appendix II	74

THE COMPANY

REGISTERED OFFICE

National Irrigation Commission Limited
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Kingston 6, Jamaica
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Fax: 927-2696
Email Address: nic@cwjamaica.com
Website: www.nicjamaica.com

AUDITORS

KPMG
6 Duke Street, Kingston
Jamaica

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

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: 983-2712/2742
745-2640
Fax: 745-2759

Yallahs District

Yallahs, St. Thomas
Tel: 706-3159

Braco Irrigation District

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

CORPORATE DATA

BOARD



Mr. Oliver Nembhard
Chairman/Businessman



Mr. Basil Fernandez
Managing Director, WRA



Mr. Robert Martin
Rep., Ministry of Youth, Sports
& Culture



Dr. Horace Charoo
Medical Doctor/Farmer



Mr. Winston Lewis
Businessman



Mr. Rudolph Brown
Farmer



Mr. Basil Perriel
Farmer



**His Worship
Mayor Keith Hinds**



Mr. Ludgar George Parish
Farmer

MEMBERS



Mr. Hugh Sandford
Businessman



Mr. Anthony Masters
Businessman



Mr. Rupert Williams
Farmer



Ms. Genille Attalla
Businesswoman



Mr. Carlton V. Richards
Retired Businessman



Mr. Joseph Handal
Farmer

District Advisory and Monitoring Committees

St. Catherine District

Mr. J. Handal *
 Mr. S. Johnson ***
 Mr. J. Lopez
 Mr. O. Palmer
 Mr. S. Dalling
 Mr. C. Powell (Parish Council)
 Mrs. P. Sterling (Hill Run Fish Farmers) **
 Mr. M. Aris/Mr. V. Edwards (RADA) **
 Mr. C. Richards (SCJ)

Mid-Clarendon District

Dr. H. Charoo *
 Mr. A. Hyman
 Mr. G. Less
 Mr. P. Williams
 Mr. L. Parish
 Mr. T. Burton
 Mr. C. Peters (Parish Council) **
 Mr. P. Shaw (RADA) **
 Mr. C. Washington (SCJ) **
 Mr. D. Walker/Ms. B. Gardener (AIC) **

Braco District

Mr. R. Brown *
 Mr. T. Gordon
 Ms. G. Attalla
 Mr. P. Muschett
 Mr. A. Gager
 Mr. C. Lemonious
 Mr. B. Thompson
 Mr. H. Grant **
 Mr. D. White (Parish Council) ***
 Mr. C. Clarke (RADA) **

St. Elizabeth District

Mr. B. Perriel *	Mr. R. Grindley
Mr. K. Harris	Mr. K. Dunkley
Mr. M. James	(Parish Council)
Mr. A. Wedderburn	Mr. K. Jones (NEPA) **
Mr. D. Patrick	Mr. G. Gunning
Mr. G. Gayle	(RADA) **
Mr. D. Scott	

* Denotes Chairman for each committee and member of the Board of Directors

** Ex-officio members

*** Resigned April 30, 2011

MINISTER'S MESSAGE



It is with great pleasure that once again I am reporting on the affairs of the National Irrigation Commission Limited (NIC) in my capacity as Minister with responsibility for this Agency.

I must begin by congratulating the past Ministers, Board and the Management and Staff for their hard work and achievement over the past year. The journey was one with its challenges as with any other organisation, but they have managed to stay committed to their mandate of delivering efficient and effective service to the Agricultural Community. This achievement is even more special when viewed against the background of a country which is celebrating 50 years of independence.

In May of the new financial year, the NIC will be celebrating its 25th anniversary; their achievements demonstrate their maturity as a company and rank them high among excellent customer service agencies. Indeed, the NIC is contributing to agricultural development in Jamaica and assisting the country in achieving its Vision 2030 objectives.

The NIC is in a very enviable financial position, having ended the year with a surplus of approximately J\$58 million. The Board and

Management are to be commended for this feat which is an increase over that of the previous year.

I especially commend the NIC for being proactive in seeking to reduce their energy consumption and implementing various initiatives over the past year. A Photovoltaic Electric Generating System was established to power NIC's Research Station and demonstration plot in Hounslow, St. Elizabeth.

Plans are underway at the Head Office to replace traditional air condition units to the more energy efficient inverter type and retrofitting to LED lights.

Generators have been acquired to run the offices should there be any interruption in electricity supply to ensure business continuity at all times.

The NIC is currently working on a wind energy project in order to reduce the dependence on the Jamaica Public Service Company's grid and its energy bill. This is a long-term project that was considered for the St. Elizabeth Irrigation Schemes which consist of many deep wells. This project will take approximately 4 years and should result in more affordable operating cost for the NIC.

The NIC acquired Level 3 status as a Public Sector Customer Service Entity. During the period under review, it spent most of the year fine tuning its new billing system – the Customer Relationship Management System (CRMS) and now uses this as its primary billing system producing real time data for customers and users alike.

Amidst challenges with the National Irrigation Development Programme, the Colbeck Irrigation System in Old Harbour was commissioned into operation in May 2011.

Contracts valued at J\$289 million were signed in November 2011 for the installation of pumps, irrigation pipes, fittings and appurtenances for the New Forest/Duff House and Yallahs Irrigation Schemes. These are expected to be near completion by the second quarter of the new financial year.

I am indeed delighted and honoured to be associated with the NIC and to be serving yet another time. I look forward to working with the Board, Management and Staff in the years ahead. Their work attitude and ethics are commendable and the cooperation and support that I have received thus far have managed to make my responsibilities a lot more rewarding.

I anticipate a long and profitable relationship with the NIC as we partner in charting new pathways that will help the agricultural sector improve exponentially. It is my sincere wish that the NIC will continue its growth and success path and, will enjoy even greater accomplishments in the future as it continues to make an indelible mark in the development of the agricultural sector and the Jamaican economy.

I must deeply commend the Chairman, and the NIC team for their hard work and dedication to this noble organisation; we know that without their commitment, innovative ideas, dedication and ardour, the success they now enjoy would not have been attainable.

On behalf of the farmers and people of Jamaica, I express gratitude to the various lending agencies – the Inter-American Development Bank, the Food and Agriculture Organization of the United Nations and the Global Environmental Facility of the United Nations Development Programme for their valuable financial and technical support to the irrigation sector.

Through the Ministry of Agriculture and Fisheries and with the support of the international community, we have continued to

increase irrigated agriculture, develop rainwater harvesting systems and offer training and technical assistance to strengthen the capacity of the farmers.

My Ministry is committed to reducing Jamaica's food import bill and increasing foreign exchange earnings through increased exportation of local produce. Our focus is to ensure food security for Jamaica. Consequently, we continue to promote the ***"Eat Jamaica Campaign – to grow what we eat and eat what we grow"***

Farmers, all that is left for you to do is to embrace improved technologies and training provided. Treat agriculture as a business and I guarantee you success. Our future is in your hands – a nation that cannot feed itself will not be sustainable so go out there and produce!

In closing, I salute the Management and Staff of the NIC and encourage them to continue serving this country by doing their part in making ***"Jamaica, the place of choice to live, work, raise families and do business."***



Hon. Roger Clarke, MP
Minister of Agriculture & Fisheries

CHAIRMAN'S MESSAGE



The year under review has reflected great hope and promise for the farmers of Jamaica. Under my watch and with the support of my colleague Board members, we have managed to steer the National Irrigation Commission Limited (NIC) in an admirable position despite challenges with the ever increasing energy costs as well as the tight fiscal space. We spent the greater part of last year implementing tighter internal controls and developing policies and procedures which have served to improve operating efficiencies.

The NIC ended the year with a surplus of approximately \$58 million, a 43% increase over the previous year. On May 11, 2011, the Colbeck Irrigation System was commissioned into operation by the then Prime Minister, Hon. Bruce Golding. This system, will serve 99 farmers on 110 hectares of land thus increasing irrigated agriculture in Jamaica. Contracts totalling J\$289 million were signed in November 2011 for the installation of pumps and fittings and pipe works for two additional irrigation systems – New Forest Duff House and Yallahs Irrigation.

The NIC also gained Level 3 status as a Public Sector Customer Service Entity signifying its achievement as a good and maturing Agency which is committed to delivering good customer service. It is our hope that within the next twelve months, the NIC would have moved to a Level 4 status, the highest level attainable. Reflecting on the past year, there were also chal-

lenges which affected our progress, the worst of which continued to be the ever increasing energy costs. We have attempted to address this challenge through continuous energy conservation measures. We commissioned a Photovoltaic Electric Generating System at our Research Station/Demonstration Plot in Hounslow, St. Elizabeth as part of an energy reduction initiative. Plans are afoot to retrofit the NIC's offices using more efficient energy saving equipment. This should result in significant savings.

A special thanks to the Inter-American Development Bank (IDB) who has worked closely with the NIC over the past year to ensure the effectiveness of the IDB projects to increase irrigated agriculture to our farmers. The Food and Agriculture Organization of the United Nations must also be commended for their support – technical and financial, in developing Rainwater Harvesting Systems to be used in Agricultural Development.

I must express deep appreciation and gratitude to the former Ministers of Agriculture & Fisheries, Dr. Christopher Tufton and Mr. Robert Montague, Permanent Secretary, Mr. Donovan Stanberry and other technocrats from the Ministry for their support and guidance. To the Ministry of Finance and the Public Service, we salute you and thank you for your continued assistance. To the Board, Management and staff of the NIC, I express appreciation for their commitment and dedication. I congratulate them for their sterling contribution to the development of the Irrigation Sector.

Finally, to our valued customers, thanks for your cooperation and understanding. Continue to participate in the training that is made available to you especially the Farmers Field School. It will put you in good stead for improved production and productivity and most importantly, assist you in marketing your produce.

To the new Minister of Agriculture, I wish you blessings as you take over the mantle of governance. I especially charge the new Board to continue the work we have begun. And as the NIC approaches its 25th anniversary, on behalf of my fellow Board colleagues, I congratulate the new Board, Management and staff on this milestone. We were happy to have played our part and wish the customers all the best in the years ahead. I am sure the NIC will continue to offer the most efficient service as they strive to improve agricultural development in Jamaica.

As I demit office as Chairman of the NIC, it was my pleasure to serve the customers as well as to work with the Management and Staff. I wish my successor the very best and offer my assistance when needed.

Best wishes to the NIC in the years ahead.

A handwritten signature in dark ink, appearing to read 'Oliver Nembhard', written over a light blue horizontal line.

Oliver Nembhard
Chairman

CHIEF EXECUTIVE OFFICER'S MESSAGE



The year under review was a good one for the National Irrigation Commission Limited (NIC) amidst challenges of rising energy costs and fiscal space. Thankfully, there were no adverse weather conditions like the previous years.

An analysis of our performance indicated a net surplus of J\$58 million, a 43% increase over the previous financial year.

It is with a sense of pride and accomplishment that I highlight some of our achievements:

- The NIC Commissioned the Colbeck Irrigation System into operation in May 2011. This is the first of five Inter-American Development Bank-funded systems to be completed. This adds a further 110 hectares of land for irrigated agriculture in Jamaica. It will serve 90 farmers.
- In November 2011, contracts totalling J\$289M

were signed with Jamaica Drip Irrigation Ltd. and Bacchus Engineering Works Ltd. for well drilling and the installation of pumps, fittings and appurtenances for two additional IDB funded irrigation projects in New Forest /Duff House and Yallahs located in Manchester and St. Thomas respectively. These projects will serve some 820 farmers on 681 hectares of land. Implementation is expected at the end of the second quarter of the 2012 financial year.

- The new Customer Relations Management System (CRMS) which was implemented last year is now operating as the primary billing system since August 2011, giving real time data and producing the bills at a much faster rate.
- The installation of the Jungle West well and pumping equipment in Clarendon to facilitate an increase in the water supply to the Spring Plain lands. Funding to the tune of J\$15M was received from the Ministry of Agriculture and Fisheries.
- Repairs to approximately 1,000 feet of pipeline were undertaken in southern Clarendon in order to facilitate the distribution of irrigation water from the Jungle West well to the southern section of the Spring Plains property. Some 600 acres of land are earmarked for development by the Agro Investment Corporation.
- The rehabilitation of the roadway to the Seven Rivers Irrigation System in St. James at a cost of approximately J\$750,000.
- The implementation of a Photovoltaic Electric Generating System at NIC's Research Station and Demonstration Plot in Hounslow, St. Elizabeth in November 2011. It provides alternative energy to the facility and is a stand-alone system which has the capacity to provide one-day autonomy, that is, one day's supply of energy. This System is independent of the Jamaica Public Service Company's grid.
- The Food and Agriculture Organization of the United Nations (FAO) provided an amount of US\$50,000 to establish Rainwater Harvesting Systems and the requisite training. This project was implemented in the Greenfield and Flagaman areas of South St. Elizabeth where 11

pilot projects were completed.

- The On-Farm Water Management Unit has utilised NIC's demonstration plots in Hounslow and Braco and provided effective training and demonstration for more than 250 farmers in On-Farm Water Management, Water Use Efficiency, Rainwater Harvesting Techniques and Agronomic Practices.
- The NIC has moved from a Level 2 to a Level 3 Public Sector Customer Service Entity and is now working assiduously at implementing the Public Sector Monitoring and Evaluation System which, upon completion, will rank the Commission among the highest category of Public Sector Customer Service Entity – Level 4.

As Chief Executive Officer, I must express my gratitude to the Board, Management and Staff for the support extended to me during this period.

I am particularly heartened by the dedication, commitment and passion displayed in the execution of their duties. They are indeed a great team and I salute them. I look forward for an even greater year as we partner in working to achieve one common goal – the delivery of the most efficient service to our valued customers.

To the past and present Ministers of Agriculture and Fisheries, your support and guidance were invaluable. The NIC benefitted from the expertise of – Dr. Christopher Tufton, Mr. Robert Montague and the Hon. Roger Clarke over the period. Their management styles may have been different but there was one common thread that could be used to describe them all – commitment and passion for the Agricultural Sector and the farmers of Jamaica.

I would also like to use this medium to thank the technocrats at our parent Ministry headed

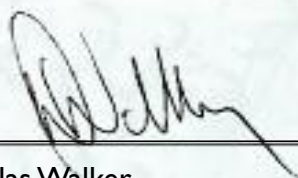
by the Permanent Secretary, Mr. Donovan Stanberry, the Ministry of Finance and the Public Service, the Planning Institute of Jamaica and all our stakeholders. We could not have succeeded without your support.

Special mention and thanks are extended to the Inter-American Development Bank, the Global Environmental Facility of the United Nations Development Fund, and the Food and Agriculture Organization of the United Nations for their financial and technical support over the past year. Without your funding there would be no new irrigation projects nor the Rainwater Harvesting projects which we are so proud of and which were badly needed in Jamaica. Your contributions have been changing the agricultural landscape and providing jobs for our farmers and their families. For this we are very grateful.

Lastly, to our valued customers, serving you has been our pleasure. We laud you for the role you have been playing in providing good quality produce to the Jamaican market and encourage you to continue to plough the fields on our behalf. You have demonstrated your dedication to Agriculture and have even embraced technology. Continue to raise your own standards and your rewards will be great.

We look forward to serving you in the years ahead as you continue to serve us.

May you enjoy the fruits of your labour.



Douglas Walker
Chief Executive Officer, NIC

EXECUTIVE DIRECTORATE



Mr. Tafari Burry
Director, Finance & Corporate
Planning



Mrs. Deirdre English Gosse
Director of Corporate & Legal
Services



Mr. Horace Reid
Acting Director of Engineering
& Technical Services



Mr. Milton Henry
Acting Project Director, National
Irrigation Development Programme



Mr. Wayne Barrett
Director of Commercial Operations

CORPORATE, LEGAL AFFAIRS AND 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; to ensure the protection of its assets and legal rights and to provide an efficient support system through general office service.**

The year under review was a challenging one for the Department because of restrictions caused by the existing economic climate and high inflation rate.

During this period, Mr. Douglas Walker was appointed as the fourth Chief Executive Officer to head the National Irrigation Commission Limited (NIC).

The current staff complement is two hundred and fifteen (215) inclusive of permanent, contracted and temporary employees.

Union

There were no union negotiations because of the wage freeze during the period under review. However, the recently concluded Heads of Agreement on behalf of the Public Sector Employees between the Ministry of Finance and the Public Service, and the Joint Confederation of Trade Unions approved a seven per cent (7%) increase for salaries that should have been paid effective April 1, 2009 to be implemented with effect from April 1, 2011. It is envisaged that there will be union negotiations in the next financial year.

Training

Despite budgetary constraints, the NIC continued to train its staff in an effort to improve productivity. Eighteen (18) persons were sent on the Performance Management Appraisal

Systems (PMAS) training course at the Management Institute for National Development.

Employees attended a number of courses chief among them were: Rainwater Harvesting, Integrated Land Management, Occupational Safety & Health in the Workplace, Climate Change Adaptation, Innovative Water Management Technologies, Innovation in Risk Management and Geographic Information Systems.

Additionally, the NIC continued to give financial support to staff members as they pursued professional studies. We commend the following staff members who successfully completed their studies:



Jeniffer Chambers
Bsc. Computing with
Management Studies



Marcia Reid
Associate Degree in
Computer Application

Secondary School / Tertiary Scholarship Awards

The Scholarship Awards Programme implemented by the NIC in collaboration with the unions representing the workers continues to assist employees with the cost of education for their children as well as encourage academic excellence. This programme is now in its fourteenth year.

Six students, five (5) Secondary and one (1) Tertiary level received scholarships totaling J\$280,000.00.

Guest speaker, Dr. Wayne Henry made an inspiring and motivational presentation to the awardees and their parents.

The awardees were as follows:

Secondary

Awardees

Shanice Brown
Shamell Ferguson
Gersandre Thompson
Mikhail McDowell
David Thomas

Parent

Tricia Bambury
Howard Ferguson
Marcia Reid
Lyndon McDowell
Michael Thomas

District

Head Office
Mid – Clarendon
Mid – Clarendon
St. Catherine
Mid – Clarendon

Tertiary

Awardee

Jovan Munroe

Parent

Andrea Munroe

District

St. Catherine



Front Row (L-R): Scholarship Awardees Jovan Munroe, Shamell Ferguson, Shanice Brown, Mikhail McDowell and David Thomas.

Back Row (L-R): Guest Speaker Dr. Wayne Henry; Gersandre Thompson; Senior Director, Human Resource Management & Administration at the Ministry of Agriculture & Fisheries, Deidre Latibeaudiere and Chief Executive Officer of the NIC, Douglas Walker.



Highest overall achiever for the second consecutive year, Gersandre Thompson receiving the Minister's cup from Ms. Deidre Latibeaudiere.

Legal Affairs

The Legal Unit which was strengthened in February 2012 with the addition of a Paralegal, continued to monitor pending legal matters internally as well as with external Counsel during the period under review. The Department was also reorganized in March 2012, a change which resulted in the reassignment of the Corporate Secretary's functions.

During the period, members of the Legal Unit attended training on Dispute Resolution, Performance Management, Labour Laws and Industrial Disputes as well as Land Titling and Registration.

In September 2011, the NIC's operating licence was renewed for a further ten year period.

Occupational Health & Safety

During the period under review, the NIC in its efforts to demonstrate its commitment to occupational health and safety appointed a new Safety Officer. Additionally, in September 2011, the NIC revisited and re-launched its Occupational Health and Safety Policy. To ensure compliance, this policy was uploaded on the intranet for easy access to all staff members.

The Safety Committee also developed an Occupational Safety and Health Plan outlining projects and activities for implementation over a one-year period.

Between September 2011 and February 2012, five (5) comprehensive Health and Safety surveys were conducted at the Rio Cobre, Operation Centre, St Dorothy, Dam Head and Mid-Clarendon locations as well as the Head Office to identify and document safety hazards and practices in order to make recommendations for corrective measures.

Safety signs were erected in locations throughout the NIC in order to create awareness in the workplace.

SECURITY MANAGEMENT

The period under review, was an active one for the Security Unit, requiring heightened security for the Commission's staff, Irrigation works and other assets,

as well as the integrity of service offered to the valued customers. Over the period, there were security concerns especially for the safety of the Field staff in the execution of their duties. In St. Catherine, the upsurge in confrontation between the Police and Spanish Town gangs contributed to the increased threat level as irrigation service areas were used as hideouts. Precautionary guidelines were circulated, security patrol was intensified in St. Catherine and staff was encouraged to maintain a high sense of security awareness.

The primary areas of attention over the period were:

- Vandalism of pump stations
- Pilfering/blockage and tampering with the systems
- Squatting

Table 1: Security Incidents during the Year

ISSUE	2011/12 Level	Previous Year Level	Remarks
Incidents of Vandalism	3	4	Decrease over prior year
Incidents of Pilfering/Tampering	8	9	Decrease over prior year

Vandalism of Pump Stations

There were two incidents of vandalism to NIC's pump stations and one failed attempt. It should be noted that in the previous year, four pump stations were vandalized. Of the two incidents, one pump station in St. Catherine was severely vandalized with the removal of several items including the pump discharge head, meter, valves, pump door and grills. In Mid-Clarendon, a Diesel pump unit was targeted as vandals forced opened the battery case and removed the battery; they also stole the exhaust manifold and hose.

Consequently, irrigation service to a number of customers was adversely affected, and the Commission was forced to incur expenditure to restore service.

We continued with the phased implementation of additional security measures to protect the equipment



Vandalism and theft at the Ebony Park Diesel Pump Station

and are anticipating that these initiatives will be a deterrent to this criminal act. In addition, it is hoped that Cabinet's decision to place a ban on the Scrap Metal trade with effect from July 2011 would restrain those who vandalize NIC's equipment with the intention of seeking metal for trade.

The Commission is resolute in protecting its stewardship of the public irrigation infrastructure.

Pilfering/Blockages/Tampering

These breaches remained relatively low during the period under review. Persons found in breach of Sections 39 and 42 of the Irrigation Act for illegal extraction of irrigation water and tampering with the irrigation system, respectively, were dealt with under NIC's Security Procedures. Security patrol of the canal system, primarily in St. Catherine was increased in an effort to prevent blocking of the canals especially by school children during the holiday periods. Additionally, warning signs were erected at strategic locations cautioning against the danger of bathing and swimming in the canal, as well as consuming the untreated water.

There were two unfortunate incidents –a child and an adult drowned while playing and swimming respectively in systems operated by the NIC.

The Commission continued to seek the assistance of the police and the respective Members of Parliament in stemming the "Canal Splash" recreational activities in some communities which at times disrupt operations in various Districts.

Squatting

In order to allow for maintenance and emergency repairs of the irrigation systems, it is necessary to create a **buffer zone or reservation** between the irrigation works and the remainder of the land. This reservation also protects adjoining property from seepage and flooding. Squatting on these reservations is therefore a serious impediment to the efficient operation of the systems. In addition, there are possible health implications of water-borne and vector-borne diseases as the irrigation water is often used for domestic purposes amidst the lack of proper sanitary conveniences in these squatter communities.

NIC's approach to this challenge has been two-fold. Firstly, we sought to prevent new squatters from settling on the canal reservations. This was monitored through regular patrol and checks by the Security Unit and the District field personnel. Secondly, an Inter-agency Committee was established with representatives from the Ministry of Health, Jamaica Constabulary Force (JCF), National Environment and Planning Agency (NEPA), the Parish Council, National Water Commission (NWC) and the National Works Agency (NWA) to address the issue of squatter settlements in Spanish Town, where this problem is most prevalent ■

OPERATIONS

CORPORATE OBJECTIVES

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

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

- Water production, distribution and invoicing to customers
- Implementation of the Energy Management Programme
- Repairs and maintenance of equipment and facilities along with the installation of customer meters and regulating gates
- Drainage system maintenance in St. Elizabeth
- Improving security of staff, plant and equipment

WATER PRODUCTION, DISTRIBUTION AND INVOICING

Distribution and Invoicing of Irrigation Water

The level of water production and invoicing along with cost and quantity of electrical energy utilized is shown in Table 1 below. During the year, the NIC produced over 80.9 million cubic metres of water while invoicing 64% of this flow. Over 71% of the flow produced was diverted from surface sources mainly in Clarendon and St. Catherine with the remaining flows being pumped. The Rio Cobre District produced 51% of the surface flows while Clarendon produced 20% of the overall discharge.

Table 1: The Water Production, Invoicing and Energy Input Costs for the Financial Year

LOCATION	Hours Pumped	Water prod. (m3)	Water Invoiced (m3)	%age Invoiced	Energy Used (kwh)	Energy Cost (\$J)	Unit Energy (kwh/m3)	Cost (\$/m ³)
Tot. (Esn. Region Pumped)	51,040	12,668,744	7,908,729	62%	2,561,267	83,296,180	0.202	6.57
Canal flow (Esn. Region)		41,771,822	30,113,108	72%				
TOT. (EAST REGION)	51,040	54,440,566	38,021,838	70%	2,561,267	83,296,180	0.047	1.53
MCID (Wells)	19,635	6,869,828			2,227,450	75,537,910	0.324	11.00
MCID River		15,474,002						
MCID (DW + RIVER)	19,635	22,343,830	9,716,117	43%	2,227,450	75,537,910	0.10	3.38
TOTAL (Western)	13,494	4,105,198	4,083,338	99%	3,179,776	79,470,797	0.775	19.36
OVERALL (pumped)	84,168	23,643,771	21,708,184	92%	7,968,493	238,304,887	0.337	10.08
GRAND TOTAL	84,168	80,889,595	51,821,293	64%	7,968,493	238,304,887	0.099	2.95

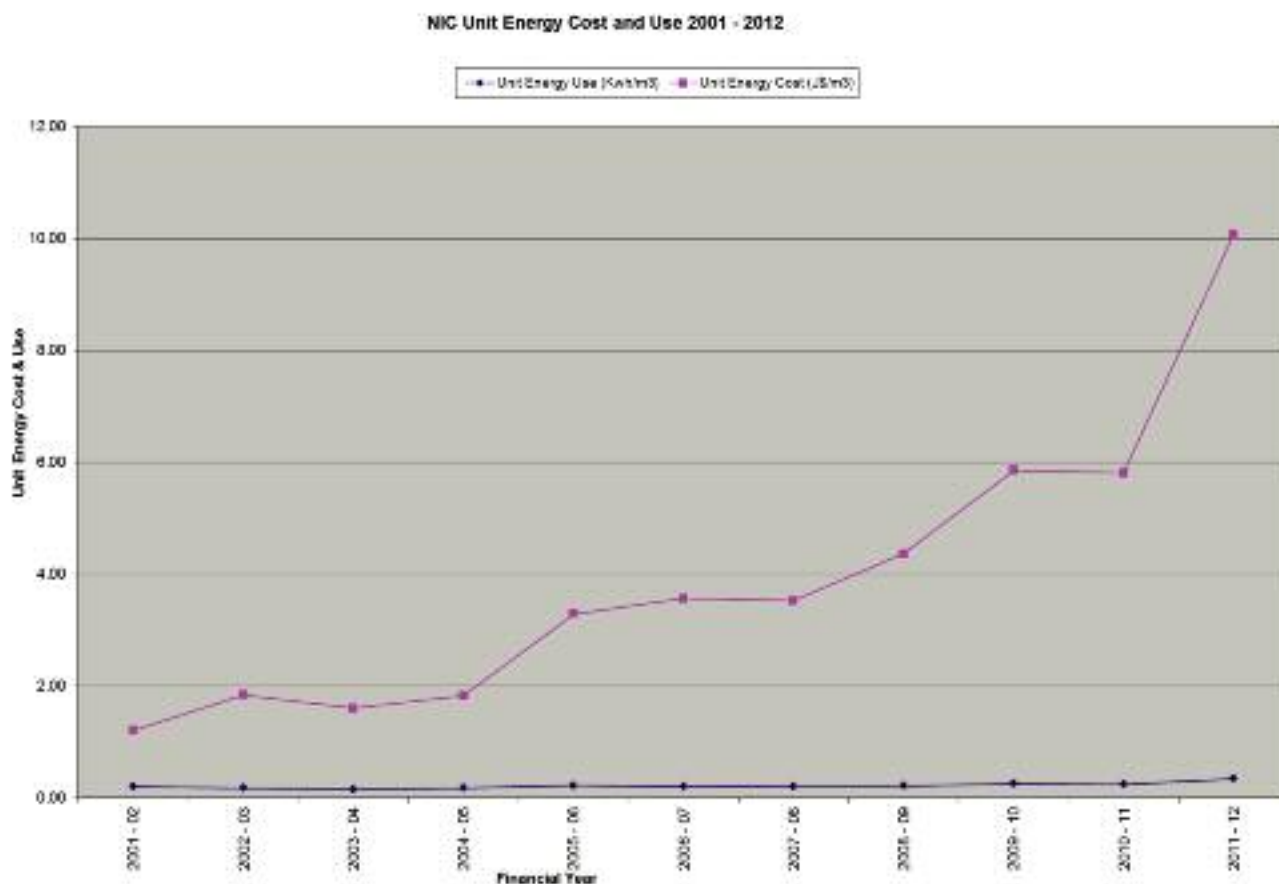
Invoicing levels varied during the year showing a high percentage – 99% – in the Western Region to a low of 43% in the Central Region (Mid-Clarendon).

The low invoicing levels in Mid-Clarendon reflected the underutilized flows diverted from the Milk River. According to the Water Resources Authority (WRA), the Milk River flows are expected to diminish over time.

Overall, water demand increased in Mid-Clarendon during the year where lands were being put back in sugarcane production.

This trend is expected to continue into the next financial year.

Fig 1: Unit Energy Cost for the Period 2001/02 – 2011/12



Energy Use and Cost

Energy cost continues to consume a major portion of NIC's finances, with a total of J\$238 million spent during the financial year resulting in a unit energy cost of \$10.08/m³ of water pumped. Comparatively, in 2010 a total of J\$182.6 million was spent resulting in a unit cost of \$5.81/m³. This unit cost increase of more than 70% has had a significant negative impact on NIC's operations.

As a response, the NIC employed several strategies to manage these increasing costs including:

- Suspension of electricity service at some pumping stations including Content in Clarendon
- Assessment of alternative energy options including the commencement of research on a wind assessment study in St. Elizabeth
- Retrofitting strategies

Specific Energy Management projects include:

Suspension of Electricity Service at Low Irrigation Demand Areas

During the year, the NIC requested and received suspension of electricity service at the Milk River #2, Parnassus and St. Jago pumping stations in Clarendon.

Photovoltaic System Installation

A stand-alone 2.7kW photovoltaic electric power generating system was installed at the Hounslow Research and Demonstration Plot, St. Elizabeth. This installation is a part of NIC's Energy Cost Reduction Strategy which provides the electricity needed for the entire research station at a cost of approximately J\$2 million.

Air Conditioning Change-Out

The NIC, through its Cost Reduction Strategy has approved the replacement of 29 standard units to the inverter type for the Head Office. An expected reduction of 31,129.92kW h annually in electrical consumption will result from the installation. Three other offices will also be included in a similar exercise with expected energy reduction of over

37,000kW h annually. It is estimated to cost the NIC J\$8 million to complete the air conditioning change out with projected savings of J\$2.3 million per annum.

Changing to LED Lighting

The accumulated energy consumption for lighting loads for four of the NIC's offices including the Head Office is estimated at 49,513.44kW h annually. Approval has been granted to change out existing fluorescent lighting to LED in an effort to reduce energy consumption and cost. These lighting projects are estimated to cost the NIC J\$5.6 million with projected savings of J\$1 million per annum with an approximate electricity reduction of 24,134kW h per year.

CIVIL WORKS

Pipeworks Maintenance and Meter Installations

The Civil Works Unit located at the Operation Center in Spanish Town carried out a range of activities during the year under review in order to improve the quality of service to consumers including:

- Installation and disconnection of water meters
- Repairs to pressurized pipes
- Canal network repairs and improvement
- Installation and disconnection of water meters

The major quantity of repairs were undertaken in the Block A – E areas of Bernard Lodge where increased agricultural activity was being realized.

Table 2: Connections, Disconnections and Re-connections undertaken by the Civil Works Team

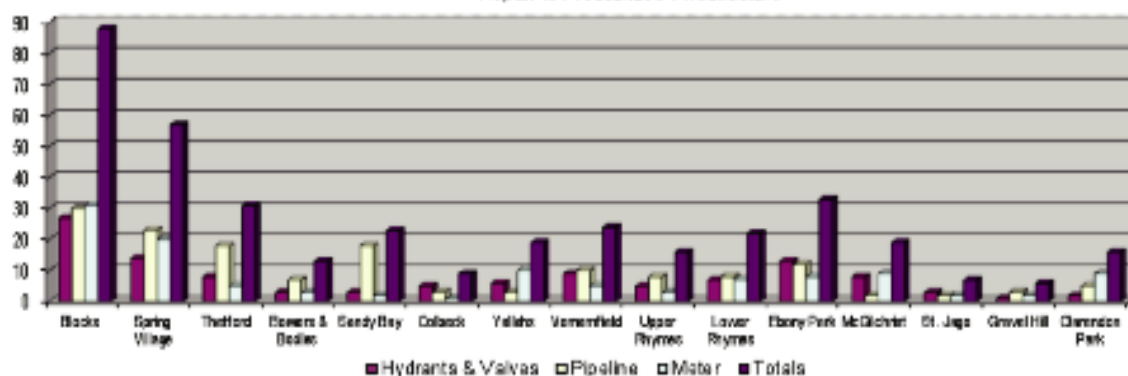
Between April 2011– March 2012

LOCATION	NEW INSTALLATION	DISCONNECTION	TERMINATED	RECONNECTION
Rio Cobre	22	1	0	5
St. Dorothy's	44	4	0	6
Yallahs	4	0	0	0
TOTAL	70	5	0	11
MCIA	16	24	0	14
GRAND TOTAL	86	29	0	25

Table 3: Some Hydrant and Valve Repairs in the Eastern and Central Region

Pressurized Repairs															
Eastern Region									Central Region						
Location	Blackia	Spring Village	Thorford	Bowers & Bodie	Sandy Bay	Colcock	Yallahs	Vernamfield	Upper Rhynes	Lower Rhynes	Elmore Park	McClintock	St. Jago	Grand Hill	Clarendon Park
Hydrants & Valves	25	14	8	5	5	5	6	9	5	7	12	8	3	1	2
Pipeline	29	23	18	7	18	3	3	10	8	8	12	2	2	3	5
Meter	21	28	5	5	2	1	18	5	3	7	8	8	2	2	8
Totals	88	57	31	13	23	9	19	24	16	22	33	19	7	6	16

Repair to Pressurized Infrastructure



Canal Improvement

The Civil Works team conducted repairs and improvement to several canals as outlined below:

Caymanas Branch

- New Nursery Aqueduct: The deteriorated flooring of the aqueduct was recast with reinforced metal fabric.
- FIDCO Breach trapezoidal canal wall was restored using stone masonry retention backing.

Old Harbour Branch

- Access way repaired
- 40 feet stone masonry wall reconstructed

SDIA Dist. B

- 400 feet of canal were heightened to accommodate increased volume for new sump station for Brampton Farms in St. Dorothy.

SDIA Main Canal

- 305 feet of canal were repaired using rubble stone packed hardcore with 4" thick reinforced concrete. Patching of cracks was done with plastic roof cement and mosquito mesh.

Old Milk River Canal

- Old Milk River Canal repaired to include recasting sections with rubble stone and concrete hack and patch. Replacing 23 meters of canal with 900 mm High Density Polyethylene (HDPE) drain pipe. Leaking siphon was also repaired.



St. Dorothy Main Canal with damaged section under repair



St. Dorothy Main Canal repaired

OTHER DISTRICT ACTIVITIES

During the year, the Operations team at the District Level executed several programmes aimed at delivering benefits to customers throughout the island.

Table 4 – Summary of other District activities

Location	Programme	Purpose	Result
Western Region	Polyethylene (Black) distribution	Improve storage and drip irrigation	74 600-gallon water tanks distributed to farmers in St. Elizabeth.
	Drain cleaning	Lower flood risk	40,000 meters of drains cleaned in the Upper and Lower Morass Drainage area.
	Land preparation assistance	Improve land preparation	Ploughing of 87.5 hectares of land at subsidized cost in Hounslow.
Eastern Region	Staff Training	Improve staff capacity	System operators were given a refresher course in Meter Reading and Customer Service.
Central Region	Sugar Transformation	Improve irrigation efficiency	Vernamfield system plans completed by Operations team, with irrigation designs done by NIDP Design Engineer. Planning work at Rhymesbury is underway.
	System Rehabilitation	Increase production area	Jungle West pump station rehabilitated at a cost of \$20 million to serve 200 acres of land in Spring Plain.



Black tank drip irrigation system in operation

MECHANICAL/ELECTRICAL SERVICES INCLUDING WORKSHOP OPERATION

The Electrical/Mechanical Department continued to play a pivotal role in the delivery of services to NIC consumers by making contribution in areas of:

- Pumping station repairs and maintenance
- Preventative Maintenance (PM) programmes
- Fabrication and installation of gates and flumes

The Electrical and Mechanical Preventative Maintenance (PM) programmes were undertaken by NIC staff; these maintenance checks are now up to date. The irrigation schemes experienced motor failures at some stations including Hounslow 1, Jacob Hut #3, Sandy Bay and Clifton 5. All stations have been returned to service except Clifton 5 which needs additional work namely, well assessment and rehabilitation.



Recently cleaned drain in the Upper Morass, Black River

Major Mechanical Works addressed included:

- Removal, repairs and replacement of the Bowers turbine unit
- Servicing of the six main gates at Dam Head
- Activation of the Dragline for river cleaning at Dam Head and the Micro Dam in Mid-Clarendon

The workshop produced and installed 74 sluice gates of various sizes along with 10 Parshall Flumes. These pieces of equipment have assisted in improving water measurement as well as the regulation of the irrigation flows in Clarendon and St. Catherine.

Both the Hounslow and St. Dorothy offices were grilled to improve security at these locations. The 125 Kw Dow-Warner generator that was once idle in the stockyard at St. Dorothy was rehabilitated and an automatic transfer switch installed to ensure back-up supply of power for the St. Dorothy compound ■

NATIONAL IRRIGATION DEVELOPMENT PROGRAMME (NIDP)

C O R P O R A T E O B J E C T I V E S

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

Master Plan

In 1998 the Government of Jamaica (GOJ), through the National Irrigation Commission Limited (NIC), 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 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:

- The preparation of a Master Plan
- Feasibility Studies on selected priority projects from the Master Plan
- The preparation of a Land and Water Atlas for Jamaica (GIS)

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

- Review of the state of agricultural production with irrigation development
- Recommendations on irrigation policy and strategies to successfully implement the NIDP
- Proposals for institutional strengthening
- Generic environmental assessment on the irrigation sector
- Identification of projects and ranking them in order of priority
- A training programme in irrigation management

The NIDP was designed with the intention of recovering the Operation and Maintenance (O&M) costs

of new and rehabilitated irrigation systems. The NIDP evaluated over 125 projects island-wide and recommended 51 of these projects at a construction cost of US\$106.3 million.

The NIDP aimed to:

- Increase the presently irrigated area of 25,000 ha by some 60% (15,000 ha) and directly benefit over 6,900 farm families.
- Generate an average increase of US\$55 million in annual income consisting of US\$32 million income to farm families and US\$23 million in wages to farm labour.
- 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 regional, national and local levels was considered essential; hence, special emphasis was placed on Stakeholder Consultation. Continued development in this sector was 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 continue to 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.

NIDP Funding Support and Proposed Beneficiaries

In addition to GOJ funding, the NIDP has also received financial support to the tune of 80% of total

cost from the Caribbean Development Bank (CDB) and the Inter-American Development Bank (IDB) to fund several projects under the NIDP.

Table 1: CDB & IDB projects showing the areas covered and number of beneficiaries.

Funding Source	Sum (US\$) *millions	Scheme	Land Area (ha)	No. of Farmers	Status of Infrastructure Implementation
CDB/GOJ	12.0	Seven Rivers, St. James	32	36	Completed
		Beacon/Little Pk., St. Elizabeth	500	360	Completed
		Hounslow Rehab., St. Elizabeth	486	420	Completed
IDB/GOJ	21.0	Colbeck, St. Catherine	110	90	Completed
		New Forest, Manchester	400	400	In progress
		Yallahs, St. Thomas	301	435	In progress
		Essex Valley, St. Elizabeth	400	400	At feasibility
		St. Dorothy, St. Catherine	500	100	At feasibility
TOTAL	33.0		2729	2241	

Project Organisation

This comprises both a Project Steering Committee (PSC) and a Project Implementation Unit (PIU). Lead by NIC's Chairman, the PSC comprises stakeholders such as farmers, representatives from the relevant Government Ministries, the Planning Institute of Jamaica (PIOJ), the Department of Co-operative & Friendly Societies (DCFS), the National Land Agency (NLA) and the Land Administration and Management Programme (LAMP). It has been established to oversee and monitor the progress of the implementation of the NIDP projects. During the year under review, the PSC met three times.

The major issues discussed included:

- Programme for completing infrastructure and other works
- Technical assistance and work being done through the Memoranda of Understanding (MOUs) with Agricultural Support Services Project (ASSP)/ Agro-investment Corporation (AIC), LAMP and NLA
- Finalization of the WUA accounts allowing for the holding of Annual General Meetings (AGMs)
- Close out report for the CDB Projects

CDB FUNDED FLAGSHIP PROJECTS

The GOJ and the CDB funded three 'Flagship' Projects to the tune of US\$12 million as follows:

- Pedro Plains (Beacon/Little Park), St. Elizabeth – Construction of a pressurized system
- Hounslow Rehab. System –St. Elizabeth
- Seven Rivers, St. James – Construction of a gravity system

As envisaged under the programme, infrastructure works on all three projects were completed and the schemes are in operation. WUAs have been established in all 3 schemes since 2007 and subsequent AGMs held. The NIC in collaboration with the Ministry of Agriculture & Fisheries (MOA&F) significantly expanded the areas under production in the Hounslow and Beacon/Little Park Schemes through the Ministry's Production and Productivity Programme. The main crops grown in the project area included tomato, irish potatoes, peppers and watermelon.

The CDB Projects also included a Land Regularization programme, established as a part of the MOU with the LAMP and the NLA. To date, a total of 19 titles have been issued from the 65 requested by lot holders in the Beacon/Little Park area.

Table 2: Profile of the CDB Schemes

Scheme	Type	Flow (mcm/yr)	Pipeline length (km)	Water Sources	Remarks
Beacon/Little Park	Pressurized	2.68	32	3 wells	New
Hounslow	Pressurized	3.47	17	5 wells	Rehab
Seven Rivers	Gravity	0.13	5.5	River flow	New

Provision of On-Farm Equipment

The provision of on-farm equipment for the beneficiaries was a critical deliverable under the CDB Project. This was to ensure that the goal of improved irrigation efficiency and productivity was achieved. To date, a total of 144 farmers were provided with one (1) acre of drip irrigation equipment under a credit facility that forms part of the project funding arrangements.

Prior to accepting the drip equipment, farmers also received training in the installation, operation and maintenance of the systems. Additionally, these farmers were taught the proper methods to apply fertilizer and other inputs through these systems.

Training and Technical Assistance

One critical component of CDB funded projects was the provision of Agricultural Technical Services (ATS). Consequently, the NIC hired a Consultant Agronomist on a one-year contract in July 2010 to provide both farmer training and technical assistance. This consultant conducted several training courses in:

- Weed control
- Pesticide use
- Improvement in watermelon production

A total of 5 training sessions involving 120 farmers were conducted. Improvement to the Hounslow

Research Station and the utilization of demonstration plots for training formed part of the agronomic delivery.

Remaining Project Items

Despite several outstanding items, the project close out was initiated during the period 2011/12. Having completed all the infrastructure work and established the WUAs, the remaining items under this project include:

- Completion of the ATS Component
- Procurement of spares for the pumping stations
- Remaining land titles
- Transferring flows from Hounslow 5 to augment supplies to the Beacon/Little Park project area

IDB FUNDED PROJECTS

The IDB funded programme was signed on May 27, 2005 with the NIC being the Executing Agency. The full project cost is US\$21 million of which the IDB contributes 80% and the remaining 20% is provided by the GOJ. Due to the delay in project start-up and other challenges, the project disbursement period has been extended; the current date for final disbursement is now October 31, 2012. The projects located in five designated areas islandwide viz:

- Yallahs (St. Thomas)
- Colbeck (St. Catherine)
- New Forest/Duff House (Manchester)
- Essex Valley (St. Elizabeth)
- St. Dorothy's (St. Catherine).

Overview of IDB Programme

The main outcome indicators of the successful completion of this programme are the incremental increase in irrigated areas of high-valued crop production of approximately 1,700 hectares benefiting about 1,000 farmers along with the establishment of WUAs to operate and maintain those schemes. The project will increase in farming income as a result of the introduction of new crops, increases in yields and cropping intensity.

The following are to be achieved with the implementation:

- Irrigation systems to be operated and maintained by fully autonomous, self-sustained and viable WUAs
- Improvement in environmental management in the designated schemes

- Majority farmers have registered land titles or leases that will grant them WUAs membership and also access to credit financing
- NIC's role redefined to one of planning, regulation and monitoring.

This project has employed a highly integrated approach to project development in an attempt to achieve sustainability. Its full and successful delivery is dependent on implementing effectively four (4) components namely: Institutional Strengthening of the NIC, Promotion and Formation of WUAs, Farmer Technical Assistance and Training and the Provision of Irrigation Infrastructure for five (5) irrigation projects.

The remainder of the report details the achievements at the end of the financial year under the Project Components as in Table 3 below:

Table 3: Components of IDB Projects

	Component I	Component II	Component III	Component IV
Title	Institutional Strengthening of NIC	Formation of Water Users Associations (WUAs)	Farmer Technical Assistance & Training	Provision of Irrigation Infrastructure
Objective	Strengthening of NIC Capacity & facilitate re-organization	Establish WUAs in each system and eventually facilitate transfer of O&M	Provide training to 1000 farmers as well as develop 30 lead farmers	Install irrigation infrastructure and complete land regularization in 5 schemes
Status on Main activities to date	<ul style="list-style-type: none"> • Billing system strengthened • Business Strategy tenders completed. 	<ul style="list-style-type: none"> • 3 WUAs established • Several training exercises completed 	<ul style="list-style-type: none"> • Lead farmers selected and the commencement of training in Farmer Field School (FFS) methodology. • Over 300 farmers also trained in other activities. 	<ul style="list-style-type: none"> • Colbeck: 100% System has been commissioned. • New Forest: 35% • Yallahs: 20%. Several contracts were signed for the supply and installation of pumps, motors, control centres, pipes, fittings, ancillary works and construction of pump houses. All wells have been completed.
Amount spent to date (JS)	66,552,966.72	42,563,967.74	15,399,309.5	538,672,654.73

Component 1: Institutional Strengthening of the NIC

The objective of this Component is to strengthen NIC's capacity for Irrigation Management as well as to facilitate the re-organization of NIC to focus on planning and monitoring within the irrigation sub-sector.

During the year the following were achieved.

- The roll out of the Customer Relationship Management System (CRMS) to the relevant Departments within NIC. This Contract valued at US\$149,000 was awarded to Infotech Caribbean. It has enhanced NIC's Information System (IS) capabilities and improved the delivery of real time data to our customers.
- The NIDP awarded a contract to consultant Deloitte and Touche to develop NIC's 5-year Business Plan.
- The procurement of computer hardware and software. These included GPS equipment and 83 software licences purchased from CITO.

Component 2: Promotion and Formation of WUAs

Outputs from this Component aim to establish WUAs for each NIDP Scheme, with the capacity to share in the operation and maintenance of the irrigation systems.

Since October 2007, WUAs in Colbeck, New Forest/Duff House and Yallahs have been registered under the Friendly Societies Act as Irrigation Specially Authorized Societies (ISAS). In June 2009, a Memorandum of Understanding (MOU) was signed between the NIC and the Colbeck WUA. During the year, this MOU was enhanced by the preparation of an Addendum to further clarify the roles of both parties.

Having completed the WUA's office buildings at Yallahs, Colbeck and New Forest/Duff House, the NIDP is now focusing on furnishing these buildings.

The membership as at March 30, 2012 in each WUA is outlined in Table 4 below:

Table 4: Membership of WUAs – NIDP

Scheme	Loan Agency	Parish	Total WUA Membership	Males	Females	Members above 55 yrs	Status of 2011 Financial Audit
Yallahs	IDB	St. Thomas	85	70%	30%	65%	DCFS completing audit
New Forest/ Duff House	IDB	Manchester	160	80%	20%	10%	Financial records not yet submitted
Colbeck	IDB	St. Catherine	50	75%	25%	65%	Financial records not yet submitted
Beacon/Little Park	CDB	St. Elizabeth	126	80%	20%	10%	DCFS awaiting financial data
Hounslow	CDB	St. Elizabeth	21	70%	30%	50%	DCFS awaiting financial data
Seven Rivers	CDB	St. James	50	80%	20%	60%	Financial data submitted to DCFS

Component 3: Farmer's Technical Assistance and Training

The aim of this Component is to support farmers' economic activities through training in the correct use of agricultural and marketing techniques. The main outcomes under this Component include:

- Management of the MOU between NIC and AIC to provide Agribusiness Services, training of 30 lead farmers in modern and effective extension methodology
- Development of an annual training plan to include training of 200 lead farmers and the provision of Technical Assistance to an additional 1,000 farmers
- Provision of Environmental Management Training to 1,000 farmers

Resulting from the mid-term evaluation of the Project was the formation of the Consolidated Action Plan (CAP). This was formulated to address concerns with Components II and III. Recent evaluation of the three (3) IDB funded projects namely: Colbeck (St. Catherine), New Forest/Duff House (Manchester) and Yallah (St. Thomas) supported recommendations pertaining to irrigation development, agricultural production and building capacities within the legally constituted NIDP ISAS. The selection of crops presently grown by farmers and those ideally suited to the project areas was highlighted and evaluated against the background of justifying the added costs of irrigated agriculture vis-à-vis the gross revenue for the farm family.

Additionally, deliverables to be met within the specified time period of ten (10) months to October 31, 2012 were agreed upon and the agricultural extension machinery of the Rural Agricultural Development Authority (RADA) in collaboration with that of the NIC was chosen as the vehicle for achieving the stated objectives.

These are:

- The ISAS are strengthened as federative farmers' groups
- Farmer groups are empowered to mobilize

ad-hoc technical services

- Farmers are empowered to explore marketing ventures through their ISAS
- Training in On-Farm Irrigation Equipment is accessible to farmers
- The establishment of a Jamaican Irrigated Agriculture Framework



A Lead Farmers Training Workshop in Colbeck by Facilitator, Mr. Dean Passard

Component 4: Provision of Irrigation Infrastructure

The objective of this Component is to construct and/or rehabilitate 5 irrigation projects and complete required Pre-investment studies.

The major components are:

- Construction of five projects, including Feasibility Studies for Essex Valley & St. Dorothy
- Pre-feasibility studies on Mid-Clarendon and Rio Cobre
- Execution of MOUs with NLA and LAMP for Land Regularization

During the year under review, the NIDP experienced challenges but still managed to achieve some key targets in the implementation of the irrigation infrastructure, as mentioned below.

Colbeck, St. Catherine

Vandalism of this system on three (3) different occasions during the previous year, resulted in significant damage to the motor control panel. These were subsequently replaced with the inclusion of additional security measures to reduce the risk of future vandalism.

Notwithstanding, the system was commissioned on May 11, 2011.



Commissioning of the Colbeck Irrigation System by former Prime Minister of Jamaica, Bruce Golding.

New Forest/Duff House, Manchester

Subsequent to the successful completion of the well drilling programme and the requisite operating licences obtained from the Water Resources Authority (WRA), the following have been achieved:

- **Replacement Well (J\$32.5 million).** A contract was signed with Jamaica Wells for the drilling of a replacement well. The work was effected during the period.
- **Supply and Installation of 3 pumps (J\$77.3 million).** The NIC signed a contract with Y.P. Seaton and Associates for the supply of 3 pumps to serve the New Forest area. The pumps were delivered in August 2011, however, due to several technical challenges, only two are now being considered for use in one of the original wells and the other in the replacement well.
- **Supply of Pipes (J\$100.01 million).** The contract was awarded to Jamaica Drip Irrigation Ltd. which has since supplied the pipes.
- **Installation of Pipes (J\$151.5 million).** Three contracts for installation of pipes and fittings for the works in Blocks A, B and C were signed with Jamaica Drip Irrigation Ltd. on November 22, 2011. Excavation for the installation of pipework commenced on March 9, 2012.

Yallahs, St. Thomas

- **Well Drilling Programme.** This programme for Lot 1 has been completed with the drilling of two of the three wells. The overall cost was J\$25.98 million.
- **Supply of Pipes (J\$51.2 million).** A contract with Jamaica Drip Irrigation Ltd. was signed on November 22, 2011, for the supply of pipes and fittings. Majority of the items have been delivered. This contract is expected to benefit 311 farmers on 245 hectares of land.
- **Supply and Installation of Pumps (J\$39 million).** A contract with Jamaica Drip Irrigation Ltd. was signed on November 22, 2011 for the supply and installation of pumps, motors, pump manifold, control centres and construction of pump houses. Construction of the pump house has commenced.
- **Installation of Pipes and Fittings and Ancillary Works (J\$47 million).** A contract with Bacchus Engineering Works Limited was also signed on November 22, 2011. The Contractor was mobilised and is to commence work in the first quarter of 2012/13.
- **Pre-Investment Studies, Essex Valley & St. Dorothy (US\$249,000).** The contract to address these works was signed with Hydroplan. The scope of work was changed during the year following recommendation from the advance report that focus should be on Essex Valley as the St. Dorothy area is being challenged by land use issues. Completion of this project is critical to the finalization of future irrigation infrastructure in Essex Valley.

Irrigation Area Land Regularization

The cadastral mapping work undertaken by contractor Llewelyn Allen & Associates has been completed in the Yallahs and New Forest/Duff House project areas. A total of 22 Cadastral Map Sheets were submitted to the NLA; these have been checked and approved.

Map Sheet submissions:

- **Yallahs:** Eleven (11) map sheets comprising 498 parcels.
- **New Forest/ Duff House:** Eleven (11) map sheets comprising 562 parcels. Work continued with easement surveys which are required to facilitate the pipeline installation. Files opened in the New Forest/Duff House area by LAMP are to be processed for Land Titling as soon as the Cadastral Mapping exercise is completed.
- **Colbeck:** Facilitating the submission of transfer documents, payments for and receipt of titles to aid with the land regularization process are ongoing. To date, ninety (90) lots have been approved by the Parish Council. Fifty (50) of these have been issued to lot holders by LAMP ■

INFORMATION SYSTEMS

CORPORATE OBJECTIVES

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

The Information Technology work plan for the period under review included:

- Planning and organization of Information Technology (IT) resources and activities to support NIC's business strategies and priorities
- Acquisition and implementation of technology and processes to achieve business objectives
- Delivery and support of IT services

Planning and Organization of IT Resources

Information Technology Strategic Plan

The IT Strategic Plan for the Financial Year was updated to direct IT resources in line with NIC's Business Strategy. Under this Strategy, the Departmental objectives for the reporting period were to:

- Continue the transition from the use of manual systems to Computer Based Information (CBI) Systems.
- Deliver timely, efficient and cost effective CBI Systems to reduce operational costs through improved efficiencies
- Ensure the coordination of NIC's business activities through the integration of 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.

During the period, the target was met with over ninety percent (90%) of the objectives supporting NIC's Business Strategies.

The updates included:

1. Technological Direction

The Department continued to use computer network infrastructure to support business processes of Financial Management and Reporting, Customer Information and Billing, Electronic Corporate Collaboration and Operation Reporting.

The goal for the period was to ensure compatibility of computer network infrastructure. There was no deviation from the infrastructure plan and all business process applications were compliant with infrastructure.

2. Management of IT Resources

Activities were strategized on an annual planning budget of J\$10,965,500.00 as follows:

Item	Estimate JS
Computer, Application support, Security	9,851,900.00
Network & Internet	1,113,600.00

Actual IT expenditure for the Financial Year was J\$5,573,807.00 as depicted below:

Item	Estimate JS
Computer, Application support, Security	4,524,515.00
Network & Internet	1,049,292.00

Due to budgetary limitations, activities were based on priorities and expanding the useful life of some computer hardware that were on the replacement list.

3. Update of IT Policies and Enforcement

Major changes to the IT policy and enforcement affected areas of corporate e-mail policy and practice, corporate Internet use policy and user responsibilities and security.

Acquisition and Implementation of Technology and Processes

Maintenance of New Customer Relationship Management System (CRMS)

The CRMS application met the business requirements of maintaining customer information and billing of irrigation water delivery.

With implementation started the previous year, the focus for the period was on maintenance and operation. Final data import from the legacy system was completed in the first quarter. The following records were imported and verified:

Category	Number	Comment
Customers	3054	Including Drainage
Customer Accounts	3424	Including Drainage
Connections	3156	
Equipment	3161	
Meter History	27875	12 Months History to April 2010

Following the import, parallel billing with the new CRMS as a secondary system was performed for three (3) months. During this period, data imported glitches were resolved. In August 2011, the switch was made with the new CRMS as the primary billing application and the legacy as the secondary system for another three (3) months up to November 2011. Four incidents related to invoice output and reporting were identified and resolution effected.

User satisfaction up to March 2012 was estimated at 80%, with issues of two (2) reporting outputs and slow response time/performance over the Wide Area Network (WAN).

The planned resolution after consultation included:

- Redesigning of reports
- Widening of Network Bandwidth

Delivering and Supporting of IT Resources Services

Performance and Capacity Management

For the period, the availability of IT resources to support NIC's business requirements continued as a priority.

On the business application side, renewal agreements for support and upgrades were honoured for Financial Management and Customer Information & Billing. To facilitate computer hardware availability at minimum cost, there were five (5) replacement printers that included two (2) large multi-functions (printer/copier/scanner) and one (1) large colour printer for the Operations Department and five (5) replacement computers.

Assessment of performance during the period showed zero-hour downtime per month due to response time from business application support for Financial and Customer Management. At the Head Office, there was zero-hour downtime for printing per month because of the availability of alternatives. At the District Offices however, there was an average of one hour per month lost to full printing services. This was addressed by replacing the hardware.

System Security

The maintenance of information integrity and protection of IT assets was a major procedure. The aim was to minimize the impact of vulnerabilities on the business process. This involved several activities:

- I. The application of security standards regarding information / network access and authorization.
- II. Maintenance of anti-virus contracts and updates including e-mail and web security.
- III. Enforcement of NIC's policy as it relates to

protection of physical assets for computer and network infrastructure.

During the period under review:

- No incident of information access breach was reported
- No network downtime resulting from malicious software / virus; the Anti-virus was able to capture and remove those found or reported
- The activity reported for e-mail showed a weekly average of 4700 e-mails with 11% showing as Spam & Phish. However, these were prevented from affecting internal users ■

COMMERCIAL

CORPORATE OBJECTIVES

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

Water Sales and Drainage

Water sales and drainage charges for the year under review increased by approximately 61% or from J\$211.1 million to J\$339.6 million.

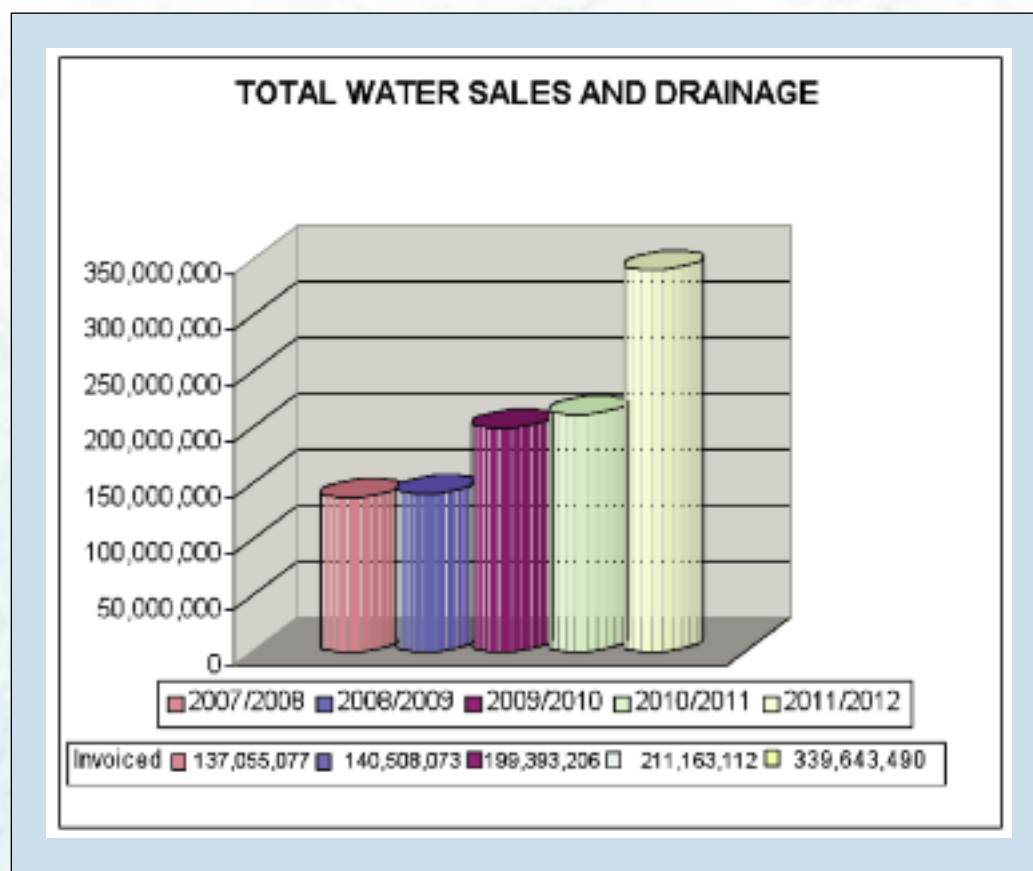
This increase can be attributed to:

- (a) A twenty-five percent (25%) increase in irrigation rates for agricultural users and a fifty percent (50%) rate increase for non-agricultural users that became effective on April 1, 2011
- (b) Increase in sugarcane production resulting from re-engaging lands that had fallen out of production, especially in the Mid-Clarendon area; this led to

an increase in the demand for irrigation water. The percentage rate of collection remained in the nineties.

Optimizing revenue collection has been one of the Department's top priorities. To this end, the National Irrigation Commission Limited (NIC) continues to accommodate its credit challenged customers through its payment arrangement facility as well as other collection strategies all geared towards increased revenue collections.

The NIC's levels of invoicing for the Financial Years 2007/8 to 2011/12 are outlined in the chart below:



Customer Service

The NIC continues its effort to make the customer service experience a game changing one by offering quality service.

The new Customer Relationship Management System (CRMS) that was implemented last year has greatly enhanced the customer service experience through increased timeliness and efficiency of the different business processes. The feedback from customers has been very positive.

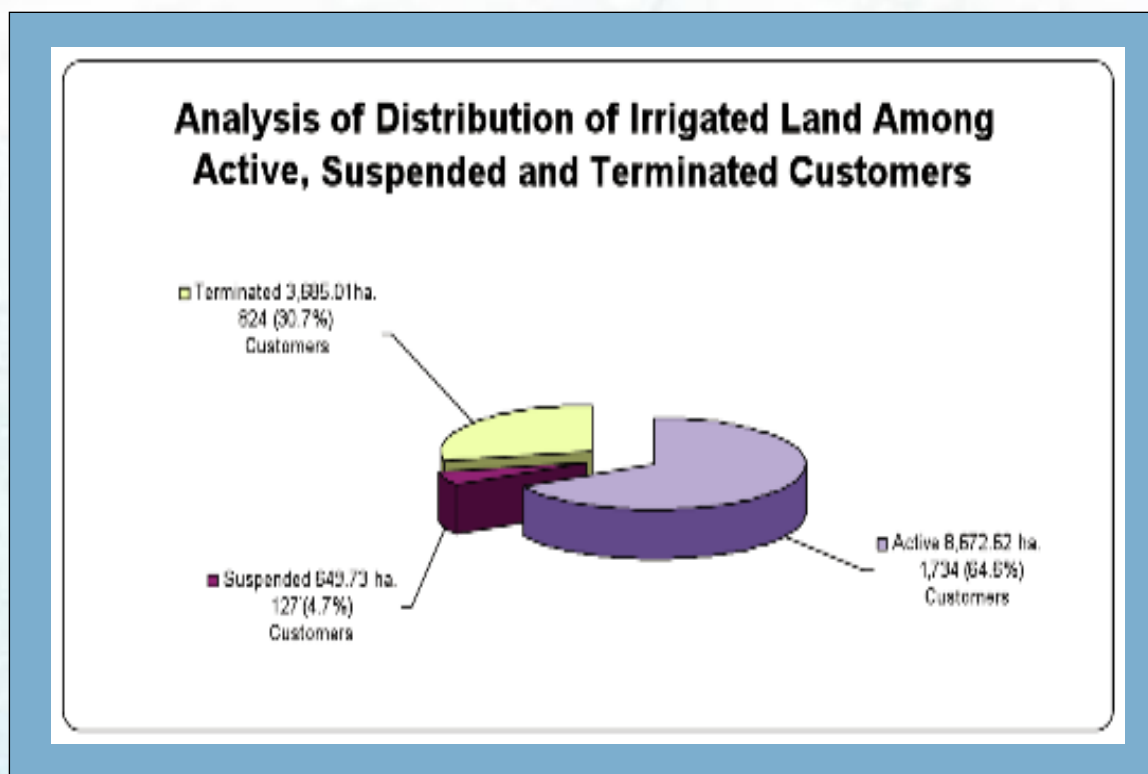
The NIC continues in its efforts to enhance the efficiency with which services are delivered, thereby greatly enhancing the customer service experience. Consequently, training of all frontline staff in a Technical Review of New Water Meters, Billing, Measurements and Tabulations was conducted in

February 2012. A review of their commercial role, functions and expectations was also done, the result of which is expected to translate into optimal service delivery.

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 2,685 occupying 13,007.36 hectares of land, 64.6% or 1,734 customers on 8,672.62 hectares were active, 4.7% or 127 customers on 649.73 hectares were suspended and 30.7% or 824 customers on 3,685.01 hectares were terminated.

The number of active customers increased from 1,437 in the previous year to 1,734, reflecting a 21% increase.



Initiatives

In its quest to expand the customer base and increase areas under irrigation, the NIC is developing two new irrigation schemes under the National Irrigation Development Programme. These schemes are expected to be completed in the new financial year. They are the New Forest/Duff House and Yallahs Irrigation Schemes. This will have the effect of engaging approximately 640 new customers on 742 hectares of land for irrigation.

Complaints

Customer satisfaction has been another of the NIC's key priority; as such, efforts to improve service delivery are on-going. During the year under review, seven (7) major complaints were received in the Eastern Region; all were resolved within the guaranteed time. Complaints received in the Western Region were minimal and all were resolved in a timely manner.

IRRIGATION WATER APPLICATIONS

New Project Areas

The new project areas, Beacon/Little Park in St. Elizabeth and Seven Rivers in St. James continued to experience growth in the number of customers as well as hectares under production. At the end of March 2012, Beacon / Little Park Irrigation System had 267 customers on 380.18 hectares of land, an overall increase of 10% and 14% respectively. The Seven Rivers Irrigation System now has 17 customers on 17.30 hectares of land, an increase of 1% and 16% respectively.

Hounslow Rehabilitated System

Due to the rehabilitation of this system, distribution efficiency has been greatly improved, resulting in better service delivery to customers in this area.

Colbeck

The Colbeck Irrigation System is now fully operational with 24 customers utilizing 36.50 hectares of land. Irrigable potential for this area is 110 hectares with 90 prospective users.

Eastern Region

Applications received for the year under review were as follows:

- (1) Seventy (70) were approved
- (2) Fourteen (14) were awaiting approval

The applications received during the period accounted for 123.2 hectares of land.

Western Region

One hundred and sixteen (116) applications were received for the Western Region. They are broken down as follows:

- (1) Eighty-five (85) were approved
- (2) Thirty-one (31) were awaiting approval

These applications accounted for 282.90 hectares of land ■

FINANCE AND 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 earned a surplus of approximately \$58M in the 2011/2012 financial year. This surplus represents an \$18M or 43% increase on the \$40M surplus earned in the prior year. Revenue from our core business (water sales and drainage charges) increased significantly by \$128.7M or 61% over that earned in the prior year.

Increased revenue was driven primarily by higher irrigation rates that were effected on April 1, 2011. The Government of Jamaica (GOJ) increased its subvention to the Commission by 30% or \$153M thereby further enhancing total revenue. The increased GOJ support was used to offset Jamaica Public Service Company's (JPSCo's) arrears from the 2010/2011 fiscal year approximating \$100M as well as to extinguish 50% or \$60M of the previously \$120M Financial Sector Adjustment Company (FINSAC) debt.

Operating costs increased by 17% or \$103M from \$609M in the prior year to \$712M in the current year. Increased operating costs were driven by a \$69M or 35% increase in pump electricity costs as well as a \$24M or 10% increase in salaries and related expenses. Increased electricity costs were attributable to an 18% increase in the average kilowatt hour cost of electricity during the year as well as a 15% increase in electricity usage compared to the prior year.

Similarly, administration expenses also increased significantly by \$83M or 54%. Contributing to the increase recorded in administration expenses was a \$58M increase in the pension benefit cost arising from the March 31, 2012 International Accounting Standards (IAS) 19 Actuarial Valuation of the NIC's

Defined Pension Plan. In addition, the payment of a GOJ sanctioned 7% increase in salaries was also a significant contributory factor to the overall increase in salaries and wages.

Total assets declined by \$19M or 1.5% when compared to the prior year. This reduction was against the background of acquisitions of property, plant and equipment during the year totaling \$47M. The impact of this acquisition was mitigated by depreciation charges of \$45M as well as a \$36M or 37% reduction in the Deferred Tax asset.

Total liabilities declined by 10% or \$77M. This reduction was facilitated by the repayment of \$60M of the FINSAC debt as well as a reduction of \$63M or 39% in accounts payable and accrued charges. These reductions were made possible by additional GOJ financing that helped to defray approximately \$100M of JPS arrears as previously mentioned. Overall, the impact of these reductions was mitigated by a \$33M increase in GOJ Project Advances which reflects funding available to undertake the National Irrigation Development Programme (NIDP).

The foregoing has resulted in a slight deterioration in the Commission's current assets ratio from 1.12:1 in the prior year to 1.05:1 in the current financial year.

The surplus of \$58M earned during the financial year resulted in a 60% and an 11% increase in the accumulated surplus and shareholders' equity respectively.

Highlights of International Financial Reporting Standards (IFRS)

For the year ended March 31, 2012, certain new, revised and amended standards and interpretations came into effect. Those that were relevant to the

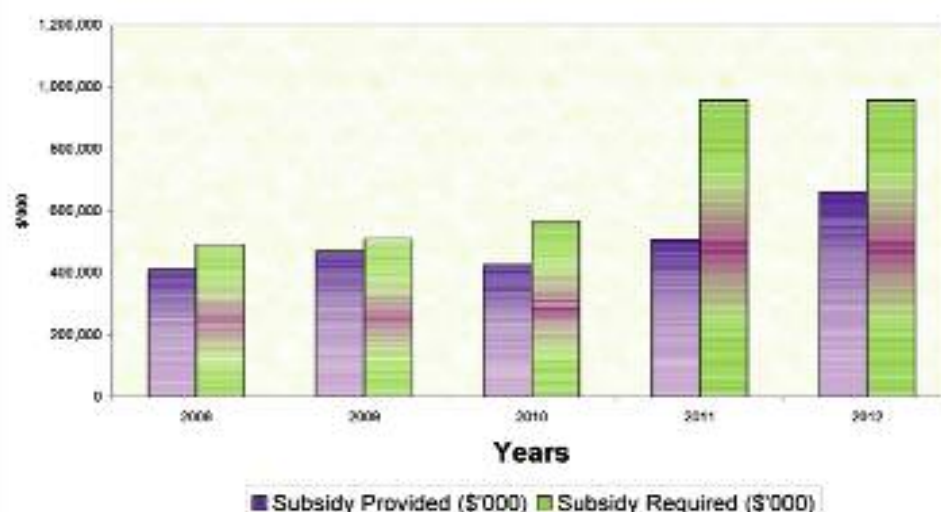
Company are as follows:

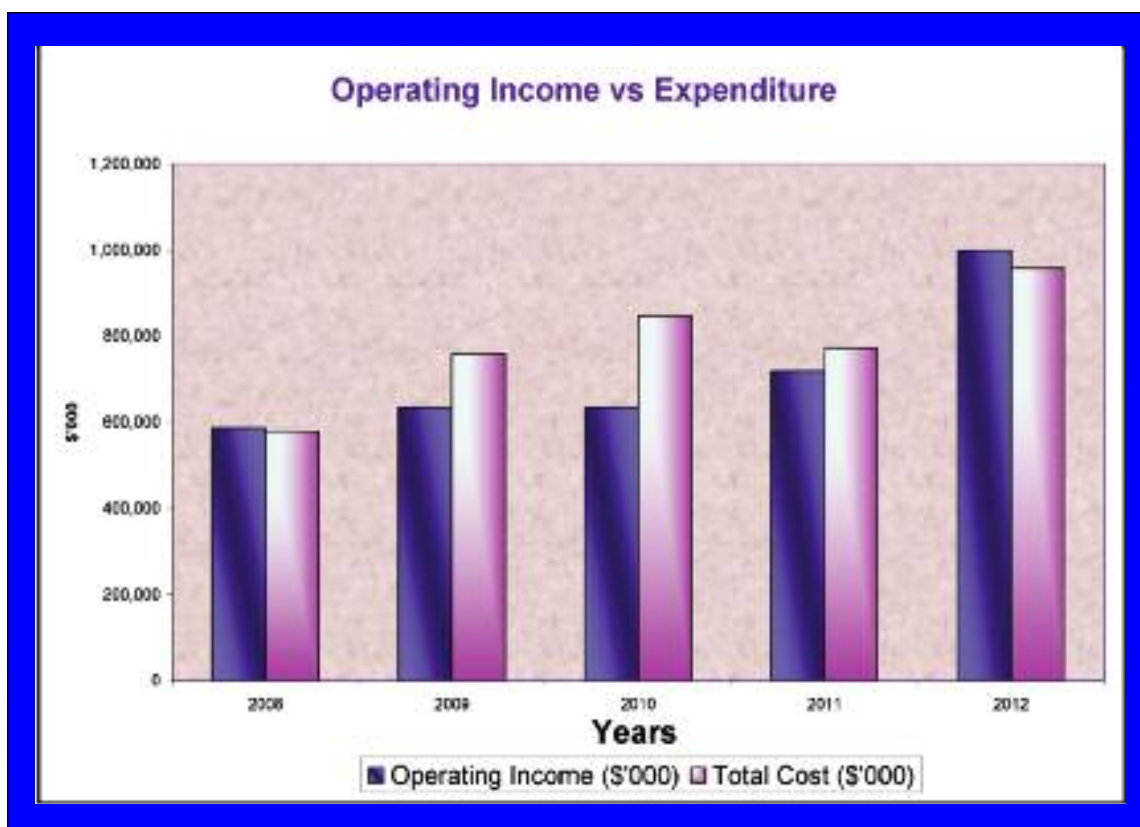
- IAS 24, Related Party Disclosure, (Revised), introduced changes to the related party disclosure requirements for government-related entities and amends the definition of a related party as outlined in note 3(n) to the financial statements.
- The adoption of the amendment to IFRS 7, Financial Instruments: Disclosures, led to some changes in the qualitative and quantitative disclosures relating to credit risk. The changes, where applicable to the Company, are reflected in note 26 to the financial statements ■

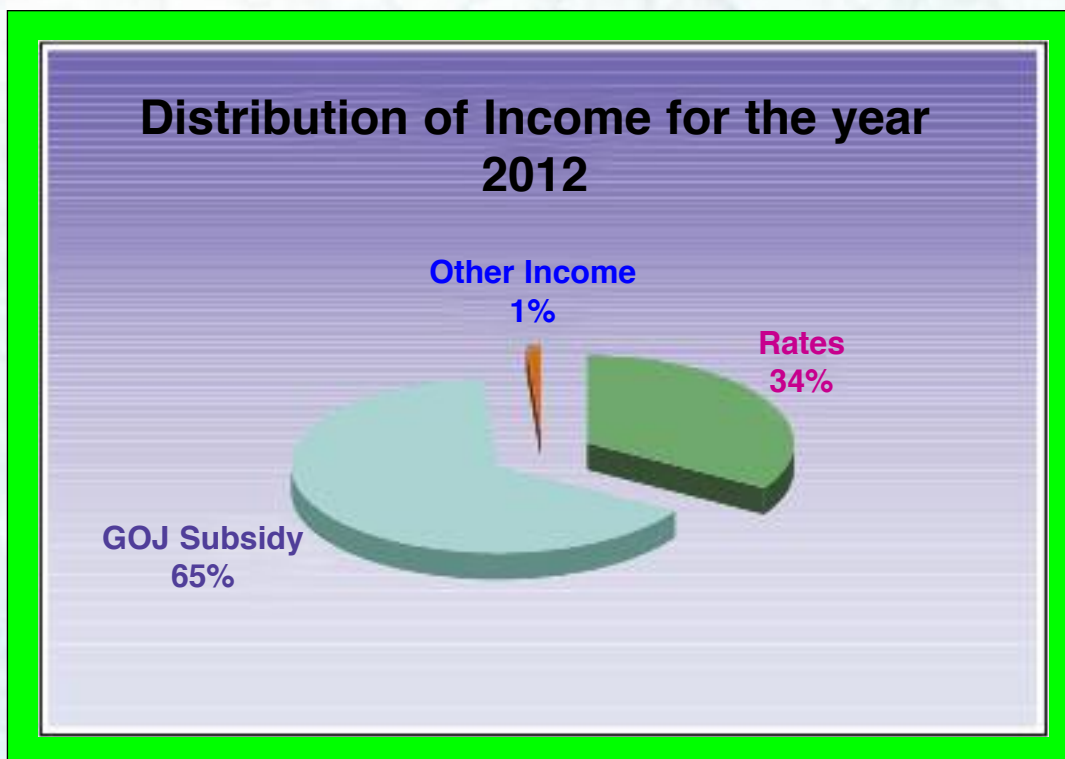
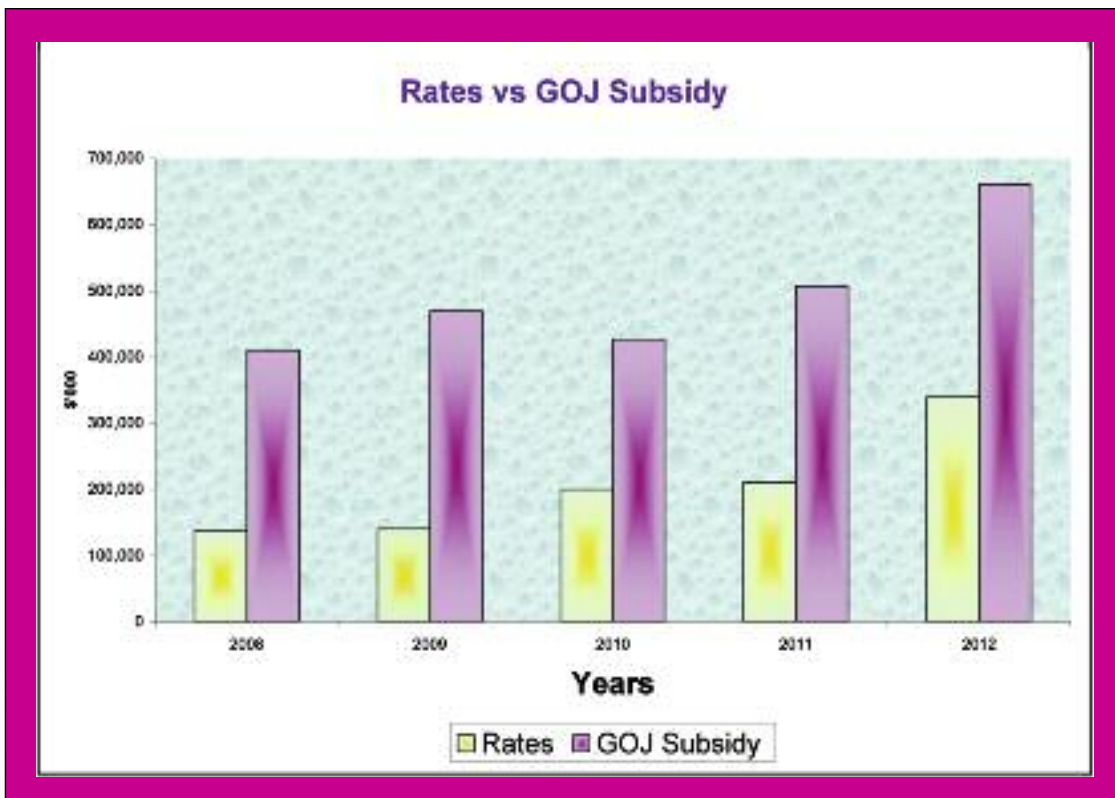
National Irrigation Commission Limited Five Year Statistics

SIGNIFICANT METRICS	\$'000	\$'000	\$'000	\$'000	\$'000
	2012	2011	2010	2009	2008
Shareholders Equity	561,659	504,094	463,834	576,922	618,993
% Inc./(% decr.) compared to prior year	11.42%	8.68%	-19.60%	-6.80%	11.00%
PROFIT AND LOSS ACCOUNT					
Operating Revenue	999,961	718,673	634,806	635,076	587,265
(% Decr.)/% Inc. compared to prior year	39.14%	13.21%	-0.04%	8.14%	17.48%
Accumulated Surplus	153,529	95,964	55,704	168,791	210,863
(% Decr.)/% Inc. compared to prior year	60%	72%	-67%	-20%	41%
IMPORTANT RATIOS					
Admin. Exp. as a % of Total Costs	24.74%	19.93%	26.32%	30.41%	26.87%
Operating Exp. as a % of Total Costs	74.33%	78.89%	73.67%	69.59%	73.15%
Electricity Exp. as a % of Total Costs	27.67%	25.38%	26.87%	20.02%	20.51%
Electricity Exp. as a % of Operating Costs	37.22%	32.17%	36.48%	28.77%	28.04%
Rates as a % of Total Costs	35.42%	27.30%	23.59%	18.51%	24.07%
Rates as a % of Operating Costs	47.65%	34.60%	32.02%	26.60%	32.90%
GOJ Subsidy as a % of Total Costs	68.86%	65.67%	50.34%	61.82%	71.98%
GOJ Subsidy as a % of Operating Costs	92.64%	83.25%	68.33%	88.84%	98.40%

Government of Jamaica Subsidy on behalf of Farmers











Financial Statements

March 31, 2012



KPMG
Chartered Accountants
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Kingston
Jamaica, W.I.

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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 44 to 72 which comprise the statement of financial position as at March 31, 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control 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 control. 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 and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Darshan A. Jones
R. Taran Handa
Patrick A. Chin
Patricia O. Bailey-Smith
Lenox J. Marshall

Cynthia L. Lawrence
Rajan Trehan
Norman B. Runkel
Nigel R. Chatterjee



To the Members of
NATIONAL IRRIGATION COMMISSION LIMITED

Report on the Financial Statements, continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2012, 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.

Report on additional matters as required by the Jamaican Companies Act

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

JWMC

Chartered Accountants
Kingston, Jamaica


July 25, 2012

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Financial Position
March 31, 2012

	Notes	2012	2011
CURRENT ASSETS			
Cash and cash equivalents	4	102,556,568	88,988,190
Resale agreements	5	37,315,059	35,808,649
Accounts receivable	6	91,309,619	96,530,534
Inventories	7	49,185,814	50,994,610
Current portion of long-term receivables	9	13,541,602	10,872,594
Income tax recoverable		<u>7,753,217</u>	<u>7,174,023</u>
Total current assets		<u>301,661,879</u>	<u>290,368,600</u>
NON-CURRENT ASSETS			
Employee benefit asset	8	51,763,000	54,406,000
Long-term receivables	9	13,488,836	17,365,942
Intangible asset	10	11,744,965	-
Property, plant and equipment	11	796,628,369	796,613,959
Deferred tax asset	12	<u>59,757,759</u>	<u>95,556,416</u>
Total non-current assets		<u>933,382,929</u>	<u>963,942,317</u>
Total assets		<u>\$1,235,044,808</u>	<u>1,254,310,917</u>
CURRENT LIABILITIES			
Accounts payable and accrued charges	13	100,072,171	162,923,895
Government of Jamaica project advances	14	128,458,480	95,526,306
Current portion of long-term debt	15	<u>60,000,000</u>	<u>60,000,000</u>
Total current liabilities		<u>288,530,651</u>	<u>318,450,201</u>
NON-CURRENT LIABILITIES			
Long-term debt	15	-	60,000,000
Deferred credit	16	<u>384,855,124</u>	<u>371,766,335</u>
Total non-current liabilities		<u>384,855,124</u>	<u>431,766,335</u>
Total liabilities		<u>673,385,775</u>	<u>750,216,536</u>
EQUITY			
Share capital	17	100	100
Capital reserve	18	408,130,161	408,130,161
Accumulated surplus		<u>153,528,772</u>	<u>95,964,120</u>
Total equity		<u>561,659,033</u>	<u>504,094,381</u>
Total liabilities and equity		<u>\$1,235,044,808</u>	<u>1,254,310,917</u>

The financial statements on pages 44 to 72 were approved for issue by the Board of Directors on July 25, 2012 and signed on its behalf by:

 Chairman
Hopeton Fraser

 Director
Basil Fernandez

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

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Comprehensive Income Year ended March 31, 2012

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
Operating revenue:			
Water sales and drainage charges		339,643,490	210,860,229
Government of Jamaica subsidy on behalf of farmers	19	660,317,536	507,264,171
Other funding for non-capital expenditure		<u>-</u>	<u>549,317</u>
		999,961,026	718,673,717
Cost of producing water and distributing it to farm gates		<u>(712,758,173)</u>	<u>(609,356,633)</u>
Gross operating surplus		287,202,853	109,317,084
Amortisation of deferred credit	16	39,805,864	42,761,575
Other income	20	12,492,177	19,777,547
Administration expenses		<u>(237,222,231)</u>	<u>(153,964,423)</u>
Profit before finance costs and taxation		102,278,663	17,891,783
Finance costs	21	<u>(8,915,354)</u>	<u>(9,073,242)</u>
Profit before taxation		93,363,309	8,818,541
Taxation (charge)/credit	22	<u>(35,798,657)</u>	<u>31,441,551</u>
Profit, being total comprehensive income for the year	23	<u>\$ 57,564,652</u>	<u>\$ 40,260,092</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, 2012

	<u>Share capital</u> (Note 17)	<u>Capital reserve</u> (Note 18)	<u>Accumulated surplus</u>	<u>Total</u>
Balances at March 31, 2010	100	408,130,161	55,704,028	463,834,289
Profit, being total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>40,260,092</u>	<u>40,260,092</u>
Balances at March 31, 2011	100	408,130,161	95,964,120	504,094,381
Profit, being total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>57,564,652</u>	<u>57,564,652</u>
Balances at March 31, 2012	<u>\$100</u>	<u>408,130,161</u>	<u>153,528,772</u>	<u>561,659,033</u>

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

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Cash Flows Year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Profit for the year	57,564,652	40,260,092
Adjustments to reconcile loss for the year to net cash provided by operating activities:		
Depreciation	45,469,425	44,947,713
Amortisation of intangible asset	1,304,996	-
Loss/(gain) on disposal of property, plant and equipment	239,024	(4,187,433)
Amortisation of deferred credit	(39,805,864)	(42,761,575)
Property, plant and equipment written-off	-	549,317
Employee benefit asset	2,643,000	(54,406,000)
Taxation	35,798,657	(31,441,551)
Interest income	(2,349,904)	(1,811,020)
Foreign exchange (gain)/loss	(457,698)	865,347
Interest expense	<u>8,915,354</u>	<u>9,073,242</u>
	109,321,642	(38,911,868)
Decrease/(increase) in current assets:		
Resale agreements	(1,506,410)	(2,703,780)
Accounts receivable	5,275,921	(21,482,808)
Inventories	1,808,796	(477,845)
Income tax recoverable	(579,194)	(973,318)
(Decrease)/increase in current liabilities:		
Accounts payable and accrued charges	(61,421,587)	(35,519,067)
Government of Jamaica project advances	32,932,174	(8,216,520)
Interest paid	<u>(10,345,491)</u>	<u>(7,133,516)</u>
Net cash provided/(used) by operating activities	<u>75,485,851</u>	<u>(115,418,722)</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(46,945,825)	(35,325,582)
Acquisition of intangible asset	(13,049,961)	-
Proceeds from disposal of property, plant and equipment	1,222,966	7,177,950
Interest received	2,294,898	2,024,281
Long-term receivables	<u>1,208,098</u>	<u>345,447</u>
Net cash used by investing activities	<u>(55,269,824)</u>	<u>(25,777,904)</u>
Cash flows from financing activities:		
Capital grants	52,894,653	24,668,866
Long-term borrowings	<u>(60,000,000)</u>	<u>120,000,000</u>
Net cash (used)/provided by financing activities	<u>(7,105,347)</u>	<u>144,668,866</u>
Net increase in cash and cash equivalents	13,110,680	3,472,240
Cash and cash equivalents at beginning of the year	88,988,190	86,381,297
Effect of exchange rate fluctuations on cash held	<u>457,698</u>	<u>(865,347)</u>
Cash and cash equivalents at end of the year	<u>\$102,556,568</u>	<u>88,988,190</u>

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

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements

March 31, 2012

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 Hounslow, Braco, Mid-Clarendon, Rio Cobre, Yallahs, Beacon/Little Park, Seven Rivers, Colbeck 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 interpretations, as issued by the International Accounting Standards Board (IASB), and comply with the provisions of the Jamaican Companies Act.

New, revised and amended standards and interpretations that became effective during the year

Certain new, revised and amended standards and interpretations came into effect during the current financial year. Those which were relevant to the company are as follows:

- *IAS 24, Related Party Disclosure, revised* introduced changes to the related party disclosure requirements for government-related entities and amends the definition of a related party [note 3(n)].
- The adoption of the amendment to IFRS 7, *Financial Instruments: Disclosures*, led to some changes in the qualitative and quantitative disclosures relating to credit risk. The changes, where applicable to the company, are reflected in note 26 to the financial statements, viz:
 - (a) Disclosure of the amount of the company's 'maximum exposure to credit risk without considering any collateral held' is now made only if the carrying amount of the financial asset does not already reflect such exposure.
 - (b) Previously, the company disclosed the existence and nature of collateral held as security and other credit enhancements in respect of a financial instrument. As required by the amendment, it now, in addition, discloses the financial effect of such collateral.
 - (c) The disclosure of the nature and carrying amount of collateral obtained by the company as a result of a debtor's default (a foreclosure), including policies for using the financial and non-financial assets that cannot be converted into cash immediately, is now required to be made only for collateral obtained and still held at the end of the reporting period.

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

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

New, revised and amended standards and interpretations not yet effective:

Certain new, revised and amended standards and interpretations have been issued which were not yet effective for the current financial year and which the company has not early-adopted. The company has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has determined that the following may have an effect on the financial statements

- IAS 1, *Presentation of Financial Statements*, has been amended by the issue of a document entitled *Presentation of Items of Other Comprehensive Income*, effective for annual reporting periods beginning on or after July 1, 2012, to require a reporting entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has change from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'. However, an entity is still allowed to use other titles. The company is assessing the impact this amendment may have on the 2013 financial statements.
- IAS 12, *Income Taxes*, has been amended, effective for annual reporting periods beginning on or after January 1, 2012, to require an entity to measure deferred taxes relating to an asset based on whether the entity expects to recover the carrying amount of the asset through use or sale. The company is assessing the impact this amendment may have on the 2013 financial statements.
- IAS 19, *Employee Benefits* (effective annual reporting periods beginning on or after January 1, 2013) has been amended to require all actuarial gains and losses to be recognised in other comprehensive income. This change will remove the corridor method and eliminate the ability of entities to recognise all changes in the defined-benefit obligation and in plan assets in profit or loss. It also requires the expected return on plan assets recognised in profit or loss to be calculated based on the rate used to discount the defined-benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard. The company is assessing the impact this amendment may have on the 2014 financial statements.
- *Amendment to IAS 32 Financial Instruments: Presentation* – The standard clarifies that an entity currently has a legal enforceable right to offset, if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparts. In addition, it clarifies that gross settlement is equivalent to net settlement if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk; and process receivables and payables in a single settlement process or cycle. The amendment is effective for annual reporting periods beginning on or after January 1, 2014. The company is assessing the impact this amendment may have on the 2015 financial statements.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)

March 31, 2012

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

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

- *Disclosures – Transfer of Financial Assets (Amendments to IFRS 7)* is effective for annual reporting periods beginning on or after July 1, 2011. The amendment requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with, the entity's continuing involvement in these derecognised assets. The company is assessing the impact this amendment may have on the 2013 financial statements.
- *IFRS 9, Financial Instruments*, is effective for annual reporting periods beginning on or after January 1, 2015 (previously January 1, 2013). The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities. The company is assessing the impact that the standard may have on the 2016 financial statements.
- *IFRS 13 Fair Value Measurement* defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRS, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard is effective for annual reporting periods beginning on or after January 1, 2013. The company is assessing the impact that this standard may have on the 2014 financial statements.

(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 reporting 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.

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 statement of financial position and comprehensive 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 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.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2012

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 profit or loss.

(e) Inventories:

Inventories are carried at the lower of cost or net realisable value determined on the first-in-first-out basis, and valuation, being substantially salvage values determined by professional valuers.

(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 the 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 reporting 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.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2012

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 profit or loss 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 profit or loss.

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 profit or loss 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 reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each reporting 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 profit or loss.

(i) Calculation of recoverable amount:

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

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

(ii) Reversals of impairment:

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

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

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

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)

March 31, 2012

3. Significant accounting policies (cont'd)

(i) Taxation:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income in which case it is recognised in other comprehensive income.

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

Deferred tax is provided 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 reporting date.

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

(j) Accounts receivable:

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

(k) Intangible assets

Intangible assets, which represent computer software costs, are stated at cost less accumulated amortisation and, if any, impairment losses. It is being amortised on the straight-line basis at annual rates estimated to write down the assets over their expected useful lives, not exceeding a period of ten years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

(l) Accounts payable and accrued charges:

Accounts payable and accrued charges are stated at their cost.

(m) Foreign currencies:

Foreign currency balances at the reporting date are translated at the rates of exchange ruling on that date.

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2012

3. Significant accounting policies (cont'd)

(n) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures* as the "reporting entity").

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

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

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

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

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

	<u>2012</u>	<u>2011</u>
Cash	577,007	278,304
Bank balances	<u>101,979,561</u>	<u>88,709,886</u>
	<u>\$102,556,568</u>	<u>88,988,190</u>

5. Resale agreements

At the reporting date, the fair value of underlying securities used as collateral for resale agreements was \$38,097,552 (2011: \$36,759,267).

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2012

6. Accounts receivable

	<u>2012</u>	<u>2011</u>
Trade receivables for water sales and drainage charges [note 26(b)(iii)]	64,497,777	82,417,330
Provision for probable losses	(22,386,099)	(22,014,295)
	42,111,678	60,403,035
Other receivables	<u>49,197,941</u>	<u>36,127,499</u>
	<u>\$91,309,619</u>	<u>96,530,534</u>

7. Inventories

	<u>2012</u>	<u>2011</u>
At cost	49,185,814	46,620,554
At valuation	-	<u>4,374,056</u>
	<u>\$49,185,814</u>	<u>50,994,610</u>

In the previous year, the company received pipes costing \$41,993,367 as a grant from the Chinese Government. Inventories also consist 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 16).

To the extent that revalued inventories are consumed (and charged to profit or loss), 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 the statement of financial position:

	<u>2012</u>	<u>2011</u>
Present value of funded obligations	(620,822,000)	(583,307,000)
Fair value of plan assets	<u>722,716,000</u>	<u>640,989,000</u>
Net asset	101,894,000	57,682,000
Unrecognised actuarial gains	(50,131,000)	(3,276,000)
Unrecognised asset due to Section 58	-	-
Asset recognised in the statement of financial position	<u>\$ 51,763,000</u>	<u>54,406,000</u>

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2012

8. Employee benefit asset (cont'd)

(a) Asset recognised in the statement of financial position (cont'd):

Movement in the net asset recognised in the statement of financial position:

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	54,406,000	-
Contributions paid	16,494,000	15,203,000
Benefit expense	(19,137,000)	39,203,000
Balance at end of year	<u>\$51,763,000</u>	<u>\$54,406,000</u>

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

	<u>2012</u>	<u>2011</u>
Present value of obligation as at April 1, 2011	583,307,000	642,335,000
Benefits paid	(24,027,000)	(36,739,000)
Service and interest costs	74,626,000	93,107,000
Contributions	16,873,000	15,071,000
Value of purchased annuities	15,394,000	40,469,000
Actuarial loss (gain)	(45,351,000)	(170,936,000)
Present value of obligation at March 31, 2012	<u>\$620,822,000</u>	<u>\$583,307,000</u>

(ii) Movement in plan assets:

	<u>2012</u>	<u>2011</u>
Fair value of plan assets as April 1, 2011	640,989,000	551,868,000
Contributions paid	33,367,000	30,274,000
Actual return on plan assets	67,502,000	65,770,000
Benefits paid	(34,536,000)	(47,392,000)
Value of purchase annuities	<u>15,394,000</u>	<u>40,469,000</u>
Fair value of plan assets at March 31, 2012	<u>\$722,716,000</u>	<u>\$640,989,000</u>

Plan assets consist of the following:

	<u>2012</u>	<u>2011</u>
Equity Fund	188,972,000	154,657,000
Money Market Fund	127,069,000	45,060,000
Mortgage and Real Estate Fund	60,058,000	57,334,000
Fixed Income Fund	43,775,000	120,547,000
Foreign Currency Fund	70,744,000	163,040,000
Uninvested contributions (late deposits)	3,103,000	-
Value of purchased annuities	53,033,000	40,469,000
CPI fund	<u>175,962,000</u>	<u>\$9,882,000</u>
Total assets	<u>\$722,716,000</u>	<u>\$640,989,000</u>

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)

March 31, 2012

8. Employee benefit asset (cont'd)

(c) Expense recognised in profit or loss:

	<u>2012</u>	<u>2011</u>
Current service costs	23,450,000	30,773,000
Interest on obligation	51,176,000	62,334,000
Expected return on plan assets	(55,489,000)	(49,288,000)
Recognised actuarial gain	-	7,284,000
Change in unrecognised asset	-	(90,306,000)
Recognised in profit or loss (see note 24)	<u>\$ 19,137,000</u>	<u>(39,203,000)</u>
Actual return on plan assets	<u>9%</u>	<u>10%</u>

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

	<u>2012</u>	<u>2011</u>
Discount rate	10.0%	10.5%
Expected return on plan assets	7.0%	8.5%
Future salary increases	5.0%	6.5%
Future pension increases	<u>4.0%</u>	<u>5.0%</u>

(e) Historical information:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Present value of defined benefit obligation	(620,822,000)	(583,307,000)	(642,335,000)	(386,301,000)	(303,589,000)
Fair value of plan assets	<u>722,716,000</u>	<u>640,989,000</u>	<u>551,868,000</u>	<u>418,605,000</u>	<u>421,234,000</u>
Deficit/surplus in plan	<u>101,894,000</u>	<u>57,682,000</u>	<u>(90,467,000)</u>	<u>32,304,000</u>	<u>117,645,000</u>
Experience adjustments arising on plan liabilities	<u>(45,351,000)</u>	<u>(170,936,000)</u>	<u>176,849,000</u>	<u>31,103,000</u>	<u>32,562,000</u>
Experience adjustments arising on plan assets	<u>1,503,000</u>	<u>5,829,000</u>	<u>(56,036,000)</u>	<u>(79,700,000)</u>	<u>19,427,000</u>

The company expects to pay \$14,000,000 in contributions to the plan in 2011/2012 (2010/2011: \$15,639,000).

9. Long-term receivables

	<u>2012</u>	<u>2011</u>
Refundable utility deposits	2,575,379	2,575,379
Employee loans	<u>24,455,059</u>	<u>25,663,157</u>
	27,030,438	28,238,536
Less: Current portion	<u>(13,541,602)</u>	<u>(10,872,594)</u>
	<u>\$13,488,836</u>	<u>17,365,942</u>

Employee loans are for the purchase of motor vehicles. The loans are repayable over 4-8 years. The loans are at commercial bank interest rate and are secured by the respective motor vehicles on which the loan are outstanding.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)

March 31, 2012

10. Intangible asset – computer software

	<u>2012</u>	<u>2011</u>
Cost:		
Additions	13,049,961	-
Amortisation:		
Charge for the year	(1,304,996)	-
Net book value		
March 31, 2012	<u>\$11,744,965</u>	<u>-</u>

11. 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>	<u>Total</u>
Cost:						
March 31, 2010	56,484,423	1,691,690,673	71,907,641	45,661,550	18,477,085	1,884,221,372
Additions	-	-	7,118,675	3,270,000	24,936,907	35,325,582
Disposals	-	-	(45,900)	(4,458,394)	-	(4,504,294)
Reclassification	4,198,397	-	-	-	(4,198,397)	-
Written-off	-	-	3,101	-	(549,317)	(546,216)
March 31, 2011	60,682,820	1,691,690,673	78,983,517	44,473,156	38,666,278	1,914,496,444
Additions	16,849,169	3,301,450	16,303,189	2,626,249	7,865,768	46,945,825
Disposals	-	-	(44,120)	(4,599,534)	-	(4,643,654)
Reclassification	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
March 31, 2012	<u>77,531,989</u>	<u>1,694,992,123</u>	<u>95,242,586</u>	<u>42,499,871</u>	<u>46,532,046</u>	<u>1,956,798,615</u>
Depreciation:						
March 31, 2010	12,096,307	1,004,493,876	42,053,767	15,804,598	-	1,074,448,548
Charge for the year	1,471,695	32,614,493	7,253,959	3,607,566	-	44,947,713
Eliminated on						
Disposals	-	-	(382)	(1,513,394)	-	(1,513,776)
March 31, 2011	13,568,002	1,037,108,369	49,307,344	17,898,770	-	1,117,882,485
Charge for the year	1,703,453	32,210,840	8,474,497	3,080,635	-	45,469,425
Eliminated on						
disposals	-	-	(12,500)	(3,169,164)	-	(3,181,664)
March 31, 2012	<u>15,271,455</u>	<u>1,069,319,209</u>	<u>57,769,341</u>	<u>17,810,241</u>	<u>-</u>	<u>1,160,170,246</u>
Net book values:						
March 31, 2012	<u>\$62,260,534</u>	<u>625,672,914</u>	<u>37,473,245</u>	<u>24,689,630</u>	<u>46,532,046</u>	<u>796,628,369</u>
March 31, 2011	<u>\$47,114,818</u>	<u>654,582,304</u>	<u>29,676,173</u>	<u>26,574,386</u>	<u>38,666,278</u>	<u>796,613,959</u>
March 31, 2010	<u>\$44,388,116</u>	<u>687,196,797</u>	<u>29,853,875</u>	<u>29,856,951</u>	<u>18,477,085</u>	<u>809,772,824</u>

Included in building and leasehold improvements is leasehold improvements of \$58,513,269 (2011: \$43,417,225).

Capital work-in-progress represents internal projects, relating to lining of canals, construction of building and other construction works, funded by the Government of Jamaica, which are undertaken and managed by the company. The cost to complete the projects have not been quantified to date. There are currently no contractual commitments related to completion of these projects, as they are being carried out by the Commission as, and when, funds become available.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)

March 31, 2012

12. Deferred tax (asset)/liability

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

	<u>2012</u>	<u>2011</u>
Property, plant and equipment	(27,755,071)	(24,787,036)
Accounts receivable	49,356	31,021
Accounts payable and accrued charges	203,028	646,575
Unrealised exchange gains	(152,566)	288,449
Tax losses	(35,433,606)	(76,709,952)
Intangible asset	1,413,746	-
Employee benefit asset	<u>1,917,354</u>	<u>4,974,527</u>
	<u>\$(59,757,759)</u>	<u>(95,556,416)</u>

Movement in temporary differences during the year:

	<u>Balance at March 31, 2011</u>	<u>Recognised in income</u> [Note 22 (a) (ii)]	<u>Balance at March 31, 2012</u>
Property, plant and equipment	(24,787,036)	(2,968,035)	(27,755,071)
Accounts receivable	31,021	18,335	49,356
Accounts payable and accrued charges	646,575	(443,547)	203,028
Unrealised foreign exchange gain	288,449	(441,015)	(152,566)
Tax losses	(76,709,952)	41,276,346	(35,433,606)
Intangible asset	-	1,413,746	1,413,746
Employee benefit asset	<u>4,974,527</u>	<u>(3,057,173)</u>	<u>1,917,354</u>
	<u>\$(95,556,416)</u>	<u>35,798,657</u>	<u>\$(59,757,759)</u>

13. Accounts payable and accrued charges

	<u>2012</u>	<u>2011</u>
Trade payables	33,436,177	96,738,464
Accrued vacation leave	46,010,937	39,481,952
Other accruals	2,261,270	2,948,014
Other payables	<u>18,363,787</u>	<u>23,755,465</u>
	<u>\$100,072,171</u>	<u>162,923,895</u>

14. 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>2012</u>	<u>2011</u>
National Irrigation Development Plan (NIDP)		
- Implementation [see below]	116,942,324	86,283,505
Miscellaneous capital projects	3,950,490	2,295,182
FAO rain water harvesting project	3,309,933	410,911
Fishing beach project	<u>4,255,733</u>	<u>6,536,708</u>
	<u>\$128,458,480</u>	<u>95,526,306</u>

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)

March 31, 2012

14. Government of Jamaica project advances (cont'd)

The NIDP involves the implementation of an irrigation plan for Jamaica and is being jointly funded by the Caribbean Development Bank (CDB), Inter-American Development Bank (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.

15. Long-term debt

	<u>2012</u>	<u>2011</u>
Financial Sector Adjustment Company (FINSAC)	60,000,000	120,000,000
Less: current portion	<u>(60,000,000)</u>	<u>(60,000,000)</u>
Non-current portion	\$ <u>-</u>	<u>60,000,000</u>

In June 2010, the company received a loan from FINSAC of \$120,000,000. The loan is unsecured and is to be repaid in two equal instalment on June 30, 2011 and June 30, 2012. Interest is charged on the loan on the reducing balance at a rate of 10% per annum.

16. Deferred credit

	<u>Balance 2010</u>	<u>Movement during the year</u>	<u>Balance 2011</u>	<u>Movement during the year</u>	<u>Balance 2012</u>
Grant for acquisition of fixed assets (net of disposals)	171,969,956	4,198,397	176,168,353	27,510,833	203,679,186
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
Irrigation pipes gifted by Chinese Government	41,993,367	-	41,993,367	-	41,993,367
Computers funded by the NIDP Project	14,546,237	-	14,546,237	-	14,546,237
GPS units funded by the NIDP project	-	854,367	854,367	-	854,367
MV acquired out of NIDP project funds	-	2,945,000	2,945,000	-	2,945,000
MV gifted by the MOAF	-	-	-	950,000	950,000
CRMS funded by the NIDP	-	-	-	13,049,961	13,049,961
Expenditure on contracts-in-progress (net of amounts expensed) (note 10) out of GOJ project advances	<u>18,477,085</u>	<u>16,671,102</u>	<u>35,148,187</u>	<u>11,383,859</u>	<u>46,532,046</u>
	989,076,104	24,668,866	1,013,744,970	52,894,653	1,066,639,623
Amortisation transferred to statement of comprehensive income	<u>(599,217,060)</u>	<u>(42,761,575)</u>	<u>(641,978,635)</u>	<u>(39,805,864)</u>	<u>(681,784,499)</u>
	<u>\$389,859,044</u>	<u>(18,092,709)</u>	<u>371,766,335</u>	<u>13,088,789</u>	<u>384,855,124</u>

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)

March 31, 2012

16. Deferred credit (cont'd)

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.

17. Share capital

	<u>2012</u>	<u>2011</u>
Authorised, issued and fully-paid:		
100 ordinary shares at no par value	\$100	100

18. 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.

19. Government of Jamaica subsidy on behalf of farmers

The purpose of this subsidy 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, the company estimated that the subsidy would need to be \$956.6 million (2010: \$956.6 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). Of this amount, \$660.3 million (2011: \$507.2 million) was approved by Parliament and paid to the company.

20. Other income

	<u>2012</u>	<u>2011</u>
Interest:		
Investments and cash and cash equivalents	1,583,373	1,126,539
Other	766,531	681,380
Amortisation of interest on concessionary loans	4,083,064	4,428,413
Exchange gain/(loss)	457,698	(865,347)
Service fees	1,870,528	1,173,512
(Loss)/gain on disposal of property, plant and equipment	(239,024)	4,187,433
Insurance settlements	164,272	3,215,518
Compensation for damaged assets	-	2,828,825
Miscellaneous	<u>3,805,735</u>	<u>3,001,274</u>
	<u>\$12,492,177</u>	<u>19,777,547</u>

21. Finance costs

	<u>2012</u>	<u>2011</u>
Bank overdraft	22,203	65,023
Long-term loan	<u>8,893,151</u>	<u>9,008,219</u>
	<u>\$8,915,354</u>	<u>9,073,242</u>

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2012

22. Taxation

- (a) The provision for income tax is computed at 33½% of the results for the year, as adjusted for tax purposes, and is made up as follows:

	<u>2012</u>	<u>2011</u>
(i) Current tax charge:		
Provision for charge on current year's profits	-	-
(ii) Deferred tax:		
Origination and reversal of temporary differences (note 12)	<u>35,798,657</u>	<u>(31,441,551)</u>
Actual tax charge/(credit) recognised	<u>\$35,798,657</u>	<u>(31,441,551)</u>

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

The actual taxation credit differs from the "expected" tax charge/(credit) for the year as follows:

	<u>2012</u>	<u>2011</u>
Profit before taxation	<u>93,363,309</u>	<u>8,818,541</u>
Computed "expected" tax charge	31,117,991	2,939,514
Tax effect of treating items differently for financial statements and tax reporting purposes -		
Depreciation charge and capital allowances	4,931,883	9,951,063
Accrued vacation leave	1,732,564	13,807,070
Unrealized (gain)/loss on foreign exchange	(593,566)	487,411
Amortisation of deferred credits	(13,267,294)	(14,252,433)
Expenses not allowed for tax purposes	175,703	776,509
Loss/(gain) on disposal of property, plant and equipment	79,667	(1,395,671)
Employee benefit asset	3,321,189	(13,158,837)
Interest receivable	177,910	-
Interest on concessionary loans	(332,511)	(1,546,405)
Intangible asset	1,413,746	-
Tax losses c/f	<u>7,041,375</u>	<u>(29,049,772)</u>
Actual tax charge/(credit) recognised	<u>\$35,798,657</u>	<u>(31,441,551)</u>

23. Profit for the year

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

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Directors' emoluments [note 25(c)]:		
Fees	2,080,500	2,094,375
Travel	2,146,346	1,895,090
Management remuneration	2,250,102	2,259,908
Auditors' remuneration	1,900,000	1,900,000
Depreciation	<u>45,469,425</u>	<u>44,947,713</u>

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)

March 31, 2012

24. Employee numbers and costs

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

	<u>2012</u>	<u>2011</u>
Full-time	152	147
Part-time	17	18
Other	<u>40</u>	<u>47</u>
	<u>209</u>	<u>212</u>

The aggregate payroll costs for these persons were as follows:

	<u>2012</u>	<u>2011</u>
Salaries	306,241,801	266,389,079
Statutory payroll contributions	15,465,921	13,417,896
Pension benefit cost (net of contribution) [note 8(c)]	19,137,000	(39,203,000)
Travel and subsistence	77,013,938	69,688,445
Gratuities	4,174,478	4,271,235
Training	2,454,229	2,565,407
Accrued vacation leave	4,173,730	2,736,457
Insurance scheme	23,529,061	22,942,377
Staff welfare	<u>4,170,496</u>	<u>4,082,119</u>
	<u>\$456,360,654</u>	<u>346,890,015</u>

25. Related party balances and 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) In addition to those stated thereon, the statement of financial position includes balances, arising in the ordinary course of business, with related parties as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
Accounts receivable:		
Directors	75,263	90,460
Long-term receivables:		
Employee loans - key management personnel	<u>1,583,750</u>	<u>3,219,107</u>

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2012

25. Related party balances and transactions (cont'd)

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

	<u>2012</u>	<u>2011</u>
Compensation paid to key management personnel:		
Directors' emoluments (note 23)	6,476,948	6,249,373
Salaries to other key management personnel	33,080,294	30,986,859
Post-employment benefits	<u>685,000</u>	<u>(1,492,000)</u>
	<u>\$40,242,242</u>	<u>35,744,232</u>
Interest income from Directors	<u>\$ 89,785</u>	<u>(134,494)</u>

26. 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.

The company's financial instruments comprise cash and cash equivalents, resale agreements accounts receivable, long-term receivables, accounts payable, Government of Jamaica project advances, and long-term debt. Information relating to fair values and risks is summarised below.

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

- Credit risk
- Liquidity risk
- Market risk
- Operational 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 has 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.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2012

26. 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 cash and cash equivalents, trade receivables, resale agreements and long-term motor vehicle loans to employees.

(i) Cash and cash equivalents and resale agreements

Cash and cash equivalents are held with financial institutions which the company regards as strong.

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 4-8 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 his/her obligations.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)

March 31, 2012

26. 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.

Credit risk is concentrated in the ten largest customers who 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 monthly.

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:

	<u>Carrying amount</u>	
	<u>2012</u>	<u>2011</u>
Not Past Due	36,866,121	34,986,976
Past Due 1-30 Days	11,850,201	21,297,024
Past Due 31-60 Days	2,239,627	9,315,269
Past Due 61-90 Days	1,405,532	1,527,264
More Than 90 Days	<u>12,136,296</u>	<u>15,290,797</u>
	<u>\$64,497,777</u>	<u>\$82,417,330</u>

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 and Fisheries to write off the amounts against the receivable balance directly.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2012

26. 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:

	<u>Carrying amount</u>	
	<u>2012</u>	<u>2011</u>
Balance as at April 1, 2011	22,014,295	17,270,000
Amounts written back	(6,192,201)	(3,626,437)
Provision recognised	<u>6,564,005</u>	<u>8,370,732</u>
Balance as at March 31, 2012	<u>\$22,386,099</u>	<u>22,014,295</u>

(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:

	<u>Carrying amount</u>	
	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	102,556,568	88,988,190
Resale agreements	37,315,059	35,808,649
Accounts receivable	91,309,619	96,530,534
Long-term receivables:		
Current portion	13,541,602	10,872,594
Long-term portion	<u>13,488,836</u>	<u>17,365,942</u>
	<u>\$258,211,684</u>	<u>249,565,909</u>

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

	<u>Carrying amount</u>	
	<u>2012</u>	<u>2011</u>
St. Thomas	453,890	267,933
St. Catherine	28,531,610	41,583,683
Clarendon	13,149,812	16,719,494
St. Elizabeth	20,359,399	24,163,843
Trelawny	1,722,188	1,471,033
St. James	<u>280,878</u>	<u>211,344</u>
	<u>\$64,497,777</u>	<u>84,417,330</u>

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

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)

March 31, 2012

26. 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 reporting 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 measures and manages 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

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 reporting date was:

	<u>2012</u> US\$	<u>2011</u> US\$
Cash and cash equivalents	<u>287,112</u>	<u>259,670</u>

The average exchange rate for the US dollar in terms of Jamaica dollars, at March 31, 2012 was: US\$1.00 = J\$87.1154 (2011: J\$85.5727).

Sensitivity Analysis

A 5% (2011: 5%) strengthening/weakening of the Jamaica dollar against the United States dollar at March 31, 2012 would have increased/decreased equity and profit or loss by \$1,303,593 (2011: \$1,156,718). This analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis as for 2011.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2012

26. Financial risk management (cont'd)

(d) Market risk (cont'd)

(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:

	<u>Carrying amount</u>	
	<u>2012</u>	<u>2011</u>
Resale agreements	<u>\$37,315,059</u>	<u>35,808,649</u>

A change of 100 basis points in interest rates would have increased or decreased profit or loss by approximately \$443,500 (2011: \$89,000).

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

(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, resale agreements accounts receivable, accounts payable and long-term debt balances are assumed to approximate to their carrying values, due to their short-term nature.

Long-term receivables are carried at their estimated fair values.

(f) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Cont'd)
March 31, 2012

26. Financial risk management (cont'd)

(f) Operational risk (cont'd):

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall company standards for the management of operational risk, including the following:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Compliance with the company's standards is supported by a programme of periodic reviews undertaken by the internal audit unit. The results of internal audit reviews are discussed with management, with summaries submitted to the Board of Directors, the Audit Committee and senior management of the company, and action is taken to deal with the matters reported.

(g) Capital management

The company is not subject to any externally imposed capital requirements.

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

27. Contingent liabilities

- (i) A claim was made against the company in August 2000 for damages in the amount of \$2,254,630 arising from alleged damage to the crops of the plaintiff as a result of alleged disconnection of water supply.

The company made an appeal against the claim which was heard on 26th January 2010. The appeal was allowed with cost. A determination of the cost is currently being made to bring closure to the above matter.

28. Subsequent events

Subsequent to the year-end, during the Government's 2012/13 budget presentation, it was announced that the corporate income tax rate of 33 1/3% would be reduced to 25% for non-regulated entities, with effect on January 1, 2013. The impact on income tax and deferred taxation for the company will be recognised when the change in rate is enacted. The rate change will affect the eventual amounts realised in respect of deferred tax items recognised at the reporting date.

APPENDIX I

SENIOR EXECUTIVES' COMPENSATION

Position of Senior Executive	Fiscal Year	Salary	Gratuity or Performance Incentive (\$)	Travelling Allowance or Value of Assignment of Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-cash Benefits (\$)	Total (\$)
Internal Director 1	2011/2012	1,686,159	1,394,693.00	66,375	-	-	10,000	3,157,227
Internal Director 2	2011/2012	5,483,229	1,179,536.00	811,285	-	-	-	7,474,050
Internal Director 3	2011/2012	4,409,394	-	796,500	220,470	-	-	5,426,364
Internal Director 4	2011/2012	3,038,222	-	453,919	-	226,873	-	3,719,014
Internal Director 5	2011/2012	3,276,802	-	757,156	-	-	-	4,033,958
Internal Director 6	2011/2012	4,182,521	-	797,092	209,126	-	-	5,188,739
Internal Director 7	2011/2012	3,570,016	-	796,500	119,570	150,023	-	4,636,109
Total		25,646,343	2,574,229	4,478,827	549,166	376,896	10,000	33,635,461

APPENDIX II

DIRECTORS' COMPENSATION

Position of Director	Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including non-Cash Benefits as applicable (\$)	Total (\$)
Statutory Director 1	160,000.00	559,970.00	-	2,250,102.00	2,970,072.00
Statutory Director 2	142,500.00	121,180.00	-	-	263,680.00
Statutory Director 3	75,500.00	-	-	-	75,500.00
Statutory Director 4	75,000.00	93,540.00	-	-	168,540.00
Statutory Director 5	167,000.00	327,699.00	-	-	494,699.00
Statutory Director 6	181,500.00	146,670.00	-	-	328,170.00
Statutory Director 7	103,500.00	133,170.00	-	-	236,670.00
Statutory Director 8	143,000.00	36,030.00	-	-	179,030.00
Statutory Director 9	118,000.00	76,047.00	-	-	194,047.00
Statutory Director 10	97,500.00	41,100.00	-	-	138,600.00
Statutory Director 11	153,000.00	139,420.00	-	-	292,420.00
Statutory Director 12	195,000.00	-	-	-	195,000.00
Statutory Director 13	111,000.00	121,980.00	-	-	232,980.00
Statutory Director 14	127,000.00	80,710.00	-	-	207,710.00
Statutory Director 15	231,000.00	268,830.00	-	-	499,830.00
Total	2,080,500.00	2,146,346.00	-	2,250,102.00	6,476,948.00

NOTES

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