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To the Members of NATIONAL IRRIGATION COMMISSION LIMITED

## Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of National Irrigation Commission Limited ("the company"), set out on pages 5 to 40, which comprise the statement of financial position as at March 31, 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at March 31, 2017 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Cynthia L. Lawrence Rajan Trehan Norman O. Rainford Nigel R. Chambers

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of NATIONAL IRRIGATION COMMISSION LIMITED

## Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

 Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of NATIONAL IRRIGATION COMMISSION LIMITED

## Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of NATIONAL IRRIGATION COMMISSION LIMITED

## 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, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

Chartered Accountants Kingston, Jamaica

July 17, 2017

KPMG

Statement of Financial Position March 31, 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS				
Cash and cash equivalents	4	128,476,981	81,351,963	17,077,842
Investments	5	22,683,918	20,285,504	9,135,198
Accounts receivable	6	116,615,066	155,566,430	132,716,305
Current portion of long-term receivable	7	9,043,179	14,419,650	11,720,109
Inventories		63,500,990	70,744,822	66,669,536
Income tax recoverable		9,097,119	9,019,995	8,934,725
Total current assets		349,417,253	351,388,364	246,253,715
NON-CURRENT ASSETS				
Long-term receivable	7	8,387,410	11,152,427	17,587,187
Employee benefits asset	8(a)	158,451,000	153,790,000	112,666,000
Intangible asset	9	5,220,132	6,525,097	7,830,065
Property, plant and equipment	10	<u>730,766,006</u>	<u>741,031,276</u>	<u>768,109,254</u>
Total non-current assets		902,824,548	912,498,800	906,192,506
Total assets		\$ <u>1,252,241,801</u>	<u>1,263,887,164</u>	<u>1,152,446,221</u>
CURRENT LIABILITIES				
Accounts payable and accrued charges	11	311,748,722	308,117,340*	432,606,409*
Government of Jamaica project advances	12	113,544,605	96,959,527	73,714,276
Taxation		<u>39,738,616</u>	<u>39,738,616</u>	
Total current liabilities		465,031,943	444,815,483	506,320,685
NON-CURRENT LIABILITIES				
Long-term liability	13	<u>-</u>	1,244,845	17,832,092
Deferred credit	14	271,382,220	305,281,934	341,303,533
Total non-current liabilities		271,382,220	306,526,779	359,135,625
Total liabilities		736,414,163	751,342,262	865,456,310
EQUITY				
Share capital	15	100	100	100
Capital reserve	16	408,130,161	408,130,161	408,130,161
Investment revaluation reserve	17	98,712	40,585	-
Accumulated surplus/(deficit)		107,598,665	104,374,056*	(_121,140,350)*
Total equity		515,827,638	_512,544,902	286,989,911
Total liabilities and equity		\$ <u>1,252,241,801</u>	<u>1,263,887,164</u>	1,152,446,221

The financial statements on pages 5 to 40 were approved for issue by the Board of Directors on July 17, 2017 and signed on its behalf by:

Senator Kubyn Hill

Joseph Handal

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

Chairman

<sup>\*</sup> Restated (see note 30)

Statement of Profit or Loss and Other Comprehensive Income Year ended March 31, 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u> *
Operating revenue Water sales and drainage charges Government of Jamaica subsidy on behalf of farmers Other Government of Jamaica subsidy	18	527,931,174 830,156,069 59,714,712 1,417,801,955	648,040,308 853,621,723 
Cost of producing water and distributing it to farm gates	20	( <u>1,077,282,182</u> )	(1,023,678,631)
Gross operating surplus		340,519,773	477,983,400
Amortisation of deferred credit	14	33,899,714	36,021,599
Other income	19	5,936,632	10,888,022
Administrative expenses	20	( <u>377,990,510</u> )	(_298,692,577)*
Profit before finance costs and taxation		2,365,609	226,200,444
Finance costs	21		(22,422)
Profit before taxation		2,365,609	226,178,022
Taxation charge	22		( <u>39,738,616</u> )
Profit for the year	23	2,365,609	186,439,406
Other comprehensive income Item that will never be reclassified to profit or loss Remeasurement of employee benefits asset  Item that is or may be reclassified subsequently to profit or loss	8(f)	859,000	39,075,000
Increase in the fair value of available-for-sale investments		58,127	40,585
Total other comprehensive income		917,127	39,115,585
Total comprehensive income for the year		\$ <u>3,282,736</u>	225,554,991

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

<sup>\*</sup> Restated (see note 30)

# Statement of Changes in Equity Year ended March 31, 2017

	Share <u>capital</u>	Capital <u>reserve</u>	Investment revaluation reserve	Accumulated surplus/(deficit)	<u>Total</u>
Balances at March 31, 2015: As previously reported Prior year adjustments [note 30(c)] As restated	100 - 100	408,130,161 - 408,130,161	- - -	( 40,238,649) ( 80,901,701) ( 121,140,350)	367,891,612 ( <u>80,901,701</u> ) <u>286,989,911</u>
Profit for the year: As previously reported Prior year adjustments [note 30(d)]				207,328,125 ( 20,888,719)	207,328,125 ( <u>20,888,719</u> )
As restated				186,439,406	186,439,406
Other comprehensive income  Remeasurement of employee benefits asset  Increase in fair value of available-forsale investments	-	-	- 40,58 <u>5</u>	39,075,000	39,075,000 40,585
Total other comprehensive income	_	_	40,585	39,075,000	39,115,585
Total comprehensive income for the year	ar <u>-</u>		40,585	225,514,406	225,554,991
Balances at March 31, 2016, as restated	<u>100</u>	408,130,161	40,585	104,374,056	512,544,902
Balances at March 31, 2016: As previously reported Prior year adjustments [note 30(c)]	100	408,130,161	40,585	206,164,476 ( <u>101,790,420</u> )	614,335,322 ( <u>101,790,420</u> )
As restated	<u>100</u>	408,130,161	<u>40,585</u>	104,374,056	512,544,902
Profit for the year				2,365,609	2,365,609
Other comprehensive income  Remeasurement of employee benefits    asset Increase in fair value of available-for-	-	-	-	859,000	859,000
sale investments			<u>58,127</u>		58,127
Total other comprehensive income			<u>58,127</u>	859,000	917,127
Total comprehensive income for the year	ar <u>-</u>		<u>58,127</u>	3,224,609	3,282,736
Balances at March 31, 2017	\$ <u>100</u>	408,130,161	<u>98,712</u>	107,598,665	515,827,638

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

Statement of Cash Flows Year ended March 31, 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities			105 100 1051
Profit for the year		2,365,609	186,439,406*
Adjustments:	1.0	41.010.070	40.567.770
Depreciation	10	41,818,062	42,567,778
Amortisation of intangible asset	9	1,304,965	1,304,968
Asset written off	10	-	7,159,751
Loss on disposal of property, plant and equipment		-	8,584
Amortisation of deferred credit	14	( 33,899,714)	( 36,021,599)
Employee benefits asset		(3,802,000)	(2,049,000)
Taxation	22	_	39,738,616
Interest income		(722,627)	(630,000)
Foreign exchange gains on bank balances		$(\underline{}34,085)$	$(\underline{}36,580)$
		7,030,210	238,481,924
Decrease/(increase) in current assets		7,030,210	230,401,924
Investments		(2,340,287)	(11,109,721)
Accounts receivable		38,942,027	( 22,843,683)
Inventories		7,243,832	( 4,075,286)
Income tax recoverable		( 77,124)	( 85,270)
income tax recoverable		( 77,124)	( 83,270)
(Decrease)/increase in current liabilities			
Accounts payable and accrued charges		3,631,382	(124,489,069)*
Government of Jamaica project advances		16,585,078	23,245,251
Net cash provided by operating activities		71,015,118	99,124,146
Cash flows from investing activities			
Purchase of property, plant and equipment	10	( 31,552,792)	( 22,658,135)
Long-term receivable		8,141,488	3,735,219
Interest received		731,964	623,558
		•	
Net cash used in investing activities		(22,679,430)	(_18,299,358)
Cash flows from financing activity			
Long-term liability, being net cash used			
in financing activity		(1,244,845)	(_16,587,247)
in intaining detivity		(	(
Net increase in cash and cash equivalents		47,090,933	64,237,541
Effect of exchange rate fluctuations on cash held		34,085	36,580
Cash and cash equivalents at beginning of the year		81,351,963	17,077,842
Cash and cash equivalents at end of the year		\$128,476,981	_81,351,963
Cash and cash equivalents at the of the year		Ψ <u>120, 170,701</u>	01,001,000

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

<sup>\*</sup> Restated [see note 30(e)]

Notes to the Financial Statements Year ended March 31, 2017

## 1. <u>Identification</u>

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, St. Dorothy, New Forest and Yallahs.
- (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 and basis of preparation

## (a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Jamaican Companies Act.

### New and amended standards that became effective during the year

Certain new and amended standards which were issued, came into effect during the current financial year. The company has assessed them and has adopted those which are relevant to the financial statements, viz;

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016 has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are a minimum requirement of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria is now provided for presenting sub-totals on the statement of financial position and in the statement of profit or loss and OCI with additional reconciliation requirements for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates are accounted for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be classified to profit or loss.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

- 2. Statement of compliance and basis of preparation (continued)
  - (a) Statement of compliance (continued)

#### New and amended standards that became effective during the year (continued)

- Improvements to IFRS 2012-2014 cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the company is as follows:
  - IFRS 7, Financial Instruments: Disclosures, has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.
  - IAS 19, *Employee Benefits*, has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.
- Amendments to IAS 16 and IAS 38, Classification of Acceptable Methods of Depreciation and Amortisation are effective for accounting periods beginning on or after January 1, 2016.
  - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
  - The amendments to IAS 38, Intangible Assets introduce a rebuttal presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

The adoption of these amended standards did not result in any changes to the presentation and disclosures in the financial statements.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 2. <u>Statement of compliance and basis of preparation (continued)</u>

(a) Statement of compliance (continued)

## New and amended standards in issue but not yet effective

At the date of approval of these financial statements, certain new and amended standards were in issue but were not yet effective and had not been early-adopted by the company. The company has assessed them and has concluded that the following may be relevant to its operations:

• Amendments to IAS 7, Statement of Cash Flows, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

The company is assessing the impact that these amendments will have on its 2018 financial statements.

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
  - The existence of deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The company is assessing the impact that these amendments will have on its 2018 financial statements.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

## New and amended standards in issue but not yet effective (continued)

• IFRS 15, Revenue From Contracts With Customers, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers and SIC 31, Revenue – Barter Transactions Involving Advertising Services. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The company is assessing the impact that his standards will have on its 2019 financial statements.

• IFRS 9, Financial Instruments, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The company is assessing the impact that these amendments will have on its 2019 financial statements.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 2. Statement of compliance and basis of preparation (continued)

#### (a) Statement of compliance (continued)

## New and amended standards in issue but not yet effective (continued)

• IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessees will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17, Lease Accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17, Operating Lease Accounting.

Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers is also adopted.

The company is assessing the impact that the standard will have on its 2020 financial statements.

## (b) Basis of preparation

The financial statements are prepared on the historical cost basis, except for available-for-sale investments carried at fair value and are presented in Jamaica dollars which is the functional currency of the company.

The preparation of the financial statements in accordance with IFRS assumes that the company will continue in operational existence for the foreseeable future. This means, in part, that the statements of profit or loss and other comprehensive income and financial position assume no intention or necessity to liquidate the company or curtail the scale of operations. This is commonly referred to as the going concern basis.

## (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.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 2. Statement of compliance and basis of preparation (continued)

## (c) Accounting estimates and judgements (continued)

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 benefits

The amounts recognised in the statements of financial position and profit or loss and other comprehensive income for pension benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations.

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 loss assumptions would impact the amounts recorded in the financial statements for these obligations.

## Allowance for impairment losses

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.

#### • Determination of fair value of investments

When determining the fair value of investments, the company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a unit.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 3. Significant accounting policies

(a) Financial instruments: - classification, recognition and de-recognition, and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets have been determined to comprise cash and cash equivalents, investments, accounts receivable and long-term receivable. Financial liabilities comprise accounts payable and accrued charges and Government of Jamaica project advances.

Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts as set out herein.

## (i) Classification of financial instruments

The company classifies non-derivative financial assets as loans and receivables and available-for-sale. Management determines the appropriate classification of investments at the time of purchase. Securities acquired and loans granted with fixed or determinable payments and which are not quoted in an active market, are classified as loans and receivables.

The company classifies non-derivative financial liabilities into the other financial liabilities category.

(ii) Non-derivative financial assets and financial liabilities – recognition and derecognition The company recognises a financial instrument when it becomes a party to the contractual terms of the instrument.

The company initially recognises loans and receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the company is recognised as a separate asset or liability.

The company derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has the legal right to offset the amounts and intends either to settle them on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 3. <u>Significant accounting policies (continued)</u>

- (a) Financial instruments: classification, recognition and de-recognition, and measurement (continued)
  - (i) Non-derivative financial assets measurement

Loans and receivables: On initial recognition loans and receivables are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses.

#### (b) Cash and cash equivalents

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments where original maturities do not exceed three months, 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. Cash and cash equivalents are measured at amortised cost.

#### (c) Investments

Investments consist of resale agreements and units held in NCB Capital Markets CAPFunds.

(i) 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 less impairment. The difference between the purchase and resale considerations is recognized on the accrual basis over the period of the engagement, using the effective interest method.

- (ii) Units held in NCB Capital Markets CAPFunds are classified as available-for-sale and are carried at fair value. Changes in the fair value are included in the investment revaluation reserve.
- (d) Property, plant and equipment and depreciation
  - (i) Owned assets

Property, plant and equipment are measured 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.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

#### 3. Significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

#### (ii) Depreciation

Property, plant and equipment with the exception of capital work-in-progress are depreciated using 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 21/2% Utility plant 2-3%

Furniture, fixtures and equipment 10% and 20%

Computer equipment 20% Motor vehicles 20%  $2\frac{1}{2}\%$ Machinery and equipment

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

#### Capital grants (e)

Grants for acquisition of property, plant and equipment and amounts 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.

#### **Inventories** (f)

Inventories are measured at the lower of cost or net realisable value determined on the firstin-first-out basis.

#### Employee benefits (g)

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 pension; 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.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 3. <u>Significant accounting policies (continued)</u>

## (g) Employee benefits (continued)

Post-employment 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 valuation is conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefit asset as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

## (i) Defined benefit pension plan

The company's net asset 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.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Remeasurement of the net benefit asset, which comprises actual gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The company determines the net interest income on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit asset, taking into account any changes in the net defined benefit asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

#### (ii) Termination benefits

Termination benefits are expected at the earlier of when the company can no longer withdraw the offer of those benefits and when the company recognises cost for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 3. Significant accounting policies (continued)

#### (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 estimate. 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 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 fair value less costs to sell 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 receivables is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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

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

#### (i) Taxation

Income tax on the 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.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 3. Significant accounting policies (continued)

(i) Accounts receivable

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

(k) Intangible asset

Intangible asset, which represents computer software costs, is measured 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 expense as incurred.

(1) Accounts payable and accrued charges

Accounts payable and accrued charges are measured 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.

(n) Related parties

A related party is a person or entity that is related to the company.

- (A) A person or a close member of that person's family is related to the company if that person:
  - (i) has control or joint control over the company;
  - (ii) has significant influence over the company; or
  - (iii) is a member of the key management personnel of the company or of a parent of the company.
- (B) An entity is related to a company if any of the following conditions applies:
  - (i) the entity and the company 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.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 3. Significant accounting policies (continued)

- (n) Related parties (continued)
  - (B) An entity is related to a company if any of the following conditions applies (continued):
    - (v) the entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.
    - (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).
    - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the parent of the company.

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

## (o) Revenue recognition

Revenue from water sales and drainage services is recognised in profit or loss when water is delivered to the customer, drainage services are rendered and the amounts can be reliably measured.

Government subsidy and other funding are recognised when received.

#### (p) Interest income and expense

Interest income and expense are recognised in profit or loss on the accrual basis, using the effective interest method.

#### 4. Cash and cash equivalents

		<u>2017</u>	<u>2016</u>
	Cash Bank balances	119,779 <u>128,357,202</u>	109,315 <u>81,242,648</u>
		\$ <u>128,476,981</u>	81,351,963
5.	Investments  Loans and receivables	<u>2017</u>	<u>2016</u>
	Resale agreements [see note (i) below]  Available-for-sale carried at fair value	21,289,226	18,993,939
	Units held in NCB Capital Markets CAPFunds	1,349,692	1,291,565
		\$ <u>22,683,918</u>	20,285,504

- (i) This balance includes \$12,937,741 (2016: \$10,886,521) which is being held in escrow on behalf of two former employees who died intestate; and is not available to the company for operational use.
- (ii) At the reporting date, the fair value of underlying securities used as collateral for resale agreements was \$22,471,943 (2016: \$19,967,903).

Notes to the Financial Statements (Continued) Year ended March 31, 2017

_	A .		
6.	Accounts	receivabl	ρ
υ.	recounts	receivabl	•

	<u>2017</u>	<u>2016</u>
Trade receivables for water sales and drainage charges		
[note 26(b)(ii)]	141,270,035	148,901,675
Staff loans	10,224,735	22,563,266
Other receivables	23,987,773	24,729,871
	175,482,543	196,194,812
Provision for impairment losses	( <u>58,867,477</u> )	(40,628,382)
	\$ <u>116,615,066</u>	155,566,430

The aging of trade receivables at the reporting date was:

	20	2017		2016	
	Gross	Impairment <u>allowance</u>	<u>Gross</u>	Impairment <u>allowance</u>	
Not past due	40,789,068	2,252,494	48,295,511	67,149	
Past due 1-30 days	31,001,767	4,469,735	34,235,945	72,260	
Past due 31-60 days	11,257,510	1,286,369	16,649,149	312,454	
Past due 61-90 days	2,421,235	574,994	4,520,425	152,296	
More than 90 days	55,800,455	50,283,885	45,200,645	40,024,223	
	\$ <u>141,270,035</u>	58,867,477	148,901,675	40,628,382	

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

	<u>2017</u>	<u>2016</u>
Balance as at April 1 Amounts written back Provision recognised	40,628,382 (11,551,980) <u>29,791,075</u>	29,465,453 (14,147,902) 25,310,831
Balance as at March 31	\$ <u>58,867,477</u>	40,628,382

## 7. <u>Long-term receivable</u>

	<u>2017</u>	<u>2016</u>
Refundable utility deposits Employee loans	2,575,379 14,855,210	2,575,379 22,996,698
Less: Current portion	17,430,589 ( <u>9,043,179</u> )	25,572,077 ( <u>14,419,650</u> )
	\$ <u>8,387,410</u>	11,152,427

Employee loans are for the purchase of motor vehicles and are repayable over 4-8 years. The interest rate on motor vehicle loans is 0%. The loans are remeasured at commercial bank interest rate and are secured by the respective motor vehicles [see note 26(b)(iii)] on which the loans are outstanding.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 8. Employee benefits asset

The company sponsors a defined-benefit pension plan 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) The amounts recognised in the statement of financial position are determined as follows:

	<u>2017</u>	<u>2016</u>
Present value of funded obligation	( 954,686,000)	( 980,933,000)
Fair value of plan assets	1,313,495,000	1,134,723,000
Unrecognised asset due to asset ceiling	(_200,358,000)	
Asset recognised in the statement of financial position	\$ <u>158,451,000</u>	<u>153,790,000</u>

(b) Movement in the amounts recognised in the statement of financial position:

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	153,790,000	112,666,000
Contributions paid	18,576,000	17,443,000
Pension expense recognised in profit or loss	(14,774,000)	( 15,394,000)
Remeasurement recognised in other comprehensive		
income	<u>859,000</u>	39,075,000
Balance at end of year	\$ <u>158,451,000</u>	<u>153,790,000</u>

(c) Movement in the present value of obligation:

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	980,933,000	857,595,000
Service costs	30,337,000	27,773,000
Interest on obligation	86,706,000	79,814,000
Employees' contributions	20,531,000	18,656,000
Benefits paid	(61,720,000)	(35,708,000)
Annuities purchased	25,883,000	-
Actuarial (gains)/losses arising from:		
Changes in financial assumptions	(68,561,000)	68,774,000
Experience adjustments	(59,423,000)	( <u>35,971,000</u> )
Balance at end of year	\$ <u>954,686,000</u>	<u>980,933,000</u>

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 8. <u>Employee benefits asset (continued)</u>

(	ď	(i)	) N	<b>lovement</b>	in	fair v	alue	of r	olan	assets:
١,	ч.	, ,,	,	10 v Cilicit	111	iuii v	aruc	01	Jiuii	assets.

(d)	(1)	Movement in fair value of plan assets:	<u>2017</u>	<u>2016</u>
		Fair value of plan assets at beginning of year Employees' contributions Employer's contributions Interest income on plan assets Benefits paid Annuities purchased Actuarial gains/(losses) arising from: Change in financial assumptions Experience adjustments	1,134,723,000 20,531,000 18,576,000 102,269,000 ( 61,720,000) 25,883,000 (3,840,000) 77,073,000	970,261,000 18,656,000 17,443,000 92,193,000 ( 35,708,000) - 4,003,000 67,875,000
		Fair value of plan assets at end of year	\$ <u>1,313,495,000</u>	<u>1,134,723,000</u>
	(ii)	Plan assets consist of the following:	<u>2017</u>	<u>2016</u>
		International equity fund Global markets fund Equity fund Fixed income fund Mortgage and real estate fund Money market fund Foreign currency fund Adjustments Value of purchased annuities CPI indexed fund	70,969,000 35,484,000 260,218,000 106,453,000 272,046,000 59,141,000 236,562,000 ( 1,357,000) 132,042,000 141,937,000 \$1,313,495,000	67,150,000 24,697,000 204,207,000 41,841,000 220,331,000 54,700,000 281,052,000 2,776,000 111,424,000 126,545,000 1,134,723,000
(e)	Ex	spense recognised in profit or loss:	<u>2017</u>	<u>2016</u>
	Int	nrrent service costs terest on obligation terest income on plan assets	30,337,000 86,706,000 ( <u>102,269,000</u> )	27,773,000 79,814,000 ( <u>92,193,000</u> )
	Ne	et pension expense included in staff costs (note 24)	\$ <u>14,774,000</u>	<u>15,394,000</u>
(f)	Ar	mounts recognised in other comprehensive income:	<u>2017</u>	<u>2016</u>
		sperience adjustments nange in financial assumptions	63,862,000 ( <u>64,721,000</u> ) \$( <u>859,000</u> )	(103,846,000) <u>64,771,000</u> ( <u>39,075,000</u> )
			ψ( <u>0<i>37</i>,000</u> )	( <u>37,073,000</u> )

<sup>(</sup>g) As mortality continues to improve, estimates of life expectancy are expected to increase. The effect on the projected employee benefit asset of an increase of one year in the life expectancy is approximately \$12.79 million.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 8. Employee benefits asset (continued)

(h) Sensitivity analysis on projected employee benefits asset:

The calculation of the projected benefits asset is sensitive to the assumptions used. The table below summarizes how the projected employee benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate would cause some reduction in the medical trend rate.

	20	17	2016		
	1%	1%	1%	1%	
	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	
	\$	\$	\$	\$	
Discount rate	137,914,000	(108,096,000)	157,479,000	(122,322,000)	
Future salary increases	(52,202,000)	59,643	( 57,326,000)	65,736,000	
Future pension increases	<u>(72,261,000</u> )	<u>83,476,000</u>	( <u>82,290,000</u> )	95,464,000	
Liability duration:					
·			<u>2017</u>	<u>2016</u>	
Active members and all pa	articipants		<u>32 years</u>	<u>32 years</u>	
The mineral estuariel ess	tions (overnos	and as weighted a		ma aa fallanna	
The principal actuarial ass	sumptions (expres	sed as weighted a	- '		
			<u>2017</u>	<u>2016</u>	
Discount rate			9.5%	9.0%	
Inflation rate			6.5%	5.5%	
Future salary increases			6.5%	5.5%	
Future pension increases			3.5%	4.0%	
i didic pension mercases			<u> </u>	<u> </u>	

(k) The company expects to pay \$31,755,000 in contributions to the plan in 2017/2018 (2016/2017: \$34,133,000).

## 9. Intangible asset

(i)

(j)

	Compu	<u>Computer software</u>		
	<u>2017</u>	<u>2016</u>		
Cost	13,049,961	13,049,961		
Amortisation At beginning of year Charge for the year	6,524,864 1,304,965	5,219,896 _1,304,968		
At end of year	7,829,829	6,524,864		
Net book value	\$ <u>5,220,132</u>	6,525,097		

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 10. Property, plant and equipment

	Building & leasehold improvements	Utility plant	Furniture, fixtures & equipment	Motor vehicles	Machinery and equipment	Capital work-in- progress	Total
Cost							
March 31, 2015 Additions Disposals Reclassification Written off	99,116,068 948,500 - 4,041,735	1,711,598,502 9,490,455 - - -	110,683,835 5,891,145 ( 142,568)	27,762,421 - - - - -	21,096,677 - - - -	94,074,092 6,328,035 ( 4,041,735) ( 7,159,751)	2,064,331,595 22,658,135 ( 142,568) - ( 7,159,751)
March 31, 2016 Additions	104,106,303 	1,721,088,957 9,801,077	116,432,412 _11,914,491	27,762,421 <u>5,169,379</u>	21,096,677	89,200,641 	2,079,687,411 31,686,776
March 31, 2017	105,840,068	1,730,890,034	128,346,903	32,931,800	21,096,677	92,268,705	<u>2,111,374,187</u>
Depreciation March 31, 2015 Charge for the	22,016,520 2,468,778	1,165,860,394 29,654,496	82,787,696 6,960,554	20,868,057	, ,	-	1,296,222,341 42,567,778
year Eliminated on disposals			(133,984)			<u>-</u>	( <u>133,984</u> )
March 31, 2016 Charge for the	24,485,298	1,195,514,890	89,614,266	23,824,940	5,216,741	-	1,338,656,135
year	2,493,261	28,149,054	<u>6,903,655</u>	3,879,009	<u>527,067</u>		41,952,046
March 31, 2017	26,978,559	1,223,663,944	96,517,921	27,703,949	_5,743,808		1,380,608,181
Net book values							
March 31, 2017	\$ <u>78,861,509</u>	_507,226,090	<u>31,828,982</u>	5,227,851	15,352,869	92,268,705	<u>730,766,006</u>
March 31, 2016	\$ <u>79,621,005</u>	_525,574,067	26,818,146	3,937,481	<u>15,879,936</u>	89,200,641	<u>741,031,276</u>
March 31, 2015	\$ <u>77,099,548</u>	545,738,108	27,896,139	6,894,364	16,407,003	94,074,092	<u>768,109,254</u>

- (i) Included in building and leasehold improvements are leasehold improvements with net book value of \$50,112,827 (2016: \$52,606,089).
- (ii) 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 has 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 company as, and when, funds become available.

## 11. Accounts payable and accrued charges

	<u>2017</u>	<u>2016</u>
Customer deposits	17,440,093	15,342,140
Trade payables	51,245,304	106,043,295
Accrued vacation leave (note 13)	35,330,195	34,706,204
Provision for litigation settlement	9,815,810	3,811,228
Education tax payable including interest	106,681,230	93,349,816*
Other accruals	26,573,718	25,693,632
Other payables (i)	29,236,614	20,730,421
General Consumption Tax (GCT) payable	35,425,758	<u>8,440,604</u> *
	\$ <u>311,748,722</u>	308,117,340

(i) Other payables include \$12,937,741 (2016: \$10,888,526) received from Sagicor Life Jamaica Limited on behalf of former employees who died intestate, this is held in investments [note 5(i)].

<sup>\*</sup> Restated (see note 30)

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 12. Government of Jamaica project advances

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

	National Imigation Davidonment	Dlan (NIDD)		<u>2017</u>		<u>2016</u>
	National Irrigation Development - Implementation Miscellaneous capital projects Rain Water Harvesting Project GOJ Agricultural Productivity Pr			38,164,	531 000) 064	42,705,225 11,842,453 ( 11,000) 38,164,064
	Fishing Beach Projects			4,258, \$113,544,		4,258,785 96,959,527
13.	Long-term liability			2017		<u>2016</u>
	Unused vacation leave Current portion (see note 11)			35,330, ( <u>35,330,</u> \$ -		35,951,049 ( <u>34,706,204</u> ) _1,244,845
14.	Deferred credit			<del>-</del>		
17.	Belefica cican	Balance at March 31,2015	Movement during the year	Balance at March 31, 2016	Movement during the year	Balance at March 31, 2017
	Grant for acquisition of properly, plant and equipment (net of disposals)	294,498,893	-	294,498,893	-	294,498,893
	Property, plant and equipment gifted by Agro 21 Corp., net, in 1991	1,198,152	=	1,198,152	-	1,198,152
	Property, plant and equipment gifted by Ministry of Agriculture	1,203,061	-	1,203,061	-	1,203,061
	Property, plant and equipment transferred from NIDP Project Property, plant and equipment, other	1,896,725	-	1,896,725	-	1,896,725
	than utility plant, gifted by district irrigation authorities Utility plant acquired under CDB/IDB	3,520,295	-	3,520,295	-	3,520,295
	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 Irrigation pipes gifted by	1,233,211	-	1,233,211	-	1,233,211
	Chinese Government	41,993,367	-	41,993,367	-	41,993,367
	Computers funded by the NIDP Project Global Postioning System (GPS) units	14,546,237	-	14,546,237	-	14,546,237
	funded by the NIDP Project  Motor vehicle acquired out of NIDP	854,367	-	854,367	-	854,367
	project funds  Motor vehicle gifted by the Ministry of	2,945,000	-	2,945,000	-	2,945,000
	Agriculture and Fisheries Customer Relationship Management	950,000	-	950,000	-	950,000
	System (CRMS) funded by the NIDP Expenditure on contracts-in-progress	13,049,961	-	13,049,961	-	13,049,961
	(net of amounts expensed out of GOJ project advances)	33,100,318	_	33,100,318	_	33,100,318
	500 project davances)	1,144,027,602		1,144,027,602		1,144,027,602
	Amortisation transferred to profit or loss	( <u>802,724,069</u> )	( <u>36,021,599</u> )	( <u>838,745,668</u> )	(33,899,714)	) ( <u>872,645,382</u> )
	•	\$ <u>341,303,533</u>	(36,021,599)	305,281,934	33,899,714	271,382,220

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 14. <u>Deferred credit (continued)</u>

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.

## 15. Share capital

•	<u>2017</u>	<u>2016</u>
Authorised, issued and fully-paid:		
100 ordinary shares at no par value	\$ <u>100</u>	<u>100</u>

## 16. Capital reserve

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

#### 17. Investment revaluation reserve

This represents the increase in the fair value of investments classified as available-for-sale.

#### 18. 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 \$922.2 million (2016: \$846.5 million) in order for the company to deliver irrigation water as required by farmers, in the context of the schemes mentioned in note 1(a). Following the improved weather conditions, \$830.156 million (2016: \$853.622 million) was approved by Parliament and paid to the company.

## 19. Other income

	<u>2017</u>	<u>2016</u>
Finance income:		
Investments and cash and cash equivalents	356,764	347,371
Other	365,863	282,629
Amortisation of interest on concessionary loans	1,403,669	3,643,365
Foreign exchange gains on bank balances	34,085	36,580
Service fees	2,027,097	3,655,135
Miscellaneous	<u>1,749,154</u>	2,922,942
	\$5,936,632	10,888,022

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 20. Expenses by nature

	<u>2017</u>	<u>2016</u> *
Amortisation of intangible assets (note 9)	1,304,965	1,304,968
Advertising and public relations	3,414,199	4,095,545
Advisory committee fees and related expenses	761,450	2,187,194
Bad debts, net of recoveries	18,372,757	11,162,929
Bank charges	1,015,993	685,834
Computer expenses	17,752,741	6,711,086
Depreciation (note 10)	41,818,062	42,567,778
Directors' expenses	4,930,115	7,956,503
Electricity	392,264,305	461,865,786
Equipment hireage	5,705,599	2,488,750
Fuel and lubricants	4,549,424	4,941,022
General Consumption Tax (GCT)	34,381,956	11,511,907
General expenses	3,838,434	2,778,786
Haulage	2,331,250	4,173,238
Insurance	10,394,444	10,481,013
Interest and penalties	827,287	2,887,150
Interest on concessionary loans	1,134,231	2,309,545
Loss on disposal of property, plant and equipment	-	8,584
Maintenance of conveyance system (labour)	103,109,475	47,734,554
Motor vehicle fuel, repairs and maintenance	18,997,459	15,207,735
Office maintenance, rental and property taxes	8,731,745	3,718,409
Office refreshments	4,152,039	3,215,309
Office utilities	11,254,954	12,610,997
Other expenses	265,516	290,537
Professional fees	23,517,822	14,520,597
Regulatory fees	345,000	867,647
Repairs to buildings, distribution canals, pipelines and pumps,	63,667,491	41,787,424
Salaries, wages and related costs (note 24)	640,810,214	565,837,826
Security	18,111,906	20,054,382
Special projects expenses	1,591,491	1,798,235
Stationery	4,384,835	3,551,335
Subscriptions and donations	302,037	278,166
Telephone, postage, data, etc.	11,233,496	10,780,437
	\$ <u>1,455,272,692</u>	<u>1,322,371,208</u>
Presented as follows:		
Cost of producing water distributing it to farms	1,077,282,182	1,023,678,631
Adminstrative expenses	377,990,570	298,692,577
	\$ <u>1,455,272,752</u>	<u>1,322,371,208</u>

<sup>\*</sup> Restated (see note 30)

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 21. Finance costs

2017 2016 \$ - 22.422

Interest on bank overdraft

## 22. Taxation

(a) The provision for income tax is computed at  $33\frac{1}{3}\%$  of the results for the year, as adjusted for tax purposes, and is made up as follows:

		<u>2017</u>	<u>2016</u>
(i)	Current tax charge:		
	Provision for charge on current year's profits,		
	being actual tax charge recognised	\$	<u>39,738,616</u>

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

	<u>2017</u>	<u>2016</u>
Profit before taxation	\$ <u>2,365,609</u>	226,178,022*
Computed "expected" tax charge Tax effect of treating items differently for financial statements and tax reporting purposes -	788,536	75,392,674
Depreciation, amortisation and capital allowances Foreign exchange gain, capital Amortisation of deferred credits Expenses not allowed for tax purposes	9,090,818 ( 11,362) (11,299,905) 417,702	10,723,421 ( 12,192) ( 12,005,999) 1,095,832
Loss on disposal of property, plant and equipment Interest on concessionary loans Tax losses Other	( 89,813) 3,155,172 ( 2,051,148)	2,861 ( 444,562) ( 33,706,354) ( 1,307,065)
Actual tax charge recognised	\$	<u>39,738,616</u>

<sup>\*</sup> Restated (see note 30)

- (c) At March 31, 2017, taxation losses amounting to approximately \$257,000,000 (2016: \$249,000,000) are available for set-off against future taxable profits, subject to agreement by the Commissioner General, Tax Administration Jamaica. As at January 1, 2014, tax losses may be carried forward indefinitely; however, the amount that can be utilised in any one year is restricted to 50% of the taxable profits for that year.
- (d) Deferred tax asset of approximately \$85,666,000 (2016: \$83,000,000) in respect of taxation losses and temporary differences has not been recognised in the financial statements, due to the uncertainty that future profits will be generated within the foreseeable future against which the asset can be realised.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 23. Profit for the year

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

	<u>2017</u> \$	2016 \$
Directors' emoluments [note 25(c)]:	Ψ	Ψ
Fees	1,529,850	1,975,719
Travelling	1,638,404	2,368,102
Other expenses	1,761,861	3,612,682
Auditors' remuneration - current year	5,700,000	2,316,600
- prior year		<u>500,000</u>

## 24. Employee numbers and costs

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

	<u>2017</u>	<u>2016</u>
Full-time	153	141
Part-time	31	28
Other	_18	_26
	<u>202</u>	<u>195</u>

The aggregate payroll costs for these persons were as follows:

	<u>2017</u>	<u>2016</u>
Salaries	419,396,632	369,290,480
Statutory payroll contributions	37,494,634	27,844,712
Pension benefit cost [note 8(e)]	14,774,000	15,394,000
Travel and subsistence	129,310,921	112,612,993
Gratuities	2,233,956	2,748,751
Training	3,582,683	5,066,484
Accrued vacation leave	(620,854)	(1,935,897)
Insurance scheme	31,496,473	31,105,054
Staff welfare	3,141,769	3,711,249
	\$ <u>640,810,214</u>	<u>565,837,826</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.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 25. Related party balances and transactions (continued)

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Accounts receivable:		
Directors	1,275,321	1,411,986
Long-term receivables:		
Employee loans - key management personnel	<u> 756,250</u>	<u>3,420,833</u>

(c) The statement of profit or loss and other comprehensive income includes transactions with key management personnel in the ordinary course of business, as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Compensation paid to other key management personnel:		
Salaries to other key management personnel	29,922,002	34,129,604
Post-employment benefits	<u>683,000</u>	665,000
	30,605,002	<u>34,794,604</u>
Interest income from key management personnel	62,427	301,190

## 26. Financial risk management

(a) Overview:

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 Audit and Risk Management Committee, which is responsible for developing and monitoring the company's risk management policies. The committee reports bi-monthly to the Board of Directors on its activities.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 26. <u>Financial risk management</u>

## (a) Overview (continued):

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 Audit and Risk Management 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 Audit and Risk Management 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 Audit and Risk Management 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, resale agreements, trade receivables and long-term motor vehicle loans to employees.

### (i) Cash and cash equivalents and investments

Cash and cash equivalents and investments 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) 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.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 26. Financial risk management (continued)

## (b) Credit risk (continued):

## (ii) Trade receivables (continued)

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 and Performance Management 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.

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.

### Exposure to credit risk

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

	Carrying	<u>; amount</u>
	<u>2017</u>	<u>2016</u>
St. Thomas	3,007,437	2,788,824
St. Catherine	79,138,096	79,828,968
Clarendon	23,323,787	31,245,681
St. Elizabeth	32,404,226	31,217,806
Trelawny	2,871,256	3,357,958
St. James	525,233	462,438
	\$141,270,035	<u>148,901,675</u>

### (iii) Long-term receivable

The company grants loans to its employees to facilitate the purchase of motor vehicles. 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.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 26. Financial risk management (continued)

#### (b) Credit risk (continued):

## (iii) Long-term receivable (continued)

Collateral held against financial assets

Loans granted are secured by the registration of a lien on the motor vehicles acquired as well as a bill of sale. Estimates of the fair values are based on the sum insured of the collateral, at each reporting date. The fair value of these collateral as at March 31, 2017 was \$161,609,000 (2016: \$44,880,000).

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

## (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.

#### (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.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 26. Financial risk management (continued)

#### (d) Market risk (continued):

## (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:

	2017 US\$	<u>2016</u> US\$	
Cash and cash equivalents	<u>5,301</u>	<u>5,323</u>	

The average exchange rate for the US dollar in terms of Jamaica dollars, at March 31, 2017 was: US\$1.00 = J\$128.22 (2016: J\$121.3628).

Sensitivity analysis

A 6% (2016: 6%) strengthening of the US\$ against the Jamaica dollar would have increased profit by \$40,782 (2016: \$38,761). A 1% (2016: 1%) weakening would have decreased profit by \$6,797 (2016: \$6,460). This analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis as for 2016.

#### (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 were at fixed rate and are carried at cost as follows:

	Carryii	Carrying amount		
	<u>2017</u>	<u>2016</u>		
Resale agreements	21,289,226	18,993,939		
Employee loans	10,224,734	22,563,266		
	\$ <u>31,513,960</u>	<u>41,557,205</u>		

All the company's interest-bearing financial instruments are carried at fixed rates and are not fair valued; therefore a change in interest rate will not affect the carrying value if the financial intsruments or the company's cashflows.

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

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 26. Financial risk management (continued)

## (e) 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.

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; and
- 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.

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

## (f) 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.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 27. Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

#### Determination of fair value and fair value hierarchy

IFRS specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Discounted cash flow technique using a discount rate from observable market data, i.e. average of several brokers/dealers market indicative yields in active markets for identical assets or liabilities.

Level 3 – Valuation techniques using significant unobservable inputs.

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

The fair value of long-term receivable approximates to its carrying value as no discount is expected on settlement.

The fair values of resale agreements included in investments approximate their carrying values due to their short-term nature. The units held in NCB Capital Markets CAPFunds (note 5) are classified as Level 2 in the fair value hierarchy.

#### 28. Contingent liabilities

- (a) There are a number of claims against the company by various third parties. The claims are at different stages and no provision has been made in these financial statements for any as management believes that the company will be successful in its defence, and the company has insurance in place to cover these claims.
- (b) A claim was made against the company by an ex-employee in which the court awarded cost to the ex-employee. An amount of \$3,784,256 (2016: \$3,784,256) is included in accounts payable (note 11) pending any claims.
- (c) A claim was made by an ex-employee, during the year, for unjustifiable dismissal as her contract of employment was terminated by letter dated August 23, 2016.

The matter came up for conciliation at the Ministry of Labour and the parties have arrived at a settlement to compensate the claimant for nine month's gross salary in full and final settlement, in addition to paying her for other sums due.

A provision of \$4,653,574 was included in accounts payable (note 11) at the reporting date. The matter has been subsequently settled.

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 29. Capital commitments

Commitments for capital expenditure were as follows:

<u>2017</u> <u>2016</u>

Capital commitments \$\frac{72,591,298}{23,701,109}\$

## 30. Prior year restatements

- (a) In the previous years, the company did not account for the employer's portion of education tax which became due and payable on the amendment of section 7(i) of the Education Tax Act (2003). The amounts due as of March 31, 2011 and subsequent years, include interest, have been quantified and have now been recognised.
- (b) In the previous years, the company accounted for its payment of input tax for General Consumption Tax purposes on the cash basis. On a monthly basis, the company would accumulate its charges for input tax and submit the information to its responsible Ministry, which would make the payments; these were accounted for as part of its subvention. During the current financial year, the responsible Ministry redirected this responsibility to the company to pay its input tax. At the reporting date, the company applied the accruals basis in accounting for this liability. This resulted in an accrual of \$35.42M as at March 31, 2017, of which \$8.44M relates to prior years and was appropriately recognised in the financial statements.

The effects of these tranactions on the financial statements of the prior periods are as follows:

#### (c) Effect on the statement of financial position:

	Accounts payable and accrued charges	Accumulated surplus/ deficit
Balances at March 31, 2015	<u>enarges</u>	dellett
As previously reported	351,704,708	(40,238,649)
Prior year adjustments [see (a) above] [see (b) above]	78,778,447 	( 78,778,447) ( 2,123,254)
	80,901,701	( <u>80,901,701</u> )
March 31, 2015, as restated	\$ <u>432,606,409</u>	(121,140,350)
Balances at March 31, 2016		
As previously reported	<u>206,326,920</u>	<u>206,164,476</u>
Prior year adjustments [see (a) above] [see (b) above]	93,349,816 <u>8,440,604</u>	( 93,349,816) ( 8,440,604)
	101,790,420	(101,790,420)
March 31, 2016, as restated	\$ <u>308,117,340</u>	104,374,056

Notes to the Financial Statements (Continued) Year ended March 31, 2017

## 30. Prior year restatements (continued)

(d) Effect on profit for the year ended March 31, 2016:

Accumulated surplus/ deficit

Profit for the year, as previously reported

Prior year adjustments

207,328,125
(20,888,719)

As restated

\$186,439,406

(e) Other than restatement of comparatives for profit for the year and accounts payable and accrued charges by \$20,888,719, there was no effect on the statement of cash flows for the year ended March 31, 2016.

# SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017

NATIONAL IRRIGATION COMMISSION LIMITED

Government of Jamaica Project Advances As at and for year ended March 31, 2017

<u>2016</u>	( 643,877)	ı		40,625	13,602,386	43,190,226	( 485,000) 26,416,837	2,172,581 91,976		(1,964,849)	10,678,024 ( 3,518,465) 4,258,785	1,290,035	128,192 ( 15,128) ( 38,839) 485,000	1,536,402	96,959,527
2017	( 643,877)			40,625	40,296,153	43,190,226	( 485,000) 26,416,837	2,172,581 91,976		( 1,964,849)	8,374,426 (13,678,488) 4,258,785	448,826	( 141,820) 126,288 ( 38,839) 485,000	3,840,000	766,755 113,544,605
Capital funds utilized for deposits on fixed assets				. ,	(33,338,822)		ı							,	(33,338,822)
Capital 'B' expenditure		•	•			(1,608,245,522)	( 448,920,563)		1 1 1						<u>.</u> ( <u>2,057,166,085</u> )
Non-capital expenditure		(24,076)	(1,200,220)	(30,245)	(2,198,189) $(199,074,912)$		. ( 40,805,819)	( 528,773)	( 1,567,643) ( 23,969) ( 942,606)	( 12,907,074) ( 8,006,974)	( 44,259,849) ( 4,111,330) ( 65,741,215)		. (5,213,557)		
Expenditure capitalised	ı	(890,996)		( 14,022,668)	(118,005,430)	ı	. (187,221,888)	. 2,547,798)	(149,502,023) (29,070,822) (24,394,104)	1 1					(525,730,801)
Capital <u>work</u>	(2,314,512)	•		(000,050)	(22,459,738)		٠.				(13,065,725) (39,567,158)	( 6,057,174)	( 2,231,820) ( 3,277,244)	( 560,000)	$\frac{1,664,373}{(91,241,744)}$
<u>Total</u>	1,670,6355	990,144	1,200,220	14,143,538	2,198,189 413,175,055	1,651,435,748	448,435,563 254,444,544	2,701,354 2,639,774	151,069,666 29,094,791 25,336,710	12,896,074 6,042,125	65,700,000 30,000,000 70,000,000	6,500,000	2,090,000 3,403,532 5,174,718 485,000	4,400,000	2,431,128 3,208,236,813
Received during year		•			196,520,000							ı	500,000 403,532	•	2,431,128
At beginning of year	1,670,635	990,144	1,200,220	14,143,538	2,198,189 216,655,055	1,651,435,748	448,435,563 254,444,544	2,701,354 2,639,774	151,069,666 29,094,791 25,336,710	12,896,074 6,042,125	65,700,000 30,000,000 70,000,000	6,500,000	1,590,000 TU 3,000,000 5,174,718 485,000	4,400,000	\$3,008,382,153
PROJECTS	Non Such Agro Park, St. Mary (Account #454120-00-00) Fabrication of gates	and installation of mechanical devices	Construction of storage reservoirs	Construction of Dam	Hounslow Lining of Canals	National Irrigation Development Plan National Irrigation	- Implementation Other capital projects	Bra rehab infrastructure Ext. Block E Pipeline	Second Sugar- Rehabilitation Thetford Yallahs	Kain Water - Harvesting Project Energy Saving Projects	Vernammen Irrigation System Project phase 1 Agro Parks Project Fishing Beach Projects	Station-STU	Construction-STU 1,590,000 Ebony Park filtration system-STU 3,000,000 Wind Monitoring Project 5,174,718 IDB Well Sites 485,000	vernam Irrigation System Phase 2 JBI Project Funds-	Schwallenburgh Green House

Expenses Year ended March 31, 2017

## Cost of producing and distributing water to farm gates

	<u>2017</u>	<u>2016</u>
Depreciation	41,818,062	42,567,778
Electricity	392,264,305	461,865,786
Equipment hireage	5,708,599	2,488,750
Fuel and lubricants	4,549,424	4,941,022
General expenses	3,842,215	2,778,786
General insurance	8,432,689	8,332,192
Haulage	2,331,250	4,173,238
Maintenance of conveyance system (labour)	103,109,475	47,734,554
Motor vehicle fuel, repairs and maintenance	15,064,075	12,573,646
Telephone, postage, data, etc.	3,198,337	3,403,131
Office refreshments	2,474,862	1,482,250
Stationery	2,059,003	1,984,096
Computer expenses	1,670,856	831,221
Bank charges	131,438	144,467
Regulatory fees	345,000	867,647
Office rent and property taxes	1,483,000	895,667
Office utilities	6,916,909	7,535,227
Advisory committee fees and related expenses	761,450	2,187,194
Professional fees	1,314,583	1,537,306
Repairs to buildings, distribution canals, pipelines,		
pumps, etc. (material)	63,667,491	41,787,424
Salaries, wages and related costs (see below)	405,510,994	357,437,581
Security	10,628,165	<u>16,129,668</u>
Total cost of producing and distributing water	\$ <u>1,077,282,182</u>	<u>1,023,678,630</u>
Salaries, wages and related costs		
Personnel emoluments	272,837,174	234,421,937
Insurance scheme	22,898,166	21,181,772
Statutory contributions	12,662,715	10,422,354
Staff welfare	2,045,424	2,847,475
Accrued vacation leave	1,252,279	2,709,847
Travel and subsistence	92,694,564	83,835,183
Training	1,120,672	2,019,013
	\$ <u>405,510,994</u>	357,437,581

Expenses (Continued) Year ended March 31, 2017

## Salaries, wages and related costs included in administrative expenses

	<u>2017</u>	<u>2016</u>
Personnel emoluments	146,559,458	134,868,543
Pension benefit cost (net of contribution)	14,774,000	15,394,000
Insurance scheme	8,598,307	9,923,282
Statutory contributions	24,831,919	17,422,358
Vacation leave	(1,873,133)	(4,645,744)
Gratuities	2,233,956	2,748,751
Staff welfare	1,096,345	863,774
Training	2,462,011	3,047,471
Travel and subsistence	36,616,357	28,777,810
	\$ <u>235,299,220</u>	208,400,245