NATIONAL IRRIGATION COMMISSION LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2019

KPMG
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INDEPENDENT AUDITORS' REPORT

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 50, which comprise the statement of financial position as at March 31, 2019, 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, 2019 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.

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 scepticism 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.

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.

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.

KPMG

Chartered Accountants
Kingston, Jamaica

July 18, 2019

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Financial Position
March 31, 2019

	Notes	2019	2018
CURRENT ASSETS			
Cash and cash equivalents	5	279,217,342	162,369,566
Investments	6	11,846,897	11,668,170
Accounts receivable	7	124,376,019	123,395,115
Current portion of long-term receivables	8	10,251,100	8,432,920
Inventories		53,696,278	70,418,924
Income tax recoverable		9,255,698	9,140,998
Total current assets		488,643,334	385,425,693
NON-CURRENT ASSETS			
Long-term receivables	8	20,557,587	12,437,947
Employee benefits asset	9(a)	158,018,000	198,287,000
Intangible asset	10	2,610,200	3,915,166
Property, plant and equipment	11	929,529,556	715,120,770
Total non-current assets		1,110,715,343	929,760,883
Total assets		$1,599,358,677	1,315,186,576
CURRENT LIABILITIES			
Accounts payable and accrued charges	12	322,145,180	341,414,000
Government of Jamaica project advances	13	66,969,436	26,828,207
Taxation		29,753,854	53,732,545
Total current liabilities		418,868,470	421,974,752
NON-CURRENT LIABILITY			
Deferred credit, being total non-current liability	14	472,378,355	292,267,417
Total liabilities		891,246,825	714,242,169
EQUITY			
Share capital	15	100	100
Capital reserve	16	408,130,161	408,130,161
Investment revaluation reserve	17	-	98,712
Accumulated surplus		299,981,591	192,715,434
Total equity		708,111,852	600,944,407
Total liabilities and equity		$1,599,358,677	1,315,186,576

The financial statements on pages 5 to 50 were approved for issue by the Board of Directors on July 18, 2019 and signed on its behalf by:

_______________ Chairman
Senator Aubyn Hill

_______________ Director
Douglas Cupidon

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

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2019

	Notes	2019	2018
Operating revenue			
Water sales and drainage charges		586,368,974	477,487,014
Government of Jamaica subsidy on behalf of farmers	18	1,219,939,942	1,040,762,334
Other Government of Jamaica subsidy		-	50,000,000
		1,806,308,916	1,568,249,348
Cost of producing water and distributing it to farm gates	20	(1,195,575,994)	(1,159,134,589)
Gross operating surplus		610,732,922	409,114,759
Amortisation of deferred credit	14	33,343,717	33,633,383
Other income	19	12,144,755	9,838,339
Impairment losses on financial assets	7(iii)	(9,478,463)	-
Administrative expenses	20	(450,063,906)	(384,584,936)
Surplus before net finance income and taxation		196,679,025	68,001,545
Net finance income	21	563,514	558,153
Surplus before taxation		197,242,539	68,559,698
Taxation charge	22	(32,676,841)	(13,993,929)
Surplus for the year	23	164,565,698	54,565,769
Other comprehensive income			
Item that will never be reclassified to profit or loss			
Remeasurement of employee benefits asset being total other comprehensive (loss)/income	9(f)	(39,048,000)	30,551,000
Total comprehensive income for the year		$ 125,517,698	85,116,769

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

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Changes in Equity
Year ended March 31, 2019

	Share capital Note 15	Capital reserve Note 16	Investment revaluation reserve Note 17	Accumulated surplus	Total
Balances at March 31, 2017	100	408,130,161	98,712	107,598,665	515,827,638
Surplus for the year	-	-	-	54,565,769	54,565,769
Other comprehensive income					
Remeasurement of employee benefits asset, being total other comprehensive income	-	-	-	30,551,000	30,551,000
Total comprehensive income for the year	-	-	-	85,116,769	85,116,769
Balances at March 31, 2018	100	408,130,161	98,712	192,715,434	600,944,407
Adjustment on initial application of IFRS 9 [note 3(a)]	-	-	(98,712)	(18,251,541)	(18,350,253)
Adjusted balances at April 1, 2018	100	408,130,161	-	174,463,893	582,594,154
Surplus for the year	-	-	-	164,565,698	164,565,698
Other comprehensive income					
Remeasurement of employee benefits asset, being total other comprehensive loss	-	-	-	(39,048,000)	(39,048,000)
Total comprehensive income for the year	-	-	-	125,517,698	125,517,698
Balances at March 31, 2019	100	408,130,161	-	299,981,591	708,111,852

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

NATIONAL IRRIGATION COMMISSION LIMITED

Statement of Cash Flows
Year ended March 31, 2019

	Notes	2019	2018
Cash flows from operating activities			
Surplus for the year		164,565,698	54,565,769
Adjustments:			
Depreciation	11	54,097,683	45,458,735
Amortisation of intangible asset	10	1,304,966	1,304,966
Inventory provision		24,562,442	-
Impairment of trade receivables		9,478,463	-
Amortisation of deferred credit	14	(33,343,717)	(33,633,383)
Asset written off	11	-	15,890,556
Employee benefits asset		1,221,000	(9,285,000)
Interest expense	21	-	3,200
Interest income		(563,514)	(561,353)
Taxation	22	32,676,841	13,993,929
Foreign exchange loss/(gains) on bank balances		25,793	(3,470)
		254,025,655	87,733,949
Decrease/(increase) in current assets			
Investments		(178,726)	11,015,748
Accounts receivable		(30,630,041)	(6,215,798)
Inventories		(7,839,796)	(6,917,934)
Income tax recoverable		(114,701)	(43,878)
(Decrease)/increase in current liabilities			
Accounts payable and accrued charges		(19,268,820)	29,665,279
Government of Jamaica project advances		40,141,229	(86,716,398)
Net cash provided by operating activities		236,134,800	28,520,968
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(268,506,469)	(45,704,055)
Long-term receivables		(8,119,640)	(4,050,537)
Interest received		-	607,359
Interest paid		565,755	(3,200)
Taxation paid		(56,655,532)	-
Net cash used in investing activities		(332,715,886)	(49,150,433)
Cash flows from financing activities			
Deferred credit, being net cash provided by financing activities		213,454,655	54,518,580
Net increase in cash and cash equivalents		116,873,569	33,889,115
Effect of exchange rate fluctuations on cash held		(25,793)	3,470
Cash and cash equivalents at beginning of the year		162,369,566	128,476,981
Cash and cash equivalents at end of the year		$279,217,342	162,369,566

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

1. Identification

National Irrigation Commission Limited (company) is incorporated and domiciled in Jamaica, and is wholly-owned by the Government of Jamaica through the Accountant General. The company's registered office is located at 14-20 Port Royal Street, Kingston.

The principal activities of the company are:

(a) The management, operation, maintenance and expansion of existing and future irrigation schemes established by the Government of Jamaica. The principal schemes currently in operation are Hounslow, Braco, Mid-Clarendon, Rio Cobre, Yallahs, Beacon/Little Park, Seven Rivers, Colbeck, St. Dorothy, New Forest, Yallahs IDB, Plantain Garden River, Amity Hall and Monymusk.

(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.

This is the first set of the company's annual financial statements in which IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in note 3.

New and amended standards and interpretations issued but not yet effective

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

- 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.

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

(a) Statement of compliance (continued)

New and amended standards and interpretations issued but not yet effective (continued)

- IFRS 16 *Leases* (continued)

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

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

- IFRIC 23 *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

  An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment, or group of tax treatments, that is adopted in its income tax filing.

  If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty.

  If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better prediction of the resolution of the uncertainty.

  If facts and circumstances change, the entity is required to reassess the judgements and estimates applied.

  IFRIC 23 reinforces the need to comply with existing disclosure requirements regarding:

  - judgements made in the process of applying accounting policy to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
  - assumptions and other estimates used; and
  - potential impact of uncertainties that are not reflected in the financial statements.

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

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

(a) Statement of compliance (continued)

New and amended standards and interpretations issued but not yet effective (continued)

- Amendments to IFRS 9 *Financial Instruments,* effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

  (i) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (ii) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

- Amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The company is assessing the impact that the amendment will have on its 2021 financial statement.

(b) Basis of preparation

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

2. Basis of preparation (continued):

(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 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 of Jamaica 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

  Applicable from April 1, 2018

  Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure epected credit losses (ECL) requires significant judgement.

2. Basis of preparation (continued)

(c) Accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

- Allowance for impairment losses (continued)

  Applicable from April 1, 2018 (continued)

  In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the expected credit loss (ECL) measurement model, including incorporation of forward-looking information. Management also estimates the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions makes uncertainty inherent in such esimates.

  Applicable before April 1, 2018

  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.

- Residual value and expected useful life of property, plant and equipment

  The residual value and the expected useful life of an asset are reviewed at least at each reporting date, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected value-in-use to the company.

3. Change in accounting policies

Except for the changes identified below the company has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

The company has applied IFRS 9 and IFRS 15 from April 1, 2018. A number of other new standards are also effective during the year, but they do not have a material effect on the company's financial statements.

Due to the transition methods chosen by the company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

3. Change in accounting policies (continued)

The effect of applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets; and
- additional disclosures related to IFRS 9 [see notes 7 and 26(b)].

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the company has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures,* that are applied to disclosures about 2019, but have not been applied to the comparative information.

As permitted by the transitional provisions of IFRS 9, any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated surplus of the current period.

(a) The impact of transition to IFRS 9 on the opening accumulated surplus is as follows:

(i) Accumulated surplus:

	$
Balance as at March 31, 2018 under IAS 39	192,715,434
Recognition of expected credit losses under IFRS 9: Trade receivables	(18,251,541)
Opening balance under IFRS 9 at April 1, 2018	174,463,893

(ii) Investment revaluation reserve:

	$
Balance as at March 31, 2018	98,712
Movement in fair value on reclassification of investments at fair value through other comprehensive income to fair value through profit or loss	(98,712)
Opening balance under IFRS 9 at April 1, 2018	-

3. Change in accounting policies (continued)

IFRS 9 Financial instruments (continued)

(b) Classification and measurement of financial instruments

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the company's accounting policies related to financial liabilities.

For an explanation on how the company classifies and measures financial instruments under IFRS 9, [see note 4(a)].

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories and amounts under IFRS 9 for each class of the company's financial assets and financial liabilities as at April 1, 2018.

	Notes	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at March 31, 2018	Impairment losses	IFRS 9 carrying amount at April 1, 2018
Financial assets						
Cash and cash equivalents		Loans and receivables	Amortised cost	162,369,566	-	162,369,566
Resale agreements		Loans and receivables	Amortised cost	10,318,478	-	10,318,478
Units in unit trust		Available-for-sale	FVTPL	1,349,692	-	1,349,692
Loans receivable		Loans and receivables	Amortised cost	18,295,488	-	18,295,488
Trade receivables	3(c)	Loans and receivables	Amortised cost	76,182,113	(18,350,253)	57,831,860
Other receivables		Loans and receivables	Amortised cost	47,213,002	-	47,213,002
Total financial assets				315,728,339	(18,350,253)	297,378,086
Financial liabilities						
Customer deposits		Amortised cost	Amortised cost	17,300,740	-	17,300,740
Trade payables		Amortised cost	Amortised cost	45,295,640	-	45,295,640
Other accurals		Amortised cost	Amortised cost	78,154,230	-	78,154,230
Other payables		Amortised cost	Amortised cost	26,422,254	-	26,422,254
Total financial liabilities				167,172,864	-	167,172,864

3. Change in accounting policies (continued)

IFRS 9 Financial instruments (continued)

(c) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The company has determined that application of IFRS 9 impairment requirements at April 1, 2018, results in an additional allowance for impairment as follows:

	Company $000
Loss allowance under IAS 39 (March 31, 2018)	70,999,537
Additional impairment recognised at April 1, 2018:	
Accounts receivable	18,350,253
Loss allowance under IFRS 9 (April 1, 2018)	89,349,790

Additional information about how the company measures allowance for impairment is described in note 4(h).

IFRS 15, *Revenue from Contract with Customers*

Under IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, following a five step model: Step 1: Identify the contract(s) with a customer (agreement that creates enforceable rights and obligations); Step 2: Identify the different performance obligations (promises) in the contract and account for those separately; Step 3: Determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services); Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time

IFRS 15 also includes disclosure requirements to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. IFRS 15 was effective on January 1, 2018, and supersedes all existing guidance on revenue recognition.

The adoption of IFRS 15 did not impact the timing or amount of revenue from contracts with customers and the related assets and liabilities recognised by the company due to the nature of the transactions. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

4. Significant accounting policies

(a) Financial instruments

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 receivables. Financial liabilities comprise accounts payable and accrued charges and Government of Jamaica project advances.

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.

Policy applicable from April 1, 2018

(i) Recognition and initial measurement

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.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

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

(ii) Classification of financial instruments

On initial recognition, the company classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

4. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policy applicable from April 1, 2018 (continued)

(ii) Classification of financial instruments (continued)

All other financial assets of the company are measured at FVTPL.

Business model assessment:

In making an assessment of the objective of the business model in which a financial asset is held, the company considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of the strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The company has determined that it has two business models:

- Held to collect business model: this includes cash and cash equivalents, accounts receivables, resale agreements and long-term receivables. These financial assets are held to collect contractual cash flow.
- Other business model: This includes units in unit trusts which is managed and its performance is evaluated on a fair value basis.

Assessment whether contractual cashflows are solely payment of principal and interest (SPPI):

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

4. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policy applicable from April 1, 2018 (continued)

(ii) Classification of financial instruments (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the company considers the following:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- leverage features, that modify consideration of the time value of money such as periodic reset of interest rates;
- prepayment and extension features; and
- terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse features).

(iii) Subsequent measurement

Financial assets at fair value through profit or loss are subsequently measured at fair value. Net gains and losses are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Policy applicable before April 1, 2018

(iv) 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. Securities are classified as available-for-sale because they are designated as such or are not classified in any of the other categories.

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

4. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policy applicable before April 1, 2018 (continued)

(v) Non-derivative financial assets and financial liabilities – recognition and derecognition

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.

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.

(vi) 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.

4. Significant accounting policies (continued)

(c) Investments

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

(i) The company purchases Government securities and agrees to resell them on a specified date and at a specified price (‘resale agreements’ or ‘reverse repurchase agreements’). 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 amortised cost (2018: loans and receivables) and are carried at amortised cost less impairment losses. The difference between the purchase and resale considerations is recognised on the accrual basis over the period of the engagement, using the effective interest method.

(ii) Units held in NCB Capital Markets CAP Funds are carried at fair value through profit or loss (2018: available-for-sale).

(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 4(q)].

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

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

4. Significant accounting policies (continued)

(e) Capital grants

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 surplus or deficit.

(f) Inventories

Inventories are measured at the lower of cost or net realisable value determined on the first-in-first-out basis and are shown net of the provision for obsolete inventory of $24,562,442.00. The provision is included in administrative expenses.

(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 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.

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 of Jamaica 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.

4. Significant accounting policies (continued)

(g) Employee benefits (continued)

(i) Defined benefit pension plan (continued)

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 surplus or deficit.

(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.

(h) Impairment of financial assets

Policy applicable from April 1, 2018

The company recognises loss allowances for ECLs on financial assets measured at amortised cost.

The company measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due.

The company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to action such as realising security if any is held; or
- the financial asset is more than 90 days past due.

Life-time ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

4. Significant accounting policies (continued)

(h) Impairment of financial assets (continued)

Policy applicable from April 1, 2018 (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

4. Significant accounting policies (continued)

(h) Impairment of financial assets (continued)

Policy applicable before April 1, 2018

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. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in surplus or deficit.

(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.

(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.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through the income statement; otherwise subsequent increases in fair value are recognised through other comprehensive income.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to the income statement. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

(i) Taxation

Income tax on the surplus or deficit for the year comprises current and deferred tax. Income tax is recognised in surplus or deficit, 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.

4. Significant accounting policies (continued)

(i) Taxation (continued)

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 classified and measured at amortised 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.

(l) Accounts payable and accrued charges

Accounts payable and accrued charges are measured at their amortised 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 surplus or deficit.

(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.

4. Significant accounting policies (continued)

(n) Related parties (continued)

(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.

(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

(i) Policy applicable from April 1, 2018

The effects of initially applying IFRS 15 on the company's revenue from customers is described in note 3.

Revenue from services is measured at fair value of the consideration received or receivable, net of volume rebates and sales taxes.

Performance obligations and revenue recognition policies:

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

4. Significant accounting policies (continued)

(o) Revenue recognition

(i) Policy applicable from April 1, 2018 (continued)

Type of revenue	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from April 1, 2018)
Water sales	Sales are recognised when the company has delivered water to the customer, the customer has accepted the service, and collectability of the related receivables is reasonably assured.	Revenue from this sale is recognised at the point in time when water is delivered to customers.
Drainage service	Income is recognised when the company provides drainage service to customers.	Revenue from drainage service is recognised at the point when the service is delivered.

(ii) Policy applicable before April 1, 2018

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

(iii) Government subvention

Government subvention is recognised in the profit or loss on a systematic basis over the periods necessary to match them with the related expenses that they are intended to compensate.

(p) Interest income and expense

Policy applicable from April 1, 2018

Interest income is recognised in the statement of profit or loss and other comprehensive income using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

4. Significant accounting policies (continued)

(p) Interest income and expense (continued)

Policy applicable before April 1, 2018

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

(q) Impairment of non-financial assets

At each reporting date, the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

5. Cash and cash equivalents

	2019	2018
Cash	123,114	112,734
Bank balances	279,094,228	162,256,832
	$279,217,342	162,369,566

Cash includes the amount of $88,501,532 received for use in specific projects and refund of customers' deposits.

6. Investments

	2019	2018
Amortised cost		
Resale agreements [see note (i) below]	10,400,413	10,318,478
Fair value through profit or loss		
Units held in NCB Capital Markets CAP Funds	1,446,484	1,349,692
	$11,846,897	11,668,170

(i) Resale agreements include $1,847,573 (2018: $1,816,408) which is being held in escrow on behalf of one (2018: one) former employee who died intestate; and is not available to the company for operational use.

6. Investments (continued)

(ii) At the reporting date, the fair value of underlying securities used as collateral for resale agreements was $10,364,840 (2018: $10,871,980).

(iii) Allowance for impairment loss under IFRS 9 was immaterial for recongintion in the financial statements.

7. Accounts receivable

	2019	2018
Trade receivables for water sales and drainage charges [note 26(b)(ii)]	159,408,415	138,856,525
Staff loans	12,106,657	11,915,919
Other receivables	51,689,200	43,622,208
	223,204,272	194,394,652
Provision for impairment losses	(98,828,253)	(70,999,537)
	$124,376,019	123,395,115

(i) Provision for impairment losses is in respect of the following:

	2019	2018
Trade receivables	90,503,128	62,674,412
Other receivables	8,325,125	8,325,125
	$98,828,253	70,999,537

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

	Aging under IFRS 9 2019	
	Gross	Impairment allowance under IFRS 9
0-29 days	35,217,903	4,451,846
Past due 30-59 days	29,932,229	3,707,602
Past due 60-89 days	15,194,512	3,701,947
Over 90 days	79,063,771	78,641,733
	$159,408,415	90,503,128

7. Accounts receivable (continued)

(ii) The aging of trade receivables at the reporting date was (continued):

	2018	
	Gross	Impairment allowance under IAS 39
Not past due	48,456,698	2,252,494
Past due 1-30 days	25,137,405	4,469,735
Past due 31-60 days	1,888,466	1,286,369
Past due 61-90 days	1,655,744	574,994
More than 90 days	61,718,212	54,090,820
	138,856,525	62,674,412

(iii) The movement in the allowance for impairment losses during the year was as follows:

	2019	2018
Balance as at April 1	70,999,537	58,867,477
Amounts written back	-	(12,532,495)
Change on initial application of IFRS 9	18,350,253	-
Increase in allowance for impairment	9,478,463	24,664,555
Balance as at March 31	$98,828,253	70,999,537

(iv) Staff loan balances are not past due and no expected credit loss has been recognised in these financial statements as the amounts are immaterial.

(v) Other receivables includes deposits on property, plant and equipment of $12,394,587 (2018: $18,214,263).

8. Long-term receivables

	2019	2018
Refundable utility deposits	2,575,379	2,575,379
Employee loans	28,233,308	18,295,488
	30,808,687	20,870,867
Less: Current portion	(10,251,100)	(8,432,920)
	$20,557,587	12,437,947

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.

The application of IFRS 9 impairment requirements did not result in the recognition of an impairment allowance, at transition or during the year, as these amounts were not considered material for adjustment.

NATIONAL IRRIGATION COMMISSION LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2019

9. 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:

	2019	2018
Present value of funded obligation	(1,323,500,000)	(1,296,605,000)
Fair value of plan assets	1,683,657,000	1,557,365,000
Unrecognised asset due to asset ceiling	(202,139,000)	(62,473,000)
Asset recognised in the statement of financial position	$ 158,018,000	198,287,000

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

	2019	2018
Balance at beginning of year	198,287,000	158,451,000
Contributions paid	20,192,000	19,355,000
Pension expense recognised in profit or loss	(21,413,000)	(10,070,000)
Remeasurement recognised in other comprehensive income	(39,048,000)	30,551,000
Balance at end of year	$158,018,000	198,287,000

(c) Movement in the present value of obligation:

	2019	2018
Balance at beginning of year	1,296,605,000	954,686,000
Service costs	37,947,000	27,103,000
Interest on obligation	96,626,000	89,276,000
Employees' contributions	24,965,000	23,297,000
Benefits paid	(100,848,000)	(48,035,000)
Annuities purchased	63,331,000	13,220,000
Actuarial losses/(gains) arising from:		
Changes in financial assumptions	86,800,000	354,422,000
Experience adjustments	(181,926,000)	(117,364,000)
Balance at end of year	$1,323,500,000	1,296,605,000

9. Employee benefits asset (continued)

(d) (i) Movement in fair value of plan assets:

	2019	2018
Fair value of plan assets at beginning of year	1,557,365,000	1,313,495,000
Employees' contributions	24,965,000	23,297,000
Employer's contributions	20,192,000	19,355,000
Interest income on plan assets	117,845,000	125,343,000
Benefits paid	(100,848,000)	(48,035,000)
Annuities purchased	63,331,000	13,220,000
Actuarial gains/(losses) arising from:		
Change in financial assumptions	5,127,000	18,851,000
Experience adjustments	(4,320,000)	91,839,000
Fair value of plan assets at end of year	$1,683,657,000	1,557,365,000

(ii) Plan assets consist of the following:

	2019	2018
International equity fund	96,990,000	86,724,000
Global markets fund	30,807,000	29,255,000
Equity fund	492,564,000	373,163,000
Fixed income fund	48,386,000	81,551,000
Mortgage and real estate fund	352,733,000	379,427,000
Money market fund	37,413,000	51,901,000
Foreign currency fund	262,086,000	246,598,000
Adjustments	(8,195,000)	3,666,000
Value of purchased annuities	220,447,000	158,077,000
CPI indexed fund	150,426,000	147,003,000
	$1,683,657,000	1,557,365,000

(e) Expense recognised in profit or loss:

	2019	2018
Current service costs	37,947,000	27,103,000
Interest on obligation	96,626,000	89,276,000
Interest income on plan assets	(117,845,000)	(125,343,000)
Interest on effect of asset ceiling	4,685,000	19,034,000
Net pension expense included in staff costs (note 24)	$ 21,413,000	10,070,000

(f) Amounts recognised in other comprehensive income:

	2019	2018
Experience adjustments	(42,625,000)	(366,122,000)
Change in financial assumptions	81,673,000	335,571,000
	$39,048,000	(30,551,000)

9. Employee benefits asset (continued)

(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 $16.31 million.

(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.

	2019		2018	
	1% Decrease $	1% Increase $	1% Decrease $	1% Increase $
Discount rate	160,280,000	(127,419,000)	175,454,000	(140,693,000)
Future salary increases	(38,812,000)	43,553,000	(44,638,000)	49,788,000
Future pension increases	(108,551,000)	125,674,000	(108,980,000)	126,531,000

(i) Liability duration:

	2019	2018
Active members and all participants	32 years	32 years

(j) The principal actuarial assumptions (expressed as weighted averages) used were as follows:

	2019	2018
Discount rate	7.0%	7.5%
Inflation rate	3.0%	4.5%
Future salary increases	3.0%	4.5%
Future pension increases	1.5%	2.5%

(k) The company expects to pay $46,644,000 in contributions to the plan in 2019/2020 (2018/2019: $43,129,000).

10. Intangible asset

	Computer software	
	2019	2018
Cost	13,049,961	13,049,961
Amortisation		
At beginning of year	9,134,795	7,829,829
Charge for the year	1,304,966	1,304,966
At end of year	10,439,761	9,134,795
Net book value	$ 2,610,200	3,915,166

11. 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, 2017	105,840,068	1,730,890,034	128,212,919	32,931,800	21,096,677	92,268,705	2,111,240,203
Additions	1,315,092	6,581,135	23,070,740	12,102,651	2,634,437	-	45,704,055
Reclassification	-	31,569,350	-	-	-	(31,569,350)	-
Write-off	-	-	-	-	-	(15,890,556)	(15,890,556)
March 31, 2018	107,155,160	1,769,040,519	151,283,659	45,034,451	23,731,114	44,808,799	2,141,053,702
Additions	22,453,154	183,802,760	33,956,903	2,542,459	3,317,630	22,433,563	268,506,469
March 31, 2019	129,608,314	1,952,843,279	185,240,562	47,576,910	27,048,744	67,242,362	2,409,560,171
Depreciation							
March 31, 2017	26,978,559	1,223,663,944	96,383,936	27,703,949	5,743,809	-	1,380,474,197
Charge for the year	2,515,180	29,282,946	9,392,473	3,675,208	592,928	-	45,458,735
March 31, 2018	29,493,739	1,252,946,890	105,776,409	31,379,157	6,336,737	-	1,425,932,932
Charge for the year	2,946,976	34,546,640	12,122,184	3,835,775	646,108	-	54,097,683
March 31, 2019	32,440,715	1,287,493,530	117,898,593	35,214,932	6,982,845	-	1,480,030,615
Net book values							
March 31, 2019	$ 97,167,599	665,349,749	67,341,969	12,361,978	20,065,899	67,242,362	929,529,556
March 31, 2018	$ 77,661,421	516,093,629	45,507,250	13,655,294	17,394,377	44,808,799	715,120,770
March 31, 2017	$ 78,861,509	507,226,090	31,828,983	5,227,851	15,352,868	92,268,705	730,766,006

(i) Included in building and leasehold improvements are leasehold improvements with net book value of $97,192,689 (2018: $44,275,456).

(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.

12. Accounts payable and accrued charges

	2019	2018
Customer deposits	18,660,104	17,300,740
Trade payables	53,992,537	45,295,640
Accrued vacation leave	45,228,285	42,293,226
Provision for litigation settlement (i)	17,818,069	7,380,272
Education tax payable including interest (ii)	56,681,230	118,594,724
Other accruals (iii)	113,652,262	78,154,230
Other payables (iv)	7,988,961	26,422,254
General Consumption Tax (GCT) payable	8,123,732	5,972,914
	$322,145,180	341,414,000

(i) The movement in the provision for litigation settlement during the year was as follows:

	2019	2018
Balance as at April 1	7,380,272	9,815,810
Amounts paid	(3,265,200)	(2,435,538)
Provision recognised	13,702,997	-
Balance as at March 31	$17,818,069	7,380,272

(ii) Education tax payable including interest represents amounts owing to the Tax Administration of Jamaica for the periods 2011 to 2016.

(iii) Other accruals includes amounts related to accrued electricity cost and other operating costs. It also includes amounts billed to the company for electricity charges in relation to the Monymusk Bulk Meter and paid for by Sugar Company of Jamaica Holdings Limited aggregating approximately $99,755,542 (2018: $99,755,542). The amount to be refunded is subject to agreement.

(iv) Other payables include $1,847,573 (2018: $1,816,408) received from Sagicor Life Jamaica Limited on behalf of former employees who died intestate; these restricted funds are held in investments [note 5(i)].

13. 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:

	2019	2018
National Irrigation Development Plan (NIDP) - Implementation	42,705,255	42,705,255
Canal lining and other projects	2,641,099	(46,273,006)
Rain Water Harvesting Project	(11,000)	(11,000)
Government of Jamaica (GOJ) Agricultural Productivity Projects	17,375,297	26,148,173
Fishing Beach Projects	4,258,785	4,258,785
	$66,969,436	26,828,207

14. Deferred credit

	Balance at March 31, 2017	Movement during the year	Balance at March 31, 2018	Movement during the year	Balance at March 31, 2019
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	1,896,725	-	1,896,725	-	1,896,725
Property, plant and equipment, other than utility plant, gifted by district irrigation authorities	3,520,295	-	3,520,295	-	3,520,295
Utility plant acquired under CDB/IDB 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	54,518,580	645,614,678	213,454,655	859,069,333
Revaluation surplus on inventories	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
Global Postioning System (GPS) units funded by the NIDP Project	854,367	-	854,367	-	854,367
Motor vehicle acquired out of NIDP project funds	2,945,000	-	2,945,000	-	2,945,000
Motor vehicle gifted by the Ministry of Agriculture and Fisheries	950,000	-	950,000	-	950,000
Customer Relationship Management System (CRMS) funded by the NIDP	13,049,961	-	13,049,961	-	13,049,961
Expenditure on contracts-in-progress (net of amounts expensed out of GOJ project advances)	33,100,318	-	33,100,318	-	33,100,318
	1,144,027,602	54,518,580	1,198,546,182	213,454,655	1,412,000,837
Amortisation transferred to profit or loss	(872,645,382)	(33,633,383)	(906,278,765)	(33,343,717)	(939,622,482)
	$271,382,220	20,885,197	292,267,417	180,110,938	472,378,355

(i) The net book value of property, plant and equipment, with the cost of which the deferred credit account was increased at the date of acquisition, is eliminated from the deferred credit account on the disposal of the assets.

15. Share capital

	2019	2018
Authorised, issued and fully-paid:		
100 ordinary shares at no par value	$100	100

16. Capital reserve

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

17. Investment revaluation reserve

In the prior year this represented 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 management estimated that the subsidy would need to be $1.292 billion (2018: $1.048 billion) in order for the company to deliver irrigation water as required by farmers, in the context of the schemes mentioned in note 1(a). An amount of $1.236 billion (2018: $1.041 billion) was approved by Parliament of which $1.219 billion (2018: $1.041 billion) was paid to the company.

19. Other income

	2019	2018
Amortisation of interest on concessionary loans	3,992,843	1,807,292
Foreign exchange gains on bank balances	-	3,470
Insurance claim settlement	615,170	4,619,093
Service fees	1,986,538	1,362,583
Fair value gains	96,791	-
Sales of plants	1,801,017	-
Miscellaneous	3,652,396	2,045,901
	$12,144,755	9,838,339

20. Expenses by nature

	2019	2018
Amortisation of intangible asset (note 10)	1,304,966	1,304,966
Advertising and public relations	9,076,339	6,464,476
Advisory committee fees and related expenses	3,510,886	4,075,635
Bad debts, net of recoveries	-	12,150,059
Bank charges	1,043,717	1,006,582
Balance carried forward to page 39	14,935,908	25,001,718

20. Expenses by nature (continued)

	2019	2018
Balance brought forward from page 38	14,935,908	25,001,718
Computer expenses	16,040,794	16,513,420
Depreciation (note 11)	54,097,683	45,458,735
Directors' expenses	4,528,433	4,561,762
Electricity	425,368,541	413,597,550
Equipment hireage	6,316,368	2,976,750
Fuel and lubricants	4,788,798	5,041,082
General Consumption Tax (GCT)	(10,100,543)	(211,139)
General expenses	4,470,335	5,263,483
Haulage	3,311,523	2,873,462
Insurance	10,524,329	11,846,493
Interest and penalties	4,232	11,913,494
Interest on concessionary loans	5,965,419	4,669,314
Inventory provision – obsolete stock	24,562,442	-
Maintenance of conveyance system (labour)	136,834,797	111,154,992
Motor vehicle fuel, repairs and maintenance	25,548,801	20,723,114
Office maintenance, rental and property taxes	4,405,128	9,289,631
Office refreshments	4,754,634	4,632,229
Office utilities	14,790,640	14,107,098
Other expenses	822,298	183,812
Professional fees	23,547,439	19,623,257
Regulatory fees	6,798,550	480,000
Repairs to buildings, distribution canals, pipelines and pumps	54,730,187	85,381,709
Salaries, wages and related costs (note 24)	711,236,515	665,337,121
Security	37,776,070	22,284,784
Special projects expenses	37,354,181	20,343,756
Stationery	6,804,608	5,944,344
Subscriptions and donations	404,674	862,070
Telephone, postage, data, etc.	15,017,116	13,865,484
	$1,645,639,900	1,543,719,525
Presented as follows:		
Cost of producing water and distributing it to farms	1,195,575,994	1,159,134,589
Adminstrative expenses	450,063,906	384,584,936
	$1,645,639,900	1,543,719,525

21. Net finance income

	2019	2018
Finance income:		
Investments and cash and cash equivalents	53,262	204,953
Other	510,252	356,400
	563,514	561,353
Interest on bank overdraft	-	(3,200)
	$563,514	558,153

22. Taxation

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

	2019	2018
Current tax charge:		
Provision for charge on current year's profits, being actual tax charge recognised	$32,676,841	13,993,929

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

The effective tax rate for 2019 was 14.25% (2018: 20.41%) of pre-tax surplus compared to the statutory rate of 33⅓% (2018: 33⅓%).

	2019	2018
Surplus before taxation	$197,242,539	68,559,698
Computed "expected" tax charge	65,747,513	22,853,233
Tax effect of treating items differently for financial statements and tax reporting purposes -		
Depreciation, amortisation and capital allowances	(66,666)	8,418,211
Foreign exchange gain, capital	-	(1,157)
Amortisation of deferred credits	(11,114,572)	(11,211,128)
Expenses not allowed for tax purposes	10,097,244	3,762,181
Interest on concessionary loans	657,525	954,007
Tax losses	(32,676,841)	(13,993,929)
Other	32,638	3,212,511
Actual tax charge recognised	$ 32,676,841	13,993,929

(c) At March 31, 2019, taxation losses amounting to approximately $116,254,000 (2018: $213,937,000) 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 $207,000 (2018: $47,950,000) 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.

23. Surplus for the year

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

	2019	2018
	$	$
Directors' emoluments		
Fees	1,150,675	1,725,447
Travelling	1,691,929	1,301,733
Other expenses	1,685,830	1,534,582
Auditors' remuneration	6,150,000	5,950,000

24. Employee numbers and costs

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

	2019	2018
Full-time	196	146
Part-time	29	12
Other	4	46
	229	204

The aggregate payroll costs for these persons were as follows:

	2019	2018
Salaries	423,088,144	424,731,399
Statutory payroll contributions	53,201,601	32,855,773
Pension benefit cost [note 9(e)]	21,413,000	10,070,000
Travel and subsistence	146,622,059	134,495,118
Gratuities	7,598,203	6,813,348
Training	7,984,856	6,496,310
Accrued vacation leave	2,935,058	6,963,032
Insurance scheme	39,017,864	35,691,220
Staff welfare	9,375,730	7,220,921
	$711,236,515	665,337,121

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

	2019	2018
	$	$
Accounts receivable:		
Directors	71,742	1,376,271
Long-term receivables:		
Employee loans - key management personnel	292,525	667,236

25. Related party balances and transactions (continued)

(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:

	2019 $	2018 $
Compensation paid to other key management personnel:		
Salaries to other key management personnel	42,277,878	27,923,887
Post-employment benefits	1,031,000	434,000
	43,308,878	28,357,887
Interest income from key management personnel	26,671	65,273

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.

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.

26. Financial risk management (continued)

(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. Therefore, the company considers the credit risk to be low and no impairment allowance has been recognized.

(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.

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.

Applicable before April 1, 2018

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 Industry, Commerce, Agriculture & Fisheries to write off the amounts against the receivable balance directly.

26. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Trade receivables (continued)

Exposure to credit risk

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

	Carrying amount	
	2019	2018
St. Thomas	3,625,538	2,886,428
St. Catherine	87,809,811	77,999,942
Clarendon	38,429,730	25,826,855
St. Elizabeth	25,381,515	28,576,690
Trelawny	3,437,595	2,915,726
St. James	724,226	650,884
	$159,408,415	138,856,525

(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.

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, 2019 was $77,724,500 (2018: $156,649,202). The expected credit loss on long-term receivable is immaterial.

Expected credit loss assessment after April 1, 2018

The company uses a provision matrix to measure expected credit losses (ECLs) for trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off, current conditions and the economic conditions over the expected lives of the receivables.

26. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss assessment after April 1, 2018 (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivable as at March 31, 2019.

	Company			
Age buckets	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
	%	$'000	$'000	
0-29 days	12.64	35,217,903	4,451,846	No
30-59 days	12.39	29,932,229	3,707,602	No
60-89 days	24.36	15,194,512	3,701,947	No
Over 90 days	99.46	79,063,771	78,641,733	Yes
		159,408,415	90,503,128	

Cash and cash equivalents

Risks relating to cash and cash equivalents and certificate of deposits are limited because the counterparties are banks and financial institutions with high credit rating. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Impairment on cash and cash equivalents has been measured at 12-month expected loss basis and reflects the short maturities of the exposures.

Long term receivables

Long term receivables include staff loans. The company has determined that these balances have low credit risks, as repayments are made via salary deductions, it has liens over motor vehicles, all borrowers are currently employed to the company and are in good standings. Manaagement reviews recovery scenarios considering given economic conditions and the counterparties ability to repay over the expected life of the recoverable. The expected credit losses are calculated on this basis.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the company.

- If a significant increase in credit risk ('SICR')[see note 4(h)] since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

26. Financial risk management (continued)

(b) Credit risk (continued):

Incorporation of forward-looking information

The company incorporates forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of the expected credit losses (ECL).

The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and compared historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The company formulates three scenarios: a base case, which is median scenario assigned a 50% probability of occurring and two less likely scenarios, being best, assigned a rating of 20% and worst, assigned a rating of 30%. The base case is aligned with information used by the company for other purposes such as strategic planning. External information considered includes economic data and forecast published by government bodies, monetary bodies and supranational organisations such as International Monetary Fund.

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement.

The company has identified and documented key drivers of credit risk and credit losses for, and using the scorecard approach has estimated relationships between macro-economic variables and credit risk and credit losses. The company has assessed that the key drivers of its trade receivables portfolio are inflation 20%, interest rate 25%, gross domestic product 25% and unemployment 30%.

Measurement of the expected credit loss (ECL)

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next twelve months (12-month PD) over or over the remaining lifetime (lifetime PD) of the obligation.

The company's trade receivables are measured at lifetime ECL.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

26. Financial risk management (continued)

(b) Credit risk (continued):

Loss allowance

The recognition of a loss allowance recognised is impacted by the following factors:

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

(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.

(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:

	2019	2018
	US$	US$
Cash and cash equivalents	5,324	5,459

26. Financial risk management (continued)

(d) Market risk (continued):

(i) Currency risk (continued)

The average exchange rate for the US dollar in terms of Jamaica dollars, at March 31, 2019 was: US$1.00 = J$125.02 (2018: J$125.19).

Sensitivity analysis

A 4% (2018: 4%) strengthening of the US$ against the Jamaica dollar would have increased profit by $26,624 (2018: $27,336). A 6% (2018: 2%) weakening would have decreased profit by $39,936 (2018: $13,668). This analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis as for 2018.

(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:

	Carrying amount	
	2019	2018
Resale agreements	10,349,643	10,318,478
Employee loans	12,106,657	11,915,919
	$22,456,300	22,234,397

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 instruments 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.

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 Risk 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.

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 6) are classified as Level 2 in the fair value hierarchy. The fair value has been determined by applying prices quoted by the unit trust manager.

28. Contingent liabilities

(a) There are a number of claims against the company by various third parties. The claims are at different stages and appropriate provision are made in these financial statements when management believes that the company will be unsuccessful in its defence.

(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 $3,784,526 (2018: $3,784,256) is included in accounts payable (note 12) pending any claims.

(c) A claim was made against the company for negligence. The claim for damages, estimated to be $13,702,997 is included in accounts payable (note 12).

29. Capital commitments

Commitments for capital expenditure were as follows:

	2019	2018
Capital commitments	$65,254,944	6,500,000

NATIONAL IRRIGATION COMMISSION LIMITED

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

NATIONAL IRRIGATION COMMISSION LIMITED

Government of Jamaica Project Advances
As at and for year ended March 31, 2019

PROJECTS	At beginning of year	Received during year	Capital work	Expenditure capitalised	Non-capital expenditure	Capital 'B' expenditure	Capital funds utilised for deposits on property, plant and equipment	2019	2018
Non Such Agro Park, St. Mary (Account #454120-00-00)	1,670,635	-	(2,314,512)	-	-	-	-	(643,877)	(643,877)
Construction of Dam	14,143,538	-	(50,000)	(14,022,668)	(30,245)	-	-	40,625	40,625
Hounslow	2,198,189	-	-	-	(2,198,189)		-	-	-
Lining of Canals	563,175,055	100,000,000	(23,143,495)	(182,023,260)	(404,256,623)	-	(51,110,577)	2,641,100	(46,273,006)
National Irrigation Development Plan	1,651,435,748	-	-	-	-	(1,608,245,522)	-	43,190,226	43,190,226
National Irrigation Development Plan - Implementation	448,435,563	-	-	-	-	(448,920,563)	-	(485,000)	(485,000)
IDB Well sites	485,000	-	-	-	-	-	-	485,000	485,000
Other capital projects	254,444,544	-		(195,994,765)	(40,805,819)			17,643,960	26,416,837
Agro. Parks Projects	30,000,000	-	(39,567,158)	-	(4,111,330)	-	-	(13,678,488)	(13,678,488)
Joint Venture- New-Era rehab infrastructure	2,701,354	-	-		(528,773)	-	-	2,172,581	2,172,581
Ext. Block E Pipeline	2,639,774	-	-	(2,547,798)	-	-	-	91,976	91,976
Rain Water - Harvesting Project	12,896,074	-	-	-	(12,907,074)	-	-	(11,000)	(11,000)
Energy Saving Projects	6,042,125	-	-	-	(8,006,974)	-	-	(1,964,849)	(1,964,849)
Vernamfield Irrigation-System Project Phase 1	65,700,000	-	(13,065,725)	-	(44,284,849)	-	-	8,349,426	8,349,426
Fishing Beach Projects	70,000,000	-	-	-	(65,741,215)	-	-	4,258,785	4,258,785
Port Henderson re Lift Pump - Station-STU	6,500,000	-	(6,104,837)	-	-	-	-	395,163	395,163
PGR Pump House Construction-STU	2,090,000	-	(2,231,820)	-	-	-	-	(141,820)	(141,820)
Ebony Park filtration system-STU	3,403,532	-	(3,345,820)	-	-	-	-	57,712	57,712
Wind Monitoring Project	5,174,718	-	-	-	(5,213,557)	-	-	(38,839)	(38,839)
Vernam Irrigation System Phase 2	4,400,000	-	(560,000)	-	-	-	-	3,840,000	3,840,000
JBI Project Funds-Schwallenburgh Green House	2,431,128	-	(1,664,373)	-	-	-	-	766,755	766,755
	$3,149,966,977	100,000,000	(92,047,740)	(394,588,491)	(588,084,648)	(2,057,166,085)	(51,110,577)	66,969,436	26,828,207

NATIONAL IRRIGATION COMMISSION LIMITED

Expenses
Year ended March 31, 2019

Cost of producing and distributing water to farm gates

	2019	2018
Depreciation	54,097,683	45,458,735
Electricity	425,368,541	413,597,550
Equipment hireage	6,316,368	2,976,750
Fuel and lubricants	4,788,798	5,041,082
General expenses	4,470,335	5,263,483
General insurance	8,647,195	6,294,835
Haulage	3,311,523	2,873,462
Maintenance of conveyance system (labour)	117,278,839	111,154,992
Motor vehicle fuel, repairs and maintenance	20,420,235	19,942,545
Telephone, postage, data, etc.	4,079,056	4,002,291
Office refreshments	2,614,671	2,964,023
Stationery	2,552,964	2,596,371
Computer expenses	2,472,232	1,021,448
Bank charges	113,846	121,720
Regulatory fees	6,798,550	480,000
Office rent and property taxes	1,266,000	1,463,000
Office utilities	8,738,590	8,286,814
Advisory committee fees and related expenses	3,510,886	4,075,635
Professional fees	7,267,435	2,499,527
Repairs to buildings, distribution canals, pipelines, pumps, etc. (material)	54,730,187	85,381,709
Salaries, wages and related costs (see below)	420,820,470	410,769,515
Security	35,911,590	22,869,102
Total cost of producing and distributing water	$1,195,575,994	1,159,134,589

Salaries, wages and related costs

	2019	2018
Personnel emoluments	264,117,308	258,389,366
Insurance scheme	28,124,210	26,285,067
Statutory contributions	20,526,036	19,928,678
Staff welfare	3,589,387	4,488,115
Accrued vacation leave	98,156	4,331,978
Travel and subsistence	101,308,448	94,518,380
Training	3,056,925	2,827,931
	$ 420,820,470	410,769,515

NATIONAL IRRIGATION COMMISSION LIMITED

Expenses (Continued)
Year ended March 31, 2019

Salaries, wages and related costs included in administrative expenses

	2019	2018
Personnel emoluments	158,970,836	166,342,032
Pension benefit cost (net of contribution)	21,413,000	10,070,000
Insurance scheme	10,893,654	9,406,155
Statutory contributions	32,675,565	12,927,095
Vacation leave	2,836,903	2,631,054
Gratuities	5,996,966	4,581,764
Staff welfare	5,786,343	2,732,807
Training	4,927,931	3,668,379
Travel and subsistence	45,313,611	39,976,738
	$288,814,809	252,336,024