



**RURAL WATER SUPPLY LTD**

*Engineering Solutions for Development*



**ANNUAL REPORT**

**2016/2017**

# CORPORATE DATA

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## **Registered Office**

Rural Water Supply Limited

25 Dominica Drive, 3<sup>rd</sup> Floor

Kingston 5, Jamaica W.I.

Telephone: (876) 754-5485, Fax: (876) 754-5500

Email: info@rwslja.com

## **Management Team:**

Mr. Audley Thompson - Managing Director

Mr. Douglas Wilson - General Manager Engineering

Mr. Michael Johnson - Finance Manager

Ms. Murie Bennett - Manager HR/Corporate Services

Mr. Peter Clarke - Engineering Manager

## **Bankers:**

Sagicor Bank Jamaica Limited, 17 Dominica Drive, Kingston 5

National Commercial Bank, 1-7 Knutsford Boulevard, Kingston 5

## **Auditors:**

Calvert Gordon & Associates, 7 West Ave, Kingston Gardens,

P O box 13, Kingston 4

## **Attorney-at-law:**

Garth McBean & Associates, Seymour Square, Kingston 6

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## **VISION STATEMENT**

RWSL aims to be the major implementer of projects, by ensuring adherence to standards, time schedules and budget.



## **MISSION STATEMENT**

To effectively manage the implementation of projects, by ensuring adherence to standards, time schedules and budget.



**MESSAGE FROM**  
**HON. DR. HORACE CHANG, M.P.,**  
**Minister without Portfolio (Water, Works & Housing)**



The Rural Water Supply Limited (RWSL) is no doubt one of the finest engineering companies in Jamaica involved in designing, planning and implementing potable water infrastructures. I am therefore pleased to be associated with this year's presentation of the Annual Report for the period under review.

As a result of population increase and the impacts of climate change, it is estimated that by 2025, approximately 1.8 billion people worldwide will live in areas where water is scarce.

This Administration is however, mindful that water drives national development and the availability of adequate and good quality water is critical not only for economic growth, but the maintenance of a good quality of life for all our people. For those who live in rural areas, the cost of providing water is oftentimes challenging due to low population densities and the high cost of infrastructure which moves water to these areas.

The RWSL has therefore been mandated to provide improved water systems to these rural communities and has been doing so through various methods, which use simple and easy to maintain technologies. In addition a number of concrete catchment tanks and minor water supply systems have been upgraded and solar powered systems installed.

This professional company has been tasked to provide engineering services for irrigation, housing and infrastructure projects in the public sector and will be marketing its service to meet the needs of the private sector. Additionally, the RWSL has partnered with the National Water Commission to provide technical consultancy and institutional support for a number of major projects throughout the island.

The revised National Water Policy and Implementation Plan is being updated and the RWSL will be required to keep track of past projects, work with communities and households to identify problems, needs, and ideas to improve service and ensure that water is delivered to beneficiaries at target levels.

As we aspire to make Jamaica the “place of choice to live, work, raise families and do business”, I commend the staff of the RWSL for their contribution towards the development of the Water Sector and look forward to a greater level of service and commitment as they seek “to efficiently manage the implementation of projects, by ensuring adherence to standards, time schedule and budget”.



**Dr. Horace Chang, M.P.**  
**Minister**



**Message from**  
**His Worship the Mayor**  
**Councillor Homer Davis, JP**  
**Chairman**



I am pleased to present the Annual Report and Financial Statement for the Rural Water Supply Limited (RWSL) for the year under review.

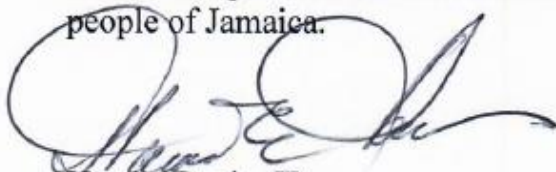
I am satisfied with the progress made by the RWSL throughout the years to provide potable water supply solutions to rural communities all across Jamaica.

We are mindful of the economic challenges that are inherent to achieve our mandate but, the Agency will continue to provide flexible designs, pumping and storage facilities, spring entombment, rainwater harvesting systems, refurbishing of catchment tanks and the installation of solar systems to boost water supplies to satisfy the needs of rural residents.

I am excited about the work that is to be accomplished if we are to meet the millennium development goal for water; the staff is equal to the task and remain creative and dedicated to service.

To achieve our mission and vision, we will continue to provide training opportunities for the staff and ensure that the most efficient is recruited and retained.

I acknowledge the commitment and diligence of my fellow Directors during the year under review and promise to fulfil the mandate for which we have been charged by the government and people of Jamaica.



Homer Davis, JP  
**Chairman**

## Message from the Managing Director – Audley Thompson



Rural Water Supply Limited (RWSL), an Agency of the Ministry of Economic Growth and Job Creation, continues to fulfil its role in the Water Sector as a primary supplier of technical expertise for the implementation of rural water projects.

During the Financial Year 2016-2017, the Company focused on completing on-going projects, upgrading catchment tanks and rehabilitating rainwater harvesting facilities islandwide, through funding made available under the Government’s Capital “A” Budget.

Consultancy services to other government Agencies in the area of design and monitoring of construction activities on water supply systems, other infrastructure and housing related projects were also provided.

### **CAPITAL ‘A’ PROJECTS**

#### **Rural Water Supply Systems Upgrade and Repairs**

Approximately 9,500 residents in the parishes of St. Andrew, St. Thomas, St. James, Trelawny, St. Mary and Clarendon benefitted from the rehabilitation of minor water supply systems; J\$50.016M was spent to rehabilitate these systems which include among others:

- John’s Hall Water Supply System, Clarendon
- Reckford Water Supply System, Clarendon
- Georgia Water Supply System, St. Thomas
- Derry/Hazard Water Supply System, St. Mary
- John Daggy/Warsop Water Supply System, Trelawny
- Cane River Supply System, St. Andrew
- Montpelier Well Rehabilitation, St. James
- Burial Ground Water Supply System, Hanover

The Top Reading/Haughton Water Supply System in St. Elizabeth along with the Burnt Ground and Montpelier Water Supply Systems are scheduled to be completed in September 2017.



## **Rainwater Harvesting and Tank Rehabilitation Programme**

A total of \$43M was provided for the rehabilitation of eighteen (18) catchment tanks and rainwater harvesting in schools during the year under review. Approximately 6,800 residents benefitted from these rehabilitated facilities in schools and communities which include:

1. Carron Hall Children's Home, St. Mary
2. St. Mary's Primary School, St. Elizabeth
3. Beersheba Primary School, St. Elizabeth
4. Higgins Land Primary School, St. Ann
5. Brixton Hill, Clarendon
6. Mount Valley, Clarendon
7. Green Park, Clarendon
8. Ebenezer, St. Ann
9. Harmons, Manchester
10. Unity Valley, St. Elizabeth
11. Crawle, St. Elizabeth
12. Moneymusk, St. Elizabeth

## **EXTERNAL CONSULTANCY SERVICES PROVIDED TO OTHER PUBLIC SECTOR ENTITIES INCLUDE:-**

- **NATIONAL WATER COMMISSION**
  - ✓ Rural Water Supply Ltd. K-Factor Programme
  - ✓ Islandwide Tank and Pump Rehabilitation Programme
  - ✓ Artificial Recharge Programme
  - ✓ Iterboreale Emergency Work
- **NATIONAL HOUSING TRUST**
  - ✓ Longville Phase 3 Sewage Treatment Plant
  - ✓ Friendship Housing Development, St. James
  - ✓ Industry Cove Housing Development, Hanover
  - ✓ Meylersfield Housing Development, Westmoreland

- **MINISTRY OF ECONOMIC GROWTH & JOB CREATION**
  - ✓ Kennedy Grove Wastewater Supply Treatment Plant
  - ✓ Albion Heights Infrastructure
  
- **SUGAR TRANSFORMATION UNIT**
  - ✓ Springfield Offsite Water Supply System

## **FINANCIAL HIGHLIGHTS**

- \$36.5M was earned from consultancy fees for the year under review. A reduction of \$42.2M when compared to the \$78.7M earned for the previous financial year. This reduction in earnings is a reflection of a general scaling back on projects being carried out by the Agency's main customer, the National Water Commission.
- Government Subvention received was \$70.8M, an increase of \$6.5M. The increase was a direct result of the signing of a Memorandum of Understanding with the parent Ministry to manage and execute the Implementation Phase of the Jamaica Water Sector Policy and Rural Water Supply Development Strategy.
- Administrative expenses \$153.3M which was marginally higher than the \$151.4M incurred during the corresponding period.
- Losses amounted to \$43.3M, a decline of \$39.4M when compared to the losses incurred for the previous period.

## **PUBLIC RELATIONS MATTERS**

The following projects were officially commissioned into service:

- Warsop/John Daggy Water Supply System, Trelawny
- Beersheba Primary School Rainwater Harvesting Project

Participation in the 2017 World Water Day Exposition on Wednesday, 2017 March 22.

## **BUSINESS PLAN**

We are in the process of preparing a Business Plan which will include all ongoing external consultancy engagements. This will allow for the monitoring and comparing of earnings as against monthly projections.

Contracts are now being secured from the National Housing Trust, Housing Agency of Jamaica and the Ministry of Economic Growth and Job Creation and others will be targeted to bolster earnings and ensure the Company's viability.

The staff is to be commended for the matchless performance, steadfast dedication and loyalty to their discipline and country during the year in review. I am truly grateful and honoured to be a part of this team of committed public servants at the Rural Water Supply Limited.

  
**Audley Thompson**  
**Managing Director**

Board of Directors – 2016 / 2017



**Homer Davis –Chairman**



**Audley Thompson – M.D.**



**Doreen Hutchinson**



**Herbert Thomas**



**Farrah Blake**



**Kevin Lue**



**Jason Smith**



**Winston Maragh**



**Collen Gager**

## REPORT ON PROJECTS

### Comprehensive Rural Water Upgrade

This involves the establishment and/or rehabilitation of minor water supply systems some of which were upgraded in St. Thomas, St. James, Trelawny, Hanover, St Andrew, Clarendon and St. Mary with approximately 9,500 residents benefiting.

<b>COMPREHENSIVE RURAL WATER UPGRADING PROGRAMME</b>			
<b>Project</b>	<b>Planned targets for the Period</b>	<b>Major Tasks</b>	<b>Achievements</b>
<u>Comprehensive Rural Water Upgrading Programme</u>  <b>Program Budget: \$47.00M</b>  <b>Exp. this period: \$50.016M</b>	To achieve 100% construction of minor water supplies across the island to include intakes, pipelines, pumping stations, storage tanks and catchment tanks.	To construct or repair intakes, pipelines, pumping stations, storage tanks and catchment tanks.	<b>13 Minor Water Supply Systems Completed.</b>  <b>10 Minor Water Supply Systems Ongoing</b>

The following projects have been completed:

- Georgia Water Supply System (WSS) Improvement, St. Thomas
- Cane River WSS, St. Andrew
- Chigwell/Thompson Hill, Hanover
- Derry/Hazard WSS, St. Mary
- Johns Hall WSS, Clarendon
- John Daggy WSS, Trelawny
- Burial Ground WSS, Hanover
- Montpelier Deep Well, St. James
- Reckford WSS, Clarendon
- Lodge Wayside Tank, St. Ann
- Minard Wayside Tank, St. Ann
- Broughton Wayside Tank, Manchester
- Restore Wayside Tank, Manchester

#### **Derry/Hazard Water Supply System, St. Mary**

Works on the abandoned project, which started some five (5) years ago, in collaboration with the National Water Commission (NWC) involved equipping the pump station with a Chlorination Booster and a Relift Pump, installation of a refurbished 4,000 gallon Rapid Response Tank, flushing and effecting of repairs to the Distribution Pipeline and service connections.

The system was tested, commissioned and became operational at the end of the calendar year.

**Warsop/John Daggy Water Supply System, Trelawny**

Activities on the captioned project involved the construction of a pump station and the installation of a portable gas pump. The installation of a Chlorination System and two (2) – 2,000 gallon Black Tank along with piping works and the installation of distribution pipeline and service connections to approximately 250 – 300 households.

After consultations with residents and representative of Parish Councils, the project was handed over to the Parish Council for operation and maintenance following the commissioning on December 23, 2016.



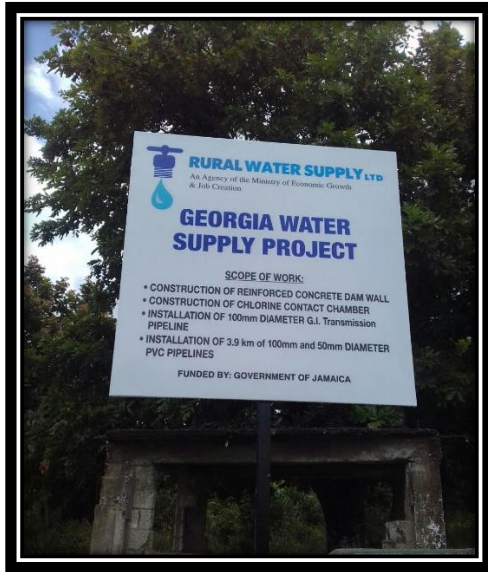
**Georgia WSS – Men preparing trench for the installation of pipeline**

**Georgia Water Supply System, St. Thomas**

The scope of works involved the construction of an intake dam, construction of a tank, chlorination, pipeline distribution pipeline and service connections to serve approximately 300 households. The completed water supply system is being operated by the Benevolent Society in the district.



**Georgia WSS – Dam Construction**



**Sign erected at Georgia Water Supply Project Site**



**Montpelier Well Rehabilitation, St. James - Installation of Submersible Pump**

**Cane River Water Supply System, East Rural St. Andrew**

The construction of a chlorination tank which was started by the residents was modified and completed. Approximately 450 residents will benefit from this improved water supply which is anticipated to be completed by January 1, 2017.

The following projects are ongoing:

- Montpelier Civil Works, St. James
- Carron Hall Pump, St. Mary
- Top Reading WS Solar, St. Elizabeth
- Comma/Mango Valley, St. Mary
- Tangle River Water Resources Assessment, St. James
- St. Mary Minor W/S (Investigations & Design)
- Wayside Tanks Island-wide
- Hermitage, St. Ann (Investigation & Design )
- Shearers Heights/Portland Cottage (Investigation & Design)
- Clarendon Minor WS Systems (Investigations)

## Rainwater Harvesting Projects and Rehabilitation of Catchment Tanks

This involved the rehabilitation of parish Catchment Tanks including repairs to barbeques, water proofing and covering of tanks, piping and fencing.

Approximately 6,800 residents benefitted from these works.

<b>CATCHMENT TANK REPAIRS AND RAINWATER HARVESTING PROGRAMME</b>			
<b>Project</b>	<b>Planned targets for the Period</b>	<b>Major Tasks</b>	<b>Achievements</b>
<u>Catchment Tank Repairs &amp; Rainwater Harvesting Programme</u>  <b>Programme Budget: \$43.00M</b>  <b>Exp. this period: \$43.00M</b>	To achieve 100% construction of catchment tanks across the island	Refurbishing/Installation of sundry catchment tanks and rainwater facilities across the island	<b>18 Rainwater Facilities have been completed.</b>  <b>18 Rainwater Harvesting facilities are ongoing</b>

Rehabilitated tanks and rainwater harvesting facilities implemented are as follows:-

- Brixton Rainwater Catchment Tank, Clarendon
- Mount Valley Rainwater Catchment Tank, Clarendon
- Ebenezer Rainwater Harvesting Catchment Tank, South Manchester
- Green Park Rainwater Catchment Tank, Clarendon
- Harmons Rainwater Catchment Tank, Manchester
- Unity Valley Rainwater Catchment Tank, St. Elizabeth
- Crawle Rainwater Catchment Tank, St. Elizabeth
- Moneymusk Rainwater Catchment Tank, St. Elizabeth
- St. Theresa All Age School, St. Andrew
- Bleauwarie Rainwater Catchment Tank, Westmoreland
- Chigwell Catchment Tank, Hanover
- Mackfield Rainwater Catchment Tank, Westmoreland
- Bog Rainwater Catchment Tank, Westmoreland
- Thompson Hill Rainwater Catchment Tank, Hanover
- St. Mary's Primary School, St. Elizabeth
- St. Elizabeth Women's Centre
- Beersheba Primary School, St. Elizabeth
- Higgins Land Primary School, St. Ann





**Beersheba Primary School, St. Elizabeth -  
16,000 gallon Ferro-cement Tank completed**



**St. Mary's Primary School - New  
Gutter Installed**



**Thompson Hill Catchment Tank  
(after rehabilitation)**

**Ongoing Rainwater Facilities:**

- Anchovy School, St. James
- Rock Hall All Age School,  
St. Andrew
- Carron Hall School, St. Mary
- Ferncourt High School, St. Mary
- Gayle Primary School, St. Mary
- Derry All Age School, St. Mary
- Mount Angus All Age School,  
St. Mary
- Denham Farm Catchment Tank,  
Manchester
- McKenzie Catchment Tank, St. Ann
- Sevens Corner Catchment Tank,  
St. Ann
- Devon Catchment Tank,  
Manchester
- Heavy Tree Catchment Tank,  
Manchester
- Clunis Catchment Tank,  
Manchester
- Woodlands # 1 Catchment Tank,  
St. Elizabeth
- Bagdale Mountain Catchment Tank,  
St. Elizabeth
- Mount Olivet Catchment Tank,  
Manchester
- Marley Hill Catchment Tank,  
Manchester
- Foga Catchment Tank, Clarendon

## **External Consultancy Services provided to other Public Sector Entities**

RWSL earns a vital portion of its income from external consultancy by providing professional Engineering and Project Management Services for designs and construction of infrastructure works.

### **National Water Commission**

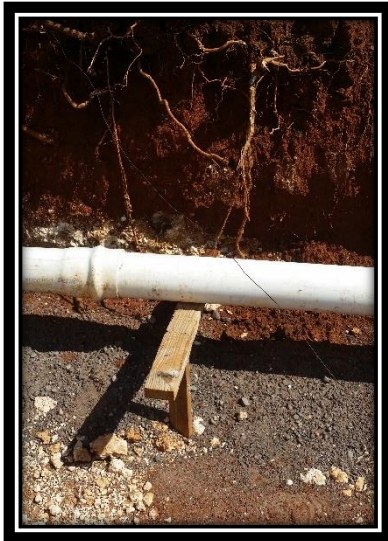
- a. NWC/RWSL K-Factor Programme;
- b. NWC IDB Artificial Recharge Programme
- c. NWC Iturboreale Emergency Work
- d. NWC Islandwide Tank and Pump Rehabilitation Programme;



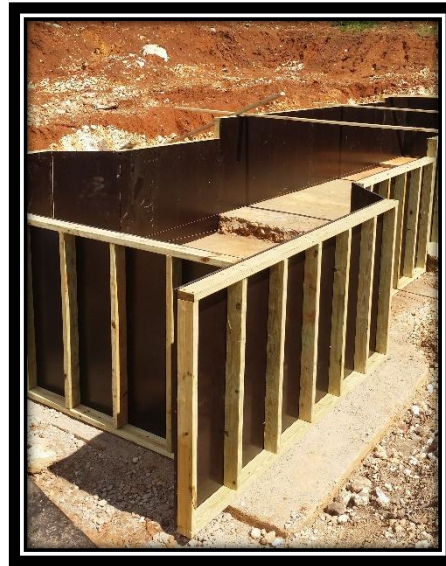
**Nonpariel W.S.S., Westmoreland - Construction of Pumping Station**

### **Ministry of Economic Growth & Job Creation**

- a. Kennedy Grove Water Supply Treatment Plant, Clarendon
- b. Albion Heights Infrastructure, St. James



**Kennedy Grove W.S. Treatment Plant, Clarendon - Construction of Force Main**



**Kennedy Grove W.S. Treatment Plant, Clarendon - Construction of Grit Channel**

**Sugar Transformation Unit, Ministry of Agriculture (now Ministry of Industry, Commerce, Agriculture & Fisheries)**

- Springfield Offsite Water Supply System

**National Housing Trust**

- Longville Park Phase 3, Clarendon – Sewage Treatment Plant Rehabilitation - Designed and submitted for NEPA and NWC approvals and environmental permits
- Industry Cove Housing Development, Hanover - design
- Colbeck Housing, St. Catherine - Offsite Water, design
- Meylersfield Wastewater, Westmoreland
- Friendship Housing Development, St. James

**Rural Water Supply Development Strategy Implementation Programme (RWSDSIP)**

RWSL continues its second year of the RWSDSIP which that emanated from the revised National Water Sector Policy. For the period, the Strategy undertook investigations and prepared preliminary designs for Non-Utility Service Areas in St. Thomas and St. Catherine. The Non-Utility Service Areas are identified as areas where it is not economically feasible for the National Water Commission (NWC), to provide piped water. Work also commenced in Clarendon, Manchester and St. Elizabeth.

<b>OPERATIONAL PLAN- 2017/2018</b>								
<b>Project</b>	<b>QTR 1 Target</b>	<b>Cost J\$M</b>	<b>QTR 2 Target</b>	<b>Cost J\$M</b>	<b>QTR 3 Target</b>	<b>Cost J\$M</b>	<b>QTR 4 Target</b>	<b>Cost J\$M</b>
<b>COMPREHENSIVE RURAL WATER UPGRADING PROGRAMME</b>								
Construction of rural water supply schemes to impact needy communities	25%	30	50%	30	75%	40	100%	15
<b>CATCHMENT TANK REPAIRS &amp; RAINWATER HARVESTING PROGRAMME</b>								
Catchment Tank Repairs / Rainwater Harvesting Projects	25%	15	50%	15	75%	25	100%	20

Salaries and emoluments for Chairman, Directors & Senior  
Management Staff – 2016/2017

**DIRECTORS COMPENSATION**

<b>NAME &amp; POSITION OF DIRECTORS</b>	<b>FEES (\$)</b>	<b>MOTOR VEHICLE UPKEEP/TRAVELLING OR VALUE OF ASSIGNMENT OF MOTOR VEHICLE (\$)</b>	<b>HONORARIA (\$)</b>	<b>ALL OTHER COMPENSATION INCLUDING NON-CASH BENEFITS AS APPLICABLE (\$)</b>	<b>TOTAL (\$)</b>
Homer Davis Chairman	167,300.00	-	-	-	167,300.00
Collen Gager Director	84,900.00	-	-	-	84,900.00
Doreen Hutchinson Director	99,700.00	-	-	-	99,700.00
Farrah Blake Director	110,500.00	-	-	-	110,500.00
Herbert Thomas Director	84,100.00	-	-	-	84,100.00
Jason Smith Director	91,500.00	-	-	-	91,500.00
Kevin Lue Director	95,400.00	-	-	-	95,400.00
Mark Knight Director	81,700.00	-	-	-	81,700.00
Winston Maragh Director	96,100.00	-	-	-	96,100.00
					911,200.00

**Notes:**

1. Where a non-cash benefit is received (eg. Government Housing), the value of the benefit shall be quantified and stated in the appropriate column above.

## SENIOR EXECUTIVE COMPENSATION

NAME AND POSITION OF SENIOR EXECUTIVE	YEAR	SALARY (\$)	GRATUITY OR PERFORMANCE INCENTIVE (\$)	TRAVELLING ALLOWANCE OR VALUE OF ASSIGNMENT OF MOTOR VEHICLE (\$)	PENSION OR OTHER RETIREMENT BENEFITS (\$)	OTHER ALLOWANCES (\$)	NON-CASH BENEFITS (\$)	TOTAL (\$)
Audley Thompson Managing Director	2016/2017	4,704,055	1,222,567	1,402,608	-	332,414	-	7,661,644
Michael Johnson Finance Manager	2016/2017	4,272,402	1,148,843	796,500	-	203,479	-	6,421,224
Douglas Wilson General Manager, Engineering	2016/2017	3,858,970	952,379	1,402,608	-	126,370	-	6,340,327
Murie Bennett HR & Corporate Services Manager	2016/2017	3,721,269	967,023	739,605	-	367,422	-	5,795,319
Peter Clarke Engineering Manager	2016/2017	1,578,720	975,880	332,286	-	350,721	-	3,237,607
Garreth Mills Engineering Manager	2016/2017	1,193,780	-	353,724	-	310,811	-	1,858,315
								<b>31,314,436</b>

Period for Peter Clarke: April – August 2016

Period for Garreth Mills: October 2016 – March 2017

### Notes:

1. Where contractual obligations and allowances are stated in a foreign currency, the sum in that stated currency must be clearly provided and not the Jamaican equivalent.
2. Other Allowances (including laundry, entertainment, housing, utilities, etc.).
3. Where a non-cash benefit is received (eg. Government Housing), the value of that benefit shall be quantified and stated in the appropriate column above.



# RURAL WATER SUPPLY LTD

## FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017

**RURAL WATER SUPPLY LIMITED**  
**YEAR ENDED MARCH 31, 2017**

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## **INDEPENDENT AUDITORS' REPORT**

**To the members of**

**RURAL WATER SUPPLY LIMITED**

### **Report on the financial statements**

#### *Opinion*

We have audited the financial statements of Rural Water Supply Limited (the Company), set out on pages 2 to 26, which comprise the statement of financial position as at March 31, 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2017, and 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 Auditor's 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.

#### *Responsibilities of Management and the Board of Directors 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 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

#### *Auditor's 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 auditor's 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.

*Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)*

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

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

We communicate with the Board of Directors 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.

**Report on additional matters as required by the Jamaican Companies Act**

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



Chartered Accountants

**KINGSTON**

August 10, 2017

## RURAL WATER SUPPLY LIMITED

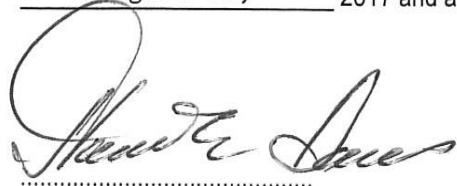
## STATEMENT OF FINANCIAL POSITION AT MARCH 31, 2017

	<u>Notes</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property and equipment	5	5,578	4,643
Work-in-progress	6	<u>139,953</u>	<u>116,032</u>
<b>Total non-current assets</b>		<u>145,531</u>	<u>120,675</u>
<b>Current assets</b>			
Inventories	7	3,241	-
Receivables and prepayments	8	74,188	113,951
Cash, bank and short-term deposits	9	<u>40,658</u>	<u>45,560</u>
<b>Total current assets</b>		<u>118,087</u>	<u>159,511</u>
<b>Total assets</b>		<u>263,618</u>	<u>280,186</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
Share capital	10	- *	- *
Special reserve	11	10,640	10,640
Accumulated surplus		<u>11,619</u>	<u>54,933</u>
<b>Total equity</b>		<u>22,259</u>	<u>65,573</u>
<b>Current liabilities</b>			
Project advances	12	213,299	172,149
Payables and accruals	13	<u>28,060</u>	<u>42,464</u>
<b>Total current liabilities</b>		<u>241,359</u>	<u>214,613</u>
<b>Total equity and liabilities</b>		<u>263,618</u>	<u>280,186</u>

\* Denotes less than J\$1,000

The Notes on Pages 6 to 26 form an integral part of the Financial Statements.

The financial statements on Pages 2 to 26 were approved and authorised for issue by the Board of Directors on August 10, 2017 and are signed on its behalf by:



Director



Director

**RURAL WATER SUPPLY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED MARCH 31, 2017**

	<u>Notes</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
<b>INCOME</b>			
Government subventions	14	70,863	64,351
Consultancy fees	15	36,593	78,757
Finance income	16	1,121	2,183
Other income	17	<u>1,410</u>	<u>2,220</u>
		<u>109,987</u>	<u>147,511</u>
<b>EXPENSES</b>			
Staff cost	18	137,173	134,154
Property		2,003	1,755
Motor vehicle		503	417
Utilities, rates and taxes		1,184	1,661
Depreciation		1,534	2,317
Bad debts		-	182
Advertising and public relations		355	258
Professional fees		2,478	800
Minimum Business Tax	19	60	60
Other		<u>8,011</u>	<u>9,862</u>
		<u>153,301</u>	<u>151,466</u>
<b>LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	19	<u>( 43,314)</u>	<u>( 3,955)</u>

The Notes on Pages 6 to 26 form an integral part of the Financial Statements.

**RURAL WATER SUPPLY LIMITED****STATEMENT OF CHANGES IN EQUITY****YEAR ENDED MARCH 31, 2017**

<u>Notes</u>	<u>Share Capital</u> \$'000	<u>Special Reserve</u> \$'000	<u>Accumulated Surplus</u> \$'000	<u>Total</u> \$'000
Balance at April 1, 2015	-	10,640	58,888	69,528
Loss and Total Comprehensive Income for the year	<u>-</u>	<u>-</u>	<u>( 3,955)</u>	<u>( 3,955)</u>
Balance at March 31, 2016	-	10,640	54,933	65,573
Loss and Total Comprehensive Income for the year	<u>-</u>	<u>-</u>	<u>(43,314)</u>	<u>(43,314)</u>
Balance at March 31, 2017	<u>-</u>	<u>10,640</u>	<u>11,619</u>	<u>22,259</u>

The Notes on Pages 6 to 26 form an integral part of the Financial Statements.

**RURAL WATER SUPPLY LIMITED****STATEMENT OF CASH FLOWS****YEAR ENDED MARCH 31, 2017**

	<u>Note</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the year		( 43,314)	( 3,955)
Adjustments for:			
Depreciation of property and equipment		1,534	2,317
Loss on disposal of property and equipment		195	25
Foreign exchange adjustment		( 47)	( 80)
Deferred income		( 71)	( 218)
Interest income		( 1,074)	( 2,103)
Increase in provision for bad debts		-	182
Increase in provision for employee benefit		<u>1,505</u>	<u>1,763</u>
Operating cash flows before movement in working capital		( 41,272)	( 2,069)
Decrease (Increase) in receivables and prepayments		39,763	( 21,120)
Increase in inventories		( 3,241)	-
Increase (Decrease) in payables and accruals		<u>15,369</u>	<u>( 516)</u>
Net cash provided by (used in) operating activities		<u>10,619</u>	<u>( 23,705)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		1,025	2,103
Proceeds from disposal of property and equipment		25	-
Acquisition of property and equipment		( 2,689)	( 351)
Work-in-progress		<u>(139,620)</u>	<u>(131,877)</u>
Cash used in investing activities		<u>(141,259)</u>	<u>(130,125)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital grant received		<u>125,642</u>	<u>149,707</u>
Cash provided by investing activities		<u>125,642</u>	<u>149,707</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		( 4,998)	( 4,123)
<b>OPENING CASH AND CASH EQUIVALENTS</b>		45,560	49,603
Effect of foreign exchange rate changes on the balance of cash held in foreign currency		<u>47</u>	<u>80</u>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	9	<u>40,609</u>	<u>45,560</u>

The Notes on Pages 6 to 26 form an integral part of the Financial Statements.

## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

## 1 IDENTIFICATION

The Rural Water Supply Limited (the Company) formerly Carib Engineering Corporation Limited was established on April 21, 1983. The Company falls under the auspices of the Ministry of Economic Growth and Job Creation with registered office at The Towers, 25 Dominica Drive, Kingston 5. The Company's shares are held by the Accountant General on behalf of the Government of Jamaica.

The Company's principal activities are the designing, management and implementation of potable water supply systems mainly on behalf of the Government of Jamaica. This activity is funded through Government Grants provided under the Capital 'A' Budget.

The Company also provides private consultancy services for other public/private entities requiring its service at an agreed fee.

The Company is exempt from income tax under Section 12(b) of the Income Tax Act.

## 2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and Disclosures affecting presentation and disclosures in the current period (and/or prior periods)

There were no Standards and Interpretations that were applied in the year that affected the presentation and disclosures in these financial statements.

Standards and Interpretations affecting the reported financial performance and/or financial position

There were no Standards and Interpretations that were applied in the year that affected reported financial performance and/or financial position.

***Standards and Interpretations adopted with no effect on financial statements***

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

		Effective for annual periods <u>beginning on or after</u>
		—
<u>Amendments to Standards</u>		
IAS 1 (Revised)	Presentation of Financial Statements	
	- Amendments resulting from the disclosure initiative	January 1, 2016
IAS 9 and 34 and IFRS 5 and 7	Amendments arising from Annual Improvements to IFRS 2012 – 2014 Cycle	January 1, 2016
IAS 16 and 38	Amendments to clarify acceptable methods of depreciation and amortization	January 1, 2016
IAS 16 and 41	Amendments to introduce the definition of an include 'bearer plants' within the scope of IAS 16	January 1, 2016
IAS 27 (Revised)	- Amendments reinstating the equity method as an	

**RURAL WATER SUPPLY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2017**

accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements

January 1, 2016



## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

## 2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

***Standards and Interpretations adopted with no effect on financial statements (Cont'd)***

		Effective for annual periods <u>beginning on or after</u>
		—
<u>Amendments to Standards (cont'd)</u>		
IFRS 10, 12 and IAS 28	Amendments regarding the application of the consolidation exception	January 1, 2016
IFRS 11	Joint Arrangements - Amendments for accounting for acquisitions of interests in joint operations	January 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016

***Standards and interpretations in issue not yet effective***

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not effective or early adopted for the financial period being reported on:

		Effective for annual periods <u>beginning on or after</u>
		—
<u>New and Revised Standards</u>		
IAS 7 (Revised)	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 1, 2017
IAS 12	Income Taxes - Amendments to clarify aspects relating to the recognition of deferred tax assets for unrealised losses	January 1, 2017
IAS 40	Investment Property - Amendments relating to the transferring of investment property to, or from, investment property only when there is a change in use	January 1, 2018
IFRS 1 and IAS 28	- Amendments arising from Annual Improvements to IFRS 2014 – 2016 Cycle	January 1, 2018
IFRS 2	Share-based Payment - Amendments to clarify classification and measurement of share-based payment transactions	January 1, 2018
IFRS 4	Insurance Contracts - Amendments to provide two options for entities that issue Insurance contracts within the scope of IFRS 4	Applies when IFRS 9 is applied
	• Overlay approach	January 1, 2018
	• Deferral approach	Applies when
IFRS 7 and 9	Amendments requiring disclosures about the initial	Applies when

## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

IFRS 9 (2014)	application of IFRS 9 Finalized version, incorporating requirements for classification and measurement, impairment, general ledger accounting and derecognition	IFRS 9 is applied January 1, 2018
IFRS 12	- Amendments arising from Annual Improvements to IFRS 2014 – 2016 Cycle	January 1, 2017

## 2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

***Standards and interpretations in issue not yet effective (Cont'd)***

		<u>Effective for annual periods beginning on or after</u>
<u>New and Revised Standards (cont'd)</u>		
IFRS 15	Revenue from Contracts with Customers - Amendments to clarify three aspects of the standard - identifying performance obligations, principal versus agent considerations, and licensing	January 1, 2018 January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
<u>New and Revised Interpretations</u>		
IFRIC 18	Transfer of Assets from Customers	January 1, 2017
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

New and Revised Standards and Interpretations in issue not yet effective that are relevant

The Board of Directors and management have assessed the impact of all the new and revised Standards and Interpretations in issue not yet effective and have concluded that the following are relevant to the operations of the Company:

- IAS 7 *Statement of Cash Flows*

Disclosure Initiative amends IAS 7 *Statement of Cash Flows* to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The adoption of the amendments at the effective date is not expected to have a significant impact on the Company's financial statements.

- IFRS 9 *Financial Instruments*

A finalised version of IFRS 9 was issued in July 2014 (IFRS 9 2014) which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018. The standard contains requirements in the following areas:

- *Classification and measurement* - Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9

**RURAL WATER SUPPLY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2017**

introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to the provisions under IAS 39. However, there are differences in the requirements applying to the measurement of an entity's own credit risk.

- *Impairment* - The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- *Hedge accounting* - Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- *Derecognition* - The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

## 2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

***Standards and interpretations in issue not yet effective (Cont'd)***New and Revised Standards and Interpretations in issue not yet effective that are relevant (Cont'd)

- IFRS 9 *Financial Instruments* (Cont'd)

The directors and management anticipate that IFRS 9 will be adopted in the Company's financial statements and that the application of IFRS 9 may impact the amounts reported in respect of the Company's financial assets and liabilities. However, the directors and management have not yet completed their detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the likely impact. The Company has not adopted any of the earlier versions of IFRS 9.

- IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 issued in May 2014 provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 is applicable to an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2018.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The directors and management anticipate that IFRS 15 will be adopted in the Company's financial statements for the annual period beginning April 1, 2017 and that the application of IFRS 15 may impact the amounts reported in respect of the Company's revenue. However, the application of the Standard on the adoption date is not expected to have a significant impact on the Company's revenue.

- In April 2016, IFRS 15 *Revenue from Contracts with Customers* was amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. These amendments are effective for annual periods beginning on or after January 1, 2018. The directors and management anticipate that these amendments to IFRS 15 will be adopted in the Company's financial statements for the annual period beginning April 1, 2017. The application of the amendments of the adoption date is not expected to have a significant impact on the Company's revenue.

**RURAL WATER SUPPLY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2017****3 SIGNIFICANT ACCOUNTING POLICIES****3.1 *Statement of compliance***

The Company's financial statements have been prepared in accordance, and comply with International Financial Reporting Standards (IFRS) and the relevant requirements of the Companies Act, 2004 of Jamaica.

**3.2 *Basis of preparation***

These financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of consideration given in exchange for assets.

The principal accounting policies are set out below.

**3.3 *Functional and presentation currency***

The financial statements are presented in Jamaican dollars, which is the functional currency of the Company.

**3.4 *Property and equipment***

All property and equipment held for use in the supply of services, or for administrative purposes, are recorded at historical cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognised so as to write off the cost of property and equipment less their residual values, over the estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**3.5 *Impairment of tangible assets***

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

**RURAL WATER SUPPLY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2017**

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss.

**RURAL WATER SUPPLY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2017****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.5 Impairment of tangible assets (Cont'd)**

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**3.6 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on an average cost basis. All inventories held by the Company are for use in the supply of services.

**3.7 Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities or are recognised immediately in profit or loss, as appropriate, on initial recognition.

**3.8 Financial assets**

Financial assets of the Company are classified into the following specified category: "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All purchases or sales of financial assets are recognised and derecognised on a trade date basis, and require delivery of assets within the timeframe established by regulation or convention in the market place.

**3.8.1 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including receivables and prepayments, cash and bank balances which are short-term in nature and held-to-maturity investments) are measured at amortised cost using the effective interest method less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**3.8.2 Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for the debt instruments.

**RURAL WATER SUPPLY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2017****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.8 Financial assets (Cont'd)****3.8.3 Impairment of financial assets**

Financial assets are assessed for indication of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- the probability that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, and increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written-off against the profit or loss. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit



**RURAL WATER SUPPLY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2017**

or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## RURAL WATER SUPPLY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### YEAR ENDED MARCH 31, 2017

### 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 3.8 *Financial assets (Cont'd)*

##### 3.8.4 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised is recognised in profit or loss.

#### 3.9 *Financial liabilities and equity instruments*

##### 3.9.1 Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### 3.9.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

##### 3.9.3 Financial liabilities

3.9.3.1 Financial liabilities of the Company are classified as other financial liabilities.

Other financial liabilities are initially measured at fair values net of transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees

**RURAL WATER SUPPLY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2017**

and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, (where appropriate), a shorter period, to the net carrying amount on initial recognition.

## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.9 *Financial liabilities and equity instruments issued by the Company (Cont'd)*3.9.3 Financial liabilities (Cont'd)3.9.3.2 *Derecognition of financial liabilities*

The Company derecognises financial liability when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.10 *Related party transactions and balances*

A party is related to the Company if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, the Company (this includes parent, subsidiaries and fellow subsidiaries);
  - has an interest in the entity that gives it significant influence over the Company; or
  - has joint control over the Company;
- (ii) the party is an associate of the Company;
- (iii) the party is a joint venture in which the Company is a venturer;
- (iv) the party is a member of the key management personnel of the Company;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

Related party transactions and balances are recognised and disclosed in the financial statements.

Transactions with related parties are recorded in accordance with the normal policies of the Company at transaction dates.

3.11 *Project advances*

Capital grants received are treated as project advances and are off-set against the costs incurred as the furtherance of the Company's activities as agents of the Government of Jamaica on completion of projects. Project advances are recognised as follows:

- (i) On receipt of Ministry of Finance subventions from the annual budget.
- (ii) On receipt of cash, goods or services from International Funding Agencies and other Governments.
- (iii) On payment of project liabilities by Government of Jamaica.

**RURAL WATER SUPPLY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2017****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.12 Revenue recognition****3.12.1 Government subvention**

Government subvention that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

**3.12.2 Consultancy fees**

The Company's policy for recognition of revenue from external consultancy is to gradually recognise income when the outcome of the transaction can be reliably estimated by reference to the stage of completion.

**3.12.3 Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of the income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**3.13 Foreign currencies**

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, the Jamaican dollar, are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

**3.14 Taxation****Current tax**

The Company is not liable to income tax as it is exempt under Section 12(b) of the Income Tax Act but is required to pay a Minimum Business Tax (Note 19).

**RURAL WATER SUPPLY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2017****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.15 *Employee benefits***Termination benefit

A liability for termination benefit is recognised at the earlier of when the Company can no longer withdraw the offer of the termination benefit and the entity recognises any related restricting costs.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the service.

**4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in Note 3, the management and directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**4.1 *Critical judgments in applying accounting policies***

Management and directors believe that there are no judgments made apart from those involving estimation, in the process of applying the company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

**4.2 *Key sources of estimation uncertainty***

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

**4.2.1 Useful lives of property and equipment**

Depreciation is provided so as to write down the respective assets to their residual values over their expected useful lives and, as such, the selection of the estimated useful lives and the expected residual values of the assets require the use of estimates and judgements. Details of the estimated useful lives are as disclosed in Note 5.

## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

## 5 PROPERTY AND EQUIPMENT

	<u>Leasehold Improvements</u> \$'000	<u>Computers</u> \$'000	<u>Furniture, Fixtures and Equipment</u> \$'000	<u>Motor Vehicles</u> \$'000	<u>Total</u> \$'000
<b>Cost</b>					
April 1, 2015	1,750	5,657	4,614	3,556	15,577
Additions	-	-	351	-	351
Write-offs	-	-	( 204)	-	( 204)
Disposals	<u>-</u>	<u>-</u>	<u>( 50)</u>	<u>-</u>	<u>( 50)</u>
March 31, 2016	1,750	5,657	4,711	3,556	15,674
Additions	-	907	1,782	-	2,689
Write-offs	-	(1,230)	-	-	( 1,230)
Disposals	<u>-</u>	<u>-</u>	<u>( 890)</u>	<u>-</u>	<u>( 890)</u>
March 31, 2017	<u>1,750</u>	<u>5,334</u>	<u>5,603</u>	<u>3,556</u>	<u>16,243</u>
<b>Depreciation</b>					
April 1, 2015	1,050	4,210	2,260	1,422	8,942
Charge for year	350	471	785	711	2,317
Write-offs	-	-	( 204)	-	( 204)
Disposal	<u>-</u>	<u>-</u>	<u>( 24)</u>	<u>-</u>	<u>( 24)</u>
March 31, 2016	1,400	4,681	2,817	2,133	11,031
Charge for year	350	138	335	711	1,534
Write-offs	-	(1,230)	-	-	( 1,230)
Disposal	<u>-</u>	<u>-</u>	<u>( 670)</u>	<u>-</u>	<u>( 670)</u>
March 31, 2017	<u>1,750</u>	<u>3,589</u>	<u>2,482</u>	<u>2,844</u>	<u>10,665</u>
<b>Carrying Amount</b>					
March 31, 2017	<u>-</u>	<u>1,745</u>	<u>3,121</u>	<u>712</u>	<u>5,578</u>

## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

March 31, 2016	<u>350</u>	<u>976</u>	<u>1,894</u>	<u>1,423</u>	<u>4,643</u>
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The following useful lives are used in the calculation of depreciation:

Leasehold improvements	-	4 years
Computers	-	4 years
Furniture, fixtures and equipment	-	5 - 10 years
Motor vehicles	-	5 years



## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

## 6 WORK IN PROGRESS

This represents cost incurred on projects being undertaken on behalf of the Government of Jamaica. These projects will be transferred to a government agency on completion.

	Projects Funded from Capital 'A' Budget - (Comprehensive Rural Water Upgrade) <u>\$'000</u>	Projects Funded from Sugar Transformation (MOA) <u>\$'000</u>	Projects Funded from the National Water Commission <u>\$'000</u>	Projects Funded from the Environmental Foundation of Jamaica (EFJ) <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Balance at April 1, 2015	97,275	4,543	-	-	101,818
Cost incurred during the year	117,972	30,461	-	-	148,433
Projects completed during the year	<u>(107,492)</u>	<u>(26,727)</u>	<u>-</u>	<u>-</u>	<u>(134,219)</u>
Balance at March 31, 2016	107,755	8,277	-	-	116,032
Cost incurred during the year	92,664	3,023	24,075	4,251	124,013
Projects completed during the year	( 88,785)	-	-	-	( 88,785)
Adjustments	<u>( 11,307)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 11,307)</u>
Balance at March 31, 2017	<u>100,327</u>	<u>11,300</u>	<u>24,075</u>	<u>4,251</u>	<u>139,953</u>

Adjustments are primarily with respect to the write back of contractors' payables which have expired and or cancelled.

## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

## 7 INVENTORIES

These comprise:

	<u>2017</u> \$'000	<u>2016</u> \$'000
Engine driven, pressure fire pumps	<u>3,241</u>	<u>-</u>
	<u>3,241</u>	<u>-</u>

## 8 RECEIVABLES AND PREPAYMENTS

8.1 These include:

	<u>2017</u> \$'000	<u>2016</u> \$'000
Consultancy fees	58,700	104,916
Staff loans and advances	7,841	7,649
Other receivables	7,873	6,265
Prepayments	<u>610</u>	<u>666</u>
	75,024	119,496
Less: Allowance for doubtful debts	<u>( 836)</u>	<u>( 5,545)</u>
	<u>74,188</u>	<u>113,951</u>

8.2 Movement in the allowance for doubtful debts:

	<u>2017</u> \$'000	<u>2016</u> \$'000
Balance at beginning of the year	5,545	7,836
Impairment losses recognised on receivables	-	182
Amounts written off during the year as uncollectible	<u>( 4,709)</u>	<u>( 2,473)</u>
Balance at end of the year	<u>836</u>	<u>5,545</u>

Consultancy fees are in respect of engineering services and are normally settled within 30 days of billing.

Receivables are reviewed for indicators of impairment and relevant allowances are recognised accordingly. The allowance is in respect of receivables which are in excess of 90 days and are deemed unlikely to be recovered.

## 9 CASH, BANK AND SHORT-TERM DEPOSITS

9.1 These comprise:

## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

	<u>2017</u> \$'000	<u>2016</u> \$'000
Funds held for administration and resource management	24,891	42,526
Funds held for consultancy projects	12,904	174
Staff Revolving Loan Fund	<u>2,863</u>	<u>2,860</u>
Cash, bank and short-term deposits	<u>40,658</u>	<u>45,560</u>

## 9 CASH, BANK AND SHORT-TERM DEPOSITS (Cont'd)

9.2 For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in Money Market instruments with an original maturity of three months or less from the date of acquisition.

	Weighted Average Interest Rate	<u>2017</u> \$'000	<u>2016</u> \$'000
	%		
Fixed deposit (Jamaican dollars)	5.60	13,952	17,267
Fixed deposit (foreign currency) \$Nil (2016 - US\$3,962)		-	481
Cash on hand and in banks:			
– Current accounts	0.08	26,221	27,296
– Saving accounts - including US\$3,192 (2016 - US\$3,981)	0.12	421	496
Cash on hand		<u>15</u>	<u>20</u>
Cash and cash equivalents		<u>40,609</u>	<u>45,560</u>

## 10 SHARE CAPITAL

	<u>2017</u> \$	<u>2016</u> \$
Authorised, issued and fully paid 200 Ordinary shares at no par value at beginning and end of the year		
Stated capital: Balance at April 1 and March 31	<u>200</u>	<u>200</u>

## 11 SPECIAL RESERVE - REVOLVING LOAN FUND

This comprises the Company's share of surplus arising from the wound-up pension plan in March 2011. The Ministry of Finance and Public Service has given permission for this to be used as a staff revolving loan fund. The reserve was set up by transfer from surplus of the 2011 financial year.

## 12 PROJECT ADVANCES

## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

This represents amounts advanced by the Government of Jamaica to undertake projects on its behalf. On completion of a project, Project Advances Account is reduced by the cost of the project at the same time it is removed from work-in-progress.

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Balance at beginning of year	172,149	159,768
Capital grants received during the year	125,642	146,257
Set-off against work-in-progress (Note 6)	( 88,785)	(134,219)
Adjustments (Note 12(a))	<u>4,293</u>	<u>343</u>
Balance at end of year	<u>213,299</u>	<u>172,149</u>

- (a) Adjustments are in respect of contractors' payable which were outstanding for over seven years and for which the related projects have been completed and transferred out of work-in-progress in previous years.

**RURAL WATER SUPPLY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2017****12 PROJECT ADVANCES (Cont'd)**

- (b) General Consumption Tax (GCT) withheld with respect to project costs during the year amounting to \$5.45 million was paid indirectly by the Company's Parent Ministry. This amount does not form a part of capital grants received during the year.

**13 PAYABLES AND ACCRUALS**

	<u>2017</u> \$'000	<u>2016</u> \$'000
Trade payable	882	710
Contractor's payable (Note 13(a))	12,862	29,686
Deferred income (Note 13(b))	331	402
Employee's benefit	9,321	7,816
Other payables and accruals	<u>4,664</u>	<u>3,850</u>
	<u>28,060</u>	<u>42,464</u>

- (a) Contractor's payable includes contractor's fees, retentions and contractor's levy. Contractor's retention amounting to \$4.29 (2016: \$Nil), brought forward from prior years (exceeding 7 years) for which no claims have been made by contractor's was written-off against project advances.

- (b) This amount represents unamortised balance of furniture and equipment donated to the Company following a relocation exercise to facilitate housing of the Ministry of Transport and Works. The write-off for the year is included in 'other income'. See Note 17.

**14 GOVERNMENT SUBVENTIONS**

Government subventions include recurrent amounts received from the Ministry of Economic Growth and Job Creation for administrative support. This is based on a fixed budgeted amount for the specific financial year. Subvention is recognised in the income statement in the same year as the related expenses.

**15 CONSULTANCY FEES**

Income from external consultancy represents engineering services provided to public and/or quasi-public entities. Income from these sources is recognised gradually when the outcome of the transaction can be reliably estimated. This is done by reference to the stage of completion of the transaction as at the reporting date.

	<u>2017</u> \$'000	<u>2016</u> \$'000
Income from external consultancy	<u>36,593</u>	<u>78,757</u>

**16 FINANCE INCOME**

Finance income comprises:

	<u>2017</u> \$'000	<u>2016</u> \$'000

**RURAL WATER SUPPLY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2017**

Interest income from bank and other short-term deposits	1,053	2,083
Interest income from staff loans	21	20
Foreign exchange conversion gain	<u>47</u>	<u>80</u>
	<u>1,121</u>	<u>2,183</u>

**RURAL WATER SUPPLY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2017****17 OTHER INCOME**

	<u>2017</u> \$'000	<u>2016</u> \$'000
Loss on sale of property and equipment	( 195)	( 25)
Deferred income (Note 13)	71	71
Other	<u>1,534</u>	<u>2,174</u>
	<u>1,410</u>	<u>2,220</u>

**18 STAFF COST**

	<u>2017</u> \$'000	<u>2016</u> \$'000
Salaries and allowances	99,407	95,964
Special one-off payment	-	867
Gratuity	19,078	19,086
Vacation expense	254	59
Statutory contributions	5,718	5,606
Staff welfare and subsidies	<u>12,716</u>	<u>12,572</u>
	<u>137,173</u>	<u>134,154</u>

**19 PROFIT**

The following are expenses included in the determination of profit for the year:

	<u>2017</u> \$'000	<u>2016</u> \$'000
Directors emoluments - fees	911	626
Auditors' remuneration	830	800
Depreciation	1,534	2,317
Minimum Business Tax (See below)	60	60

Minimum Business Tax (MBT) was implemented by the Government of Jamaica in April 2014 and requires all companies incorporated or registered in Jamaica to pay an amount of \$60,000 annually. Companies which are exempted from the payment of income tax, or operating under an income tax regime, companies making a loss, as well as dormant companies are liable.

**20 RELATED PARTY TRANSACTIONS AND BALANCES**

(a) The following transactions were carried out with related parties comprising directors and key management personnel:

	<u>2017</u> \$'000	<u>2016</u> \$'000
Salaries and allowances including statutory contributions	<u>31,314</u>	<u>29,740</u>
Directors fees	<u>911</u>	<u>626</u>

**RURAL WATER SUPPLY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2017**

The remuneration of directors and key management is determined by the Ministry of Finance and Public Service.



## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

## 20 RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

(b) Year end balances with related parties are as follows:

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Staff loans and advances	<u>2,989</u>	<u>3,664</u>
Other payables	<u>30</u>	<u>-</u>

## 21 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

## 21.1 Capital risk management

The Company manages its capital to ensure that the entity will be able to continue as a going concern. The Company is a Government owned entity and its operations are funded by the Government of Jamaica. The Board of Directors is responsible to obtain adequate funding from the Government of Jamaica for its operations to ensure that the Company meets its operational objectives and remains a viable entity. The Company's overall capital risk management strategy remains unchanged from 2016.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to the Government of Jamaica.

## 21.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in Note 3 to the financial statements.

## 21.3 Categories of financial instruments

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Financial assets (at amortised cost)		
Loans and receivables (including cash and bank balances)	114,237	158,845
Financial liabilities (at amortised cost)		
Payables	15,917	32,827

## 21.4 Financial risk management objectives

The Company's financial risk management policies are directed by the Board of Directors, assisted by a committee of the Board and the senior management. The Company's activities expose it to credit related risks, liquidity risks and market risks that include foreign currency risks and interest rate risks.

The annual budgeting exercise and the continuing monitoring of the operations of the Company against the budgets allow the Board and the senior management to achieve its objectives and to manage relevant financial risks that could be faced by the entity.

## 21.5 Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The Company's principal financial assets are cash and bank balances, receivable and Investments.

**RURAL WATER SUPPLY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2017**

The credit risk on cash and bank balances is limited as the Company minimises this risk by seeking to limit its obligations to substantial financial institutions. In respect of receivables the risk is minimised by extending credit to credit worthy parties. Receivables representing staff loans are deducted from emoluments on a monthly basis.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company maximum exposure to credit risk.



## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

## 21 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

## 21.7 Market risk

The Company's investment activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. (See Notes 21.8 and 21.9).

There has been no change to the manner in which the Company manages and measures this risk.

## 21.8 Foreign currency risk management

The Company undertakes certain transactions denominated in currencies other than the Jamaican dollar.

The following balances held in United States dollars are included in these financial statements:

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Cash and bank deposits - United States dollars	<u>408</u>	<u>963</u>

21.8.1 Foreign currency sensitivity analysis

The Company's deposits are exposed to the United States dollar. The Company's sensitivity to a 1% revaluation or 6% devaluation (2016 1% revaluation or 8% devaluation) in the Jamaican dollar against the United States dollar is the sensitivity rate that represents management's assessment of the reasonably possible change in foreign exchange rate in the short-term.

The sensitivity to a 1% revaluation or 6% devaluation (2016: 1% revaluation or 8% devaluation) in the Jamaican dollar against the United States dollar would be a decrease of J\$0.02 million or an increase of J\$0.004million in profit or loss (2016: decrease of J\$0.01 million or an increase of J\$0.08 million in profit or loss).

There was no significant exposure to foreign exchange risk, the foreign currency sensitivity remains the same as prior year.

21.9 **Interest rate risk management**

The Company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note (Note 21.6).

## Interest rate sensitivity analysis

Interest rate sensitivity have been determined based on the exposure to interest rates for the Company's deposits at the end of the reporting year as these are substantially the interest sensitive instrument impacting financial results. For floating rate deposits, the analysis assumes the amount of asset outstanding at year end was outstanding for the whole year. An increase/decrease of 1%/1% (2016: 1%/1.5%) on Jamaican dollar (J\$) deposits and 1%/0.5% (2016: 1%/0.5% for United States dollar (US\$) deposits represents management's assessment of the reasonable possible change in interest rates in the short-term.

## RURAL WATER SUPPLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2017

## 21 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

21.9 *Interest rate risk management (Cont'd)*

If market interest rates had been 1% higher or 1% lower (2016: 1% higher or 1.5% lower) on J\$ deposits and 1% higher or 0.5% lower (2016: 1% higher or 0.5% lower) on US\$ deposits and all other variables were held constant:

	<u>2017</u> \$'000	<u>2016</u> \$'000
Effect on profit or loss increase 1% (2016: 1%) (J\$ deposit)	209	173
Effect on profit or loss decrease 1% (2016: 1.5%) (J\$ deposit)	(209)	(259)
Effect on profit or loss increase 1% (2016: 1%) (US\$ deposit)	4	5
Effect on profit or loss decrease 0.5% (2016: 0.5%) (US\$ deposit)	( 2)	( 2)

The Company's sensitivity to interest rates has increased during the current year as the Company had an increase in the number of interest sensitive investments.

21.10 *Fair value of financial instruments*

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability at the measurement date.

Information about how the Company determines fair value of its financial assets is detailed below.

Fair value of the Company's financial assets and liabilities that are measured at fair value on a recurring basis

The Company does not have any financial assets or liabilities that are measured at fair value at the end of each reporting period.

The following methods and assumptions have been used in determining fair values for instruments not carried at their fair value:

- (i) The carrying amount of liquid assets and other assets maturing within one year is assumed to approximate their fair value amount. The assumption is applied to liquid assets and the short-term elements of all other financial assets and liabilities.

**REPORT TO THE DIRECTORS OF  
RURAL WATER SUPPLY LIMITED  
ON  
ADDITIONAL INFORMATION**

Our examination of the financial statements of the Company for the year ended March 31, 2017 was intended primarily for the purpose of formulating an opinion on those financial statements taken as a whole. The additional information presented in page 2 has been taken primarily from accounting and other records of the Company and is not necessary to give a true and fair view of the financial position of the Company at March 31, 2017 or of its financial performance and cash flows for the year then ended. Such information has not been subjected to sufficient tests and other auditing procedures to enable us to express an opinion as to the fairness of all the details included therein and accordingly we do not express an opinion on the additional information.

*Calvert Gordon Associates*

Chartered Accountants

Kingston, Jamaica,  
August 10, 2017

**RURAL WATER SUPPLY LIMITED****EXPENSES****YEAR ENDED MARCH 31, 2017**

	<u>2017</u> \$'000	<u>2016</u> \$'000
<b>OPERATING EXPENSES</b>		
<b>Staff cost</b>		
Salaries and wages	99,407	95,964
Special one-off payment	-	867
Gratuity	19,078	19,086
Vacation expense	254	59
Statutory contributions	5,718	5,606
Staff welfare and subsistence	<u>12,716</u>	<u>12,572</u>
	<u>137,173</u>	<u>134,154</u>
<b>Property expenses</b>		
Repairs and maintenance	<u>2,003</u>	<u>1,755</u>
Motor vehicle expenses	<u>503</u>	<u>417</u>
<b>Utility, rates and taxes</b>		
Telephone	1,159	1,236
Asset tax and registration fees	<u>25</u>	<u>425</u>
	<u>1,184</u>	<u>1,661</u>
Depreciation of property and equipment	<u>1,534</u>	<u>2,317</u>
Bad debts	<u>-</u>	<u>182</u>
Advertising and public relation	<u>355</u>	<u>258</u>
Professional fees	<u>2,478</u>	<u>800</u>
<b>Other expenses</b>		
Directors fees	911	626
Board meetings	1,726	1,075
Printing and stationery	1,939	1,678
Donations and subscriptions	165	189
Insurance	448	484
Bank charges	286	207
Withholding tax irrecoverable	229	517
Miscellaneous expenses	579	687
Engineering expenses	<u>1,728</u>	<u>4,399</u>
	<u>8,011</u>	<u>9,862</u>
Minimum Business Tax	<u>60</u>	<u>60</u>
<b>Total expenses</b>	<u>153,301</u>	<u>151,466</u>

**RURAL WATER SUPPLY LIMITED****WORK-IN-PROGRESS****YEAR ENDED MARCH 31, 2017****PROJECTS FUNDED FROM SUGAR TRANSFORMATION (MOA)**

<u>Project</u>	<u>Balance Brought Forward</u> \$	<u>Expenditure During the Year</u> \$	<u>Projects Completed During the Year</u> \$	<u>Balance Carried Forward</u> \$
Bath Mountain	-	194,095	-	194,095
Springfield Housing Development	<u>8,277,461</u>	<u>2,828,729</u>	<u>-</u>	<u>11,106,190</u>
	<u>8,277,461</u>	<u>3,022,824</u>	<u>-</u>	<u>11,300,285</u>

**PROJECTS FUNDED FROM THE NATIONAL WATER COMMISSION (NWC)**

<u>Project</u>	<u>Balance Brought Forward</u> \$	<u>Expenditure During the Year</u> \$	<u>Projects Completed During the Year</u> \$	<u>Balance Carried Forward</u> \$
Clydesdale Water Supply Rehabilitation	-	141,000	-	141,000
Rosewell Water Supply System	<u>-</u>	<u>23,934,471</u>	<u>-</u>	<u>23,934,471</u>
	<u>-</u>	<u>24,075,471</u>	<u>-</u>	<u>24,075,471</u>

**PROJECTS FUNDED FROM THE ENVIRONMENTAL FOUNDATION OF JAMAICA (EFJ)**

<u>Project</u>	<u>Balance Brought Forward</u> \$	<u>Expenditure During the Year</u> \$	<u>Projects Completed During the Year</u> \$	<u>Balance Carried Forward</u> \$
Snowden Primary	-	1,053,020	-	1,053,020
Marley Hill Primary	-	1,936,864	-	1,936,864
Gordon Hill Rainwater Harvesting	<u>-</u>	<u>1,261,437</u>	<u>-</u>	<u>1,261,437</u>
	<u>-</u>	<u>4,251,321</u>	<u>-</u>	<u>4,251,321</u>



**RURAL WATER SUPPLY LIMITED****WORK-IN-PROGRESS**

YEAR ENDED MARCH 31, 2017

**PROJECTS FUNDED FROM CAPITAL 'A' BUDGET - COMPREHENSIVE RURAL WATER UPGRADE**

<u>Projects</u>	<u>Balance Brought Forward</u>	<u>Expenditure During the Year</u>	<u>Adjustments</u>	<u>Projects Completed During the Year</u>	<u>Balance Carried Forward</u>
	\$	\$	\$	\$	\$
Barneyside W/S	20,036	-	-	20,036	-
Catchment Tank	3,793,372	-	3,692,344	101,028	-
Catchment Tank – Aboukir	-	44,000	-	44,000	-
Catchment Tank – Anchovy High School	5,394,846	1,438,032	-	-	6,832,878
Catchment Tank – Bamboo Bow Wayside	-	830,950	-	-	830,950
Catchment Tank – Bleauwaire	80,000	2,216,155	-	-	2,296,155
Catchment Tank – Beersheba	-	2,534,621	-	-	2,534,621
Catch Tank- Bird Mountain	-	44,000	-	44,000	-
Catchment Tank – Bog	1,068,574	139,623	-	1,208,197	-
Catchment Tank – Britton	-	44,000	-	44,000	-
Catchment Tank – Brixton Hill	-	2,116,530	-	2,116,530	-
Catchment Tank – Bronty	-	44,000	-	44,000	-
Catchment Tank – Broughton	-	1,017,000	-	-	1,017,000
Catchment Tank – Caron Hall	-	106,026	-	-	106,026
Catchment Tank – Chalky Hill	-	1,595,000	-	-	1,595,000
Catchment Tank – Crawle	-	1,131,103	-	1,131,103	-
Catchment Tank – Darlow	-	44,000	-	44,000	-
Catchment Tank – Derry Primary School	-	2,432,975	-	-	2,432,975
Catchment Tank – Ebenezer	2,125,251	181,000	-	2,306,251	-
Catchment Tank – Epworth	-	44,000	-	44,000	-
Catchment Tank – Faith's Pen	-	44,000	-	44,000	-
Catchment Tank – Ferncourt High School	775,104	1,713,069	-	-	2,488,173
Catchment Tank – Frazor	1,249,155	157,500	-	-	1,406,655
Catchment Tank – Friendship	-	44,000	-	44,000	-
Catchment Tank – Gayle Primary	-	2,180,320	-	-	2,180,320
Balance c/f	<u>14,506,338</u>	<u>20,141,904</u>	<u>3,692,344</u>	<u>7,235,145</u>	<u>23,720,753</u>

## RURAL WATER SUPPLY LIMITED

## WORK-IN-PROGRESS

YEAR ENDED MARCH 31, 2017

**PROJECTS FUNDED FROM CAPITAL 'A' BUDGET - COMPREHENSIVE RURAL WATER UPGRADE (Cont'd)**

<u>Projects</u>	<u>Balance Brought Forward</u> \$	<u>Expenditure During the Year</u> \$	<u>Adjustments</u> \$	<u>Projects Completed During the Year</u> \$	<u>Balance Carried Forward</u> \$
Balance b/f	14,506,338	20,141,904	3,692,344	7,235,145	23,720,753
Catchment Tank – Green Park	-	1,351,360	-	1,351,360	-
Catchment Tank – Harmons	551,350	684,050	551,350	684,050	-
Catchment Tank – Higgins Land	-	1,153,087	-	1,153,087	-
Catchment Tank – Holly Hill	686,125	25,500	-	711,625	-
Catchment Tank – Jerusalem	1,522,428	804,140	804,140	1,522,428	-
Catchment Tank – Lection Wayside Tanks	-	848,950	-	-	848,950
Catchment Tank – Lodge Wayside Tanks	-	957,302	-	-	957,302
Catchment Tank – Longbough	-	44,000	-	44,000	-
Catchment Tank – MacField	606,237	90,000	-	-	696,237
Catchment Tank – Marley Hill	-	858,877	-	-	858,877
Catchment Tank – Mendez	896,150	-	-	896,150	-
Catchment Tank – Minard Hill Wayside	-	827,548	-	-	827,548
Catchment Tank – Monymusk	1,265,298	91,000	-	1,356,298	-
Catchment Tank – Mount Airy	774,500	1,555,488	774,500	1,555,488	-
Catchment Tank – Mount Angus	-	2,417,562	-	-	2,417,562
Catchment Tank – Mount Valley	-	1,127,532	-	1,127,532	-
Catchment Tank – Pear Tree	257,300	12,850	-	270,150	-
Catchment Tank – Porters	-	44,000	-	44,000	-
Catchment Tank – Restore	-	1,017,000	-	-	1,017,000
Catchment Tank – Retirement	1,264,716	-	-	1,264,716	-
Catchment Tank – Rock Hall	-	5,015,631	-	-	5,015,631
Catchment Tank – Roehampton	-	66,718	-	-	66,718
Catchment Tank – Simon	-	44,000	-	44,000	-
Balance c/f	22,330,442	39,178,499	5,822,334	19,260,029	36,426,578

**RURAL WATER SUPPLY LIMITED****WORK-IN-PROGRESS****YEAR ENDED MARCH 31, 2017****PROJECTS FUNDED FROM CAPITAL 'A' BUDGET - COMPREHENSIVE RURAL WATER UPGRADE (Cont'd)**

<u>Projects</u>	<u>Balance Brought Forward</u> \$	<u>Expenditure During the Year</u> \$	<u>Adjustments</u> \$	<u>Projects Completed During the Year</u> \$	<u>Balance Carried Forward</u> \$
Balance b/f	22,330,442	39,178,499	5,822,334	19,260,029	36,426,578
Catchment Tank – St. Elizabeth Women Centre	-	220,596	-	220,596	-
Catchment Tank – St. Mary's Primary School	-	1,194,112	-	1,194,112	-
Catchment Tank – Stewarton	220,101	97,125	-	317,226	-
Catchment Tank – Stony Hill	1,112,658	-	-	1,112,658	-
Catchment Tank – Thompson Hill	-	450,199	-	-	450,199
Catchment Tank – Unity Vale	474,240	257,935	-	732,175	-
Catchment Tank – Wic War	626,381	1,774,529	626,381	-	1,774,529
Catchment Tank – Yark Mountain	-	44,000	-	-	44,000
CRWUP – Belle Isle W/S	6,242,444	591,728	-	6,834,172	-
CRWUP – Burnt Ground Base	2,607,269	-	2,607,269	-	-
CRWUP – Burial Ground	-	1,589,530	-	-	1,589,530
CRWUP – Bushy Park	2,982,549	-	-	2,982,549	-
CRWUP – Cane River	-	2,408,585	-	-	2,408,585
CRWUP – Carron Hall	-	54,300	-	-	54,300
CRWUP – Cascade W/S	200,000	-	-	200,000	-
CRWUP – Cassava Pond W/S	9,382,459	-	-	9,382,459	-
CRWUP – Chigwell	-	2,697,000	-	-	2,697,000
CRWUP – Comma/Mango Valley	-	2,817,849	-	-	2,817,849
CRWUP – Fairburn Pumping Station	332,386	-	-	332,386	-
CRWUP – Flagstaff (Zambia) W/S	303,700	500	-	304,200	-
CRWUP – Georges Valley	927,928	-	-	927,928	-
CRWUP – Georgia W/S	-	13,758,430	-	-	13,758,430
CRWUP – Grant Hill Phase 2	-	162,335	-	-	162,335
CRWUP – Green Park	229,100	-	-	229,100	-
CRWUP – Hagley Gap W/S	767,709	33,000	17,500	783,209	-
CRWUP – Islington	3,000	-	-	-	3,000
Balance c/f	48,742,366	67,330,252	9,073,484	44,812,799	62,186,335

**RURAL WATER SUPPLY LIMITED****WORK-IN-PROGRESS****YEAR ENDED MARCH 31, 2017****PROJECTS FUNDED FROM CAPITAL 'A' BUDGET - COMPREHENSIVE RURAL WATER UPGRADE (Cont'd)**

<u>Projects</u>	<u>Balance Brought Forward</u> \$	<u>Expenditure During the Year</u> \$	<u>Adjustments</u> \$	<u>Projects Completed During the Year</u> \$	<u>Balance Carried Forward</u> \$
Balance b/f	48,742,366	67,330,252	9,073,484	44,812,799	62,186,335
CRWUP – James Hill W/S	56,561	-	-	56,561	-
CRWUP – John's Hall	1,890,168	539,078	-	2,429,246	-
CRWUP – Kensington W/S	1,351,917	-	1,351,917	-	-
CRWUP – Llandewey	9,626,560	-	-	9,626,560	-
CRWUP – Mahoe Ridge	4,519,662	16,000	-	4,535,662	-
CRWUP – Maldon and Chetsworth School	526,698	-	-	526,698	-
CRWUP – Montpelier Well	-	11,929,701	-	-	11,929,701
CRWUP – Mullock W/S	45,000	-	-	45,000	-
CRWUP – Pear Tree River	15,075,693	4,875,794	-	-	19,951,487
CRWUP – Reckford W/S	2,716,781	586,648	103,800	3,199,629	-
CRWUP – Rio Bueno W/S	14,803,991	1,242,569	-	16,046,560	-
CRWUP – Roaring River W/S	426,517	-	-	426,517	-
CRWUP – Rosewell	-	90,966	-	-	90,966
CRWUP – Seaton W/S	6,427,036	239,666	-	6,666,702	-
CRWUP – Shooting River	3,340	-	-	3,340	-
CRWUP – Silent Hill W/S	7,200	-	-	7,200	-
CRWUP – Southern St. James	147,110	-	-	147,110	-
CRWUP – Tangle River W/S	317,315	-	-	-	317,315
CRWUP – Top Redding W/S	778,410	26,400	778,410	-	26,400
CRWUP – Red Hills/Derry	-	1,949,823	-	-	1,949,823
CRWUP – Vaughnsfield W/S	36,777	-	-	-	36,777
CRWUP – Warsop/John Daggy	-	3,816,110	-	-	3,816,110
CRWUP – Warsop/New Road	42,000	-	-	42,000	-
CRWUP – Wayside Tank – Gravesen	213,800	-	-	213,800	-
RWDS – North Clarendon Investigations	-	21,000	-	-	21,000
	<u>107,754,902</u>	<u>92,664,007</u>	<u>11,307,611</u>	<u>88,785,384</u>	<u>100,325,914</u>
Total work-in-progress	<u>116,032,363</u>	<u>124,013,623</u>	<u>11,307,611</u>	<u>88,785,384</u>	<u>139,952,991</u>



