



RURAL WATER SUPPLY LTD

Engineering Solutions for Development



**ANNUAL REPORT
2017/2018**

CORPORATE DATA

Registered Office:

Rural Water Supply Limited
3rd Floor, The Towers
25 Dominica Drive
Kingston 5
Jamaica W.I.
Telephone: (876) 754-5485, Fax: (876) 754-5500
Email: info@rwslja.com
Website: www.rwslja.com

Management Team:

Mr. Audley Thompson - Managing Director
Mr. Douglas Wilson - General Manager, Engineering
Mr. Michael Johnson - Finance Manager
Ms. Murie Bennett - HR/Corporate Services Manager
Mr. Garreth Mills - 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

TABLE OF CONTENTS

Vision Statement	3
Mission Statement	3
Message from the Minister without Portfolio – Hon. Dr. Horace Chang, MP	4
(Water, Works and Housing)	
Message from the Chairman - His Worship the Mayor, Councillor Homer Davis, JP	6
Message from the Managing Director – Audley Thompson	8
Board of Directors – April 2017 - March 2018	13
Report on Projects	15
Operational Plan 2018/2019	23
Capital A Budget 2018/2019	24
Salaries and Emoluments for Senior Management Staff – 2017/2018	25
Report on the Financial Statements – 2017/2018	27

**MISSION
STATEMENT**

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

**VISION
STATEMENT**

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

**MESSAGE FROM THE HON. DR. HORACE CHANG, M.P.,
MINISTER WITHOUT PORTFOLIO
- MINISTRY OF ECONOMIC GROWTH & JOB CREATION**



The necessity of water to sustain human life is a development objective that must remain a priority for every Government. The sourcing, storage, purification and distribution of water is an important factor in the establishment and preservation of stable and sustainable economies.

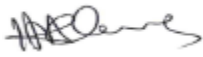
The rural communities in Jamaica must remain a priority in the National Policy concerning access to potable water. As the Government continues to implement programmes to update water supply systems across corporate areas, the importance of access to this valuable commodity in rural communities must never be neglected.

In light of Climate Change and the rate of increase of serious weather events across the Caribbean basin, the role of the Rural Water Supply Limited (RWSL) becomes even more critical to the viability of our communities and families. The development and continuous upgrade of rural water supply systems must remain the focus of this entity. In addition, climate resilient methodologies to harvest and store water must be encouraged in conjunction to traditional infrastructure improvements.

In this regard, large scale rainwater harvesting systems must continue to be rehabilitated to supply our small communities. However, households must be encouraged to create systems of their own to harvest, store and purify water. This approach to water supply fosters a culture of sustainable attitudes toward water and creates a system of collective responsibility.

Water is often considered an abundant resource. On the contrary, potable water and the access to potable water requires great commitment, industry expertise and clear policy support. The

work of the RWSL, continues to be the vehicle that drives the provision of this resource in our rural communities and will continue to play a vital role in rural community development.



Dr. Horace Chang, MP
Minister without Portfolio

Message from His Worship the Mayor Councillor Homer Davis, CD, JP - Chairman, Rural Water Supply Limited



Rural Water Supply Limited (RWSL) continues to deliver on its mandate to improve access to potable water in rural communities. This is deliberate, given its resolve to provide water to rural communities where residents have to trek to nearby springs and rivers to source water for domestic use.

For the Financial Year 2017/2018, the RWSL provided approximately twelve thousand (12,000) rural residents with potable water supply solutions. Roughly eight thousand five hundred (8,500) of these received household service connections. The remaining 3,500 residents, who reside in non-utility areas, were provided with the commodity from upgraded or refurbished rainwater catchment tanks. During this period, efforts were concentrated in the parishes of St. Elizabeth, Manchester and Clarendon, while approximately six (6) wayside tanks were refurbished in Manchester and St. Ann.

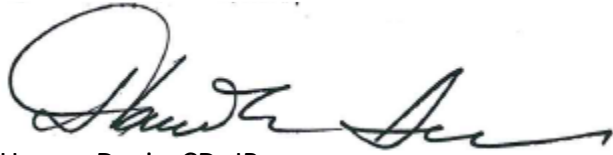
The RWSL, being mindful of the challenges faced by rural schools, due to limited or lack of access to potable water, continues to upgrade and provide rainwater harvesting systems to these institutions. These include the Roehampton and Anchovy Primary Schools in St. James, Ginger Hill Primary School, St. Elizabeth and Mount Olivet Primary School in Manchester, among many others.

Additionally, the RWSL, in keeping with its thrust of being a good Corporate Citizen, upgraded rainwater harvesting facilities at the St. Mary Infirmery and the St. Ann's Bay General Hospital.

Notwithstanding its financial challenges, the RWSL, a Public Engineering Registered Company, continues to provide engineering consultancy services to several other Government agencies such as the National Housing Trust and the Ministry of Economic Growth and Job Creation (MEGJC) on several of their housing projects.

I must commend my fellow Directors for their continued commitment and assistance in providing guidance and policy direction to the Company. I must also acknowledge the loyalty, dedication and discipline approach of the Management and staff of the RWSL.

Going forward, in keeping with the Government's 2030 Vision, we will continue to focus on increasing the supply of potable water solutions to several other rural communities across the island which will result in enhanced quality of life for all Jamaicans.

A handwritten signature in black ink, appearing to read 'Homer Davis', written in a cursive style.

Homer Davis, CD, JP
Chairman

MESSAGE FROM THE MANAGING DIRECTOR

- AUDLEY THOMPSON



The Rural Water Supply Limited's (RWSL) efforts to provide access to potable water in rural communities continued through the implementation/upgrade of Rural Water Supply Systems, during the 2017/2018 Financial Year under the headings detailed below:-

Comprehensive Rural Water Supply Systems Upgrade and Repairs

The complete rehabilitation of minor Water Supply Systems have benefitted over 8,500 residents including but not limited to, the following service areas:-

- Montpelier Water Supply System, St. James
- Comma Mango Valley Water Supply System, St. Mary
- Farmers Heights Water Supply System, St. Ann
- Douglas Castle/McNie Water Supply System, St. Ann
- Rosewell Water Supply System, Clarendon
- Gibbs Hill, Maroon Town, Top Leinster and Alden Spring Water Supply Systems, St. Mary

Works commenced on several Water Supply Systems (listed below) and will be completed in the Financial Year 2018/2019.

- Portland Cottage Water Supply System, Clarendon
- Spring Garden Water Supply System, St James
- Burnt Ground Water Supply System, St James
- Hermitage Water Supply System, St. Ann

Rainwater Harvesting and Tank Rehabilitation

The rehabilitation of rainwater harvesting facilities, island wide, is an ongoing process. In this regard, rehabilitation of the following systems were effected during the period under review and have benefitted over 3,500 residents:-

- Bagdale Water Supply System, St. Elizabeth

- Heavy Tree Water Supply System, Manchester
- Ebenezer Water Supply System, Manchester
- Mt. Olivett Water Supply System, Manchester
- Robins Hall Water Supply System, Manchester
- Foga Water Supply System, Clarendon

Repairs to wayside tanks were carried out in the following areas:-

- Friendship Wayside Storage Tank, St. Ann
- Spicey Grove Wayside Storage Tank, Manchester
- Silent Hill Wayside Storage Tank, Manchester
- Plowden Wayside Storage Tank, Manchester
- Bamboo Wayside Storage Tank, St. Ann
- Lection Wayside Storage Tank, St. Ann

Rehabilitation of Rainwater Harvesting Facilities in Schools and Institutions

Schools:-

- Roehampton Primary School, St. James
- Anchovy Primary and Junior High School, St. James
- Gayle, Derry and Mount Angus Primary Schools, St. Mary
- Ferncourt High School, St. Ann
- Ginger Hill Primary School, St. Elizabeth
- Mount Olivett Primary School, Manchester
- Rockhall Primary School, St. Andrew

Institutions:-

- Missionaries of the Poor, Golden Spring, St. Andrew
- St. Ann's Bay General Hospital, St. Ann
- St. Mary's Infirmary, Port Maria, St. Mary.
- St. Mary's Women Centre, St. Elizabeth

EXTERNAL CONSULTANCY SERVICES PROVIDED BY RWSL TO OTHER PUBLIC SECTOR ENTITIES

National Water Commission- NWC/RWSL K-Factor Programme

RWSL provided consultancy supervision for the Cascade Water Supply System, Hanover; the Nonpariel Water Supply System, Westmoreland and the Mason River Water Supply System in Clarendon.

In addition, works were undertaken on the Clydesdale/Content/Guava Ridge Water Supply System, St. Andrew.

New contracts were also signed with the NWC to prepare designs for the following Water Supply Systems:-

- New Market Water Supply System, St. Elizabeth;
- Albert Town Water Supply System, Trelawny;
- Canaan Adelphi Water Supply System, St. James, and;
- Connors/Ginger Ridge Water Supply System, St. Catherine.

The implementation of these projects will, however, be dependent on budget support from the NWC.

National Housing Trust (NHT)

RWSL was engaged, by the NHT, to provide consultancy supervision for the following projects:-

- Industry Cove Housing Development, Hanover;
- Friendship Housing Development, St. James;
- Preparation of well design for the Colbeck Offsite Water Supply System, St. Catherine;
- Rehabilitation of the Meylersfield Waste Water Treatment facility, Westmoreland.

Additionally, rehabilitation works began on the Longville Park Waste Water Treatment Facility, Clarendon, in keeping with the National Environment Planning Agency and the NWC's Standard.

Housing Agency of Jamaica (HAJ)

RWSL was engaged to carry out rehabilitation works at the Luana Wastewater Treatment Facility, St. Elizabeth and also to prepare design for the offsite Water Supply System for the White Hall Housing Development, St. Elizabeth.

Ministry of Economic Growth and Job Creation (MEGJC)

The Ministry of Economic Growth and Job Creation engaged the services of RWSL to:-

- Provide consultancy supervision for the Kennedy Grove Treatment Facility, Clarendon
- Carry out review of structural assessment for the Tivoli Gardens (Kingston) Housing Development

FINANCIAL MATTERS

Income/Revenue from External Consultancy Service

Revenue from Consultancy fees, for the Financial Year ended 2018 March 31, stood at J\$60.9M. The amount represented an increase of J\$24.3M, when compared with the J\$36.6M earned for the preceding (2016/2017) Financial Year. The increase is attributed to efforts made to diversify service offerings. RWSL is now engaged in the provision of Consultancy Services for a number of NHT's housing developments.

Income/Revenue from GOJ Subvention

The Government of Jamaica's subvention (Administrative Support) amounted to J\$83.8M. The amount reflected an increase of J\$13M which was made available to facilitate the operations/management of the Rural Water Supply Development Strategy Programme.

ADMINISTRATIVE AND PUBLIC RELATIONS MATTERS

Administrative Expenses

The Administrative expenses for the year ended 2018 March 31, stood at J\$158.72M when compared with the J\$153.3M on record for the previous year.

Losses of the period stood at J\$11.436M and reflected improvement in the area, given the recorded loss of J\$43.3M for the preceding (2016/2017) year.

PUBLIC RELATIONS MATTERS

The Rosewell Water Supply System, Clarendon was officially opened during the year under review. RWSL also participated in the annual World Water Day held during March 2018.

BUSINESS PLAN

RWSL, on an annual basis earned approximately J\$90M or 60% of its operating expenses. Efforts are, therefore, being made to aggressively secure external consultancy works. It is in this regard that a Business Plan has been prepared to outline strategies to grow revenue. A listing of all external consultancy contracts along with the projected monthly income which is monitored to ensure that the targets are met have been included in the plan.

Administrative (Staff) related matters

The annual Christmas staff function was held at the Jungle Fire Restaurant in Portmore and was well appreciated and supported by staff members.

The staff is to be commended for their steadfast dedication, loyalty and commitment to the RWSL and by extension to the Water Sector.

Representation will be made to the Ministry of Economic Growth and Job Creation and the Government to ensure that additional funding is provided for the implementation of rural water supply systems and to enhance service delivery to the nation.


Audley Thompson
Managing Director

BOARD OF DIRECTORS

2017/2018



Homer Davis - Chairman



Audley Thompson - M.D.



Doreen Hutchinson



Herbert Thomas



Farrah Blake



Kevin Lue



Jason Smith



Winston Maragh



Collen Gager



Mark Knight

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. Ann, St. James, Clarendon, St. Andrew and St. Mary with approximately 8,500 residents benefiting.

COMPREHENSIVE RURAL WATER UPGRADING PROGRAMME			
Project	Planned targets for the Period	Major Tasks	Achievements
<p><u>Comprehensive Rural Water Upgrading Programme</u></p> <p>Program Budget: J\$115.00M</p> <p>Exp. this period: J\$115.00M</p>	<p>To achieve 100% construction of minor water supplies across the island to include intakes, pipelines, pumping stations, storage tanks and catchment tanks.</p>	<p>To construct or repair intakes, pipelines, pumping stations, storage tanks and catchment tanks.</p>	<p>17 Minor Water Supply Systems Completed.</p> <p>11 Minor Water Supply Systems Ongoing</p>

The following projects have been completed:

- Comma /Mango Valley Water Supply System, St. Mary
- Farmers Heights Water Supply System, St. Ann
- Douglas Castle Water Supply System, St. Ann
- McNie Water Supply System, St. Ann
- Rosewell Water Supply System, Clarendon
- Montpelier Water Supply System, St. James
- Gibbs Hill Water Supply System, St. Mary
- Maroon Town Water Supply System, St. Mary
- Top Leinster Water Supply System, St. Mary
- Alden Spring Water Supply System, St. Mary
- Comfort Valley Water Supply System, St. Mary
- Friendship Wayside Tank, St. Ann
- Bamboo Bow Wayside Tank, St. Ann
- Lection Wayside Tank, St. Ann
- Spice Grove Loading Bay, Manchester
- Plowden Wayside Tank, Manchester

- Silent Hill Wayside Tank,
Manchester

Comma/Mango Valley Water Supply System, St. Mary

Works involved upgrading existing spring source, construction of pump/chlorination house, supply and installation of pump, installation of pipelines and installation of storage tank. This is a community based project to be run by a Benevolent Society.

McNie Water Supply System, St. Ann

Activities on the captioned project involved the rehabilitation of an existing NWC system. A 50,000 gallon steel tank was repaired and upgraded. In addition, some 500 metres of pipelines were installed as well as repairs to sections of the existing lines for the benefit of approximately 300 households.

Gibbs Hill Water Supply System, St Mary

The scope of works involved the repair and upgrade of spring intake, upgrade of chlorination facilities, concrete storage, supply of new transmission pipeline, distribution pipeline and storage to Mount Providence and service connections to serve approximately 800 residents. The completed water supply system is being operated by the St. Mary Municipal Corporation.



**McNie Water Supply System, St. Ann -
50,000 Gallon Steel Tank**



**Top Reading Water Supply System, St.
Elizabeth - Pump House with Solar Panel
Array**



**Top Reading Water Supply System,
St. Elizabeth - Bedding of pipeline**



Hermitage, St. Ann - Road reinstatement

**Hermitage Housing Development/Community Water Supply System,
St. Ann**

The project involves the supply, installation and commissioning of various sized pipes along with appurtenances, as well as road reinstatement. Approximately 1,500 residents (projected) will benefit from this improved water supply. The system will be handed over to NWC for their continued operation and maintenance.

The following projects are ongoing:

- Burnt Ground Water Supply System, St. James
- Spring Garden Water Supply System, St. James
- Camp Road Pipeline , St. James
- Top Reading Water Supply System (Solar), St. Elizabeth
- Ticky Ticky Water Supply System, Manchester
- Peart Spring Water Supply System, Manchester
- Knockpatrick Pipeline, Manchester
- St. Mary Minor Water Supply System (Tinsbury, Rock River)
- Wayside Tanks Island-wide
- Hermitage Water Supply System, St. Ann
- Portland Cottage Water Supply System, Clarendon

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 3,500 residents benefitted from these works.

CATCHMENT TANK REPAIRS AND RAINWATER HARVESTING PROGRAMME			
Project	Planned targets for the Period	Major Tasks	Achievements
<p><u>Catchment Tank Repairs & Rainwater Harvesting Programme</u></p> <p>Programme Budget: J\$75.00M</p> <p>Exp. this period: J\$75.00M</p>	<p>To achieve 100% construction of catchment tanks across the island</p>	<p>Refurbishing/Installation of sundry catchment tanks and rainwater facilities across the island</p>	<p>10 Rainwater Facilities have been completed.</p> <p>15 Rainwater Harvesting facilities are ongoing</p>

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

- Bagdale Catchment Tank, St. Elizabeth
- Heavy Tree Catchment Tank, Manchester
- Robins Hall Catchment Tank, Manchester
- Foga Catchment Tank, Clarendon
- Mount Olivet Catchment Tank, Manchester
- Ebenezer Catchment Tank, Manchester
- Roehampton Primary School, St. James
- Anchovy Primary and Jnr. High School, St. James
- Mount Olivet Primary School, Manchester
- Missionaries of the Poor, Golden Spring, St. Andrew



**Rock Hall All Age School, St. Andrew -
Rainwater Harvesting & Solar Pumping**



**Rock Hall All Age School, St. Andrew -
Rainwater Harvesting System Solar
Panels Array**



**Rock Hall All Age School, St. Andrew
(Gravity Feed Distribution Tanks)**

Ongoing Rainwater Facilities:

- 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
- Devon Catchment Tank, Manchester
- York Castle Ferrocement Tank, St. Ann
- Reid's Mountain rainwater system, St. Catherine
- Rennals Community rainwater system, St. Catherine
- Ginger Hill Primary School, St. Elizabeth
- Heavy Tree Catchment Tank, Manchester
- Woodlands # 1 Catchment Tank, St. Elizabeth
- St. Ann's Bay General Hospital, St. Ann
- St. Mary's Infirmary, Port Maria, St. Mary

Rural Water Supply Development Strategy Implementation Programme (RWSDSIP)

RWSL continues its third year of the RWSDSIP which 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. Catherine and Trelawny, along with various other projects to be funded by the Environmental Foundation of Jamaica (EFJ). 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. Recruitment of technical staff was also undertaken during the period.

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 Housing Trust (NHT)

- Longville Park Phase 3, Clarendon – Sewage Treatment Plant Rehabilitation - Designed and submitted for National Environmental and Planning Agency (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

National Water Commission (NWC)

- a. NWC/RWSL K-Factor Programme;

- b. NWC - Newmarket Water Supply, St. Elizabeth; Albert Town Water Supply, Trelawny; Cannan/Adelphi Water Supply, St. James; Connors/Ginger Ridge Water Supply, St. Catherine – preparation of designs
- c. NWC – Clydesdale – Design and Construction



**Nonpariel Water Supply System, Westmoreland
- Construction of Pumping Station**

Ministry of Economic Growth & Job Creation

- a. Kennedy Grove Water Supply Treatment Plant, Clarendon
- b. Tivoli Court
- c. Rasta City (phase 1)



Kennedy Grove Water Supply Treatment Plant, Clarendon - Construction of Force Main



Kennedy Grove Water Supply Treatment Plant, Clarendon - Construction of Grit Channel

OPERATIONAL PLAN- 2018/2019								
Project	QTR 1 Target	Cost J\$M	QTR 2 Target	Cost J\$M	QTR 3 Target	Cost J\$M	QTR 4 Target	Cost J\$M
COMPREHENSIVE RURAL WATER UPGRADING PROGRAMME								
Construction of rural water supply schemes to impact needy communities	31%	15	56%	30	93%	30	100%	5
CATCHMENT TANK REPAIRS & RAINWATER HARVESTING PROGRAMME								
Catchment Tank Repairs / Rainwater Harvesting Projects	25%	5	50%	5	85%	7	100%	3

Capital A Budget 2018/19				
PROJECT	PARISH	ESTIMATED COST 2018/19 J\$M	EXPECTED COMPLETION	COMMENTS
Portland Cottage Pipelaying	Clarendon	8.00	Jul-18	80%,end of July -18 completion
Portland Cottage Relift Station	Clarendon	13.20	Sep-18	Land issue addressed, construction to commence
Portland Cottage Electromechanical	Clarendon		Sep-18	Dependent on completion of Relift
Hermitage Housing W/S	St Ann	1.50	Jun-18	Road reinstatement to be completed
Spring Gardens -Pipeline	St James	5.00	Jun-18	
Spring Gardens -Tank	St James	2.00	Jun-18	
Burnt Ground - Pipeline	St James		Jun-18	
Burnt Ground - Tank	St James	1.00	Jun-18	
Montpelier Distribution	St James	3.00		To be determined
Top Leinster	St Mary	0.40	Apr-18	Substantially complete/operational
Maroon Town	St Mary	0.50	May-18	Substantially complete/operational
Gibbs Hill	St Mary	0.90	May-18	Substantially complete/operational
Comfort Vally	St Mary	0.30	Apr-18	Substantially complete/operational
Rock River	St Mary	1.00	Jul-18	
Alden Spring	St Mary	1.00	Sep-18	
Tinsbury	St Mary	1.20	Jul-18	Works to commence in May 2018
Top Reading W/S-Solar	St Elizabeth	0.50	Jun-18	Solar Installation in progress
Funds already requested		15.00		Projects during last Financial year
McNie	St Ann	1.00	May-18	Works Substantially Complete
Douglas Castle	St Ann	0.10	May-18	Works Substantially Complete
Manchester Municipality	Manchester	1.10	Jun-18	Awaiting action by Municipality
Spice Grove	Manchester	0.30	May-18	Works Substantially Complete
Peart Spring	Manchester	6.00	May-19	Design being finalized
Rainwater Harvesting				
Rennalls Community (households)	St Catherine	5	Dec-19	
Knoclalva Agricultural School	Hanover	1	Mar-19	Awaiting decision of school
Charlton Primary	St Ann	0.5	Aug-19	
Garlogie Primary	Clarendon	0.5	Aug-19	
Catchment Tanks	Islandwide	15	Mar-19	
Other Projects				
Ticki Ticki	Manchester	16	Sep-19	Subject to funding
Platfield	St Mary	35	Oct-19	Subject to funding
Aberdeen	Manchester	25	Sep-19	Subject to funding
Reach	Portland	1	Dec-18	Subject to funding

SALARIES AND EMOLUMENTS FOR CHAIRMAN, DIRECTORS AND SENIOR MANAGEMENT STAFF

2017/2018

Directors' Compensation

NAME & POSITION OF DIRECTORS	FEES \$	MOTOR VEHICLE UPKEEP/ TRAVELLING OR VALUE OF ASSIGNMENT OR MOTOR VEHICLE \$	HONORARIA (\$)	ALL OTHER COMPENSATION INCLUDING NON-CASH BENEFITS AS APPLICABLE	TOTAL
Homer Davis Chairman	204,000.00	-	-	-	204,000.00
Collen Gager Director	77,800.00	-	-	-	77,800.00
Doreen Hutchinson Director	117,200.00	-	-	-	117,200.00
Farrah Blake Director	85,000.00	-	-	-	85,000.00
Herbert Thomas Director	113,400.00	-	-	-	113,400.00
Jason Smith Director	66,200.00	-	-	-	66,200.00
Kevin Lue Director	74,000.00	-	-	-	74,000.00
Mark Knight Director	56,800.00	-	-	-	56,800.00
Winston Maragh Director	99,200.00	-	-	-	99,200.00
TOTAL					893,600.00

Notes:

1. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.

Senior Executives' 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	2017/2018	4,939,258	1,289,556	1,341,624	-	261,389	-	7,831,828
Michael Johnson Finance Manager	2017/2018	4,504,022	1,236,188	796,500	-	578,689	-	7,115,399
Douglas Wilson General Manager, Engineering	2017/2018	4,051,919	1,008,394	1,341,624	-	99,516	-	6,501,453
Murie Bennett HR & Corporate Services Manager	2017/2018	3,907,333	1,085,347	707,448	-	815,217	-	6,515,345
Garreth Mills Engineering Manager	2017/2018	3,135,748	703,360.92	707,448	-	6,232	-	4,552,789
TOTAL								32,516,814

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, utility, etc.)
3. Where a non-cash benefit is received (e.g. 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, 2018

RURAL WATER SUPPLY LIMITED

YEAR ENDED MARCH 31, 2018

CONTENTS

	Page
Independent Auditors' Report - to the Board of Directors	1

FINANCIAL STATEMENTS

Statement of Financial Position	2
Statement of Comprehensive Income	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 26

ADDITIONAL INFORMATION

	Page
Report to the Directors	1
Expenses	2
Work-In-Progress	3



Chartered Accountants

Suite 110 City Centre Building
P.O. Box 60, Montego Bay
Jamaica, W.I.
Tel: 876 952 4713- 4
Fax 876 979 0246

7 West Avenue
P.O. Box 13, Kingston 4
Jamaica, W.I.
Tel: 876 922 6825
Fax 876 922 7673

Page 1.1

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, 2018, 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, 2018, 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, Jamaica
September 4, 2018

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

Page 2

RURAL WATER SUPPLY LIMITED

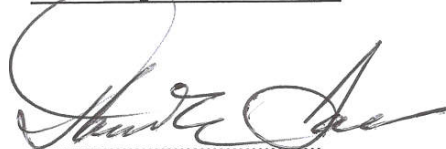
STATEMENT OF FINANCIAL POSITION AT MARCH 31, 2018

	<u>Notes</u>	<u>2018</u> \$'000	<u>2017</u> \$'000
<u>ASSETS</u>			
Non-current assets			
Property and equipment	5	3,771	5,578
Work-in-progress	6	<u>212,726</u>	<u>139,953</u>
Total non-current assets		<u>216,497</u>	<u>145,531</u>
Current assets			
Inventories	7	4,482	3,241
Receivables and prepayments	8	75,818	74,188
Cash, bank and short-term deposits	9	<u>86,764</u>	<u>40,658</u>
Total current assets		<u>167,064</u>	<u>118,087</u>
Total assets		<u>383,561</u>	<u>263,618</u>
<u>EQUITY AND LIABILITIES</u>			
Share capital	10	- *	- *
Special reserve	11	10,640	10,640
Accumulated surplus		<u>183</u>	<u>11,619</u>
Total equity		<u>10,823</u>	<u>22,259</u>
Current liabilities			
Project advances	12	317,492	213,299
Payables and accruals	13	<u>55,246</u>	<u>28,060</u>
Total current liabilities		<u>372,738</u>	<u>241,359</u>
Total equity and liabilities		<u>383,561</u>	<u>263,618</u>

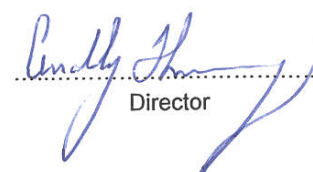
* Denotes less than J\$1,000

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 September 4, 2018 and are signed on its behalf by:



Director



Director

RURAL WATER SUPPLY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

Page 3

RURAL WATER SUPPLY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2018

	<u>Notes</u>	<u>2018</u> \$'000	<u>2017</u> \$'000
INCOME			
Government subventions	14	83,871	70,863
Consultancy fees	15	60,992	36,593
Finance income	16	763	1,121
Other income	17	<u>1,710</u>	<u>1,410</u>
		<u>147,336</u>	<u>109,987</u>
EXPENSES			
Staff cost	18	133,797	137,173
Property		2,145	2,003
Motor vehicle		626	503
Utilities, rates and taxes		2,341	1,184
Depreciation		1,807	1,534
Bad debts		11	-
Advertising and public relations		1,157	355
Professional fees		4,634	2,478
Minimum Business Tax	19	62	60
Other		<u>12,192</u>	<u>8,011</u>
		<u>158,772</u>	<u>153,301</u>
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	19	<u>(11,436)</u>	<u>(43,314)</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, 2018

Page 4

RURAL WATER SUPPLY LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2018

	<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, 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		-	10,640	11,619	22,259
Loss and Total Comprehensive Income for the year		<u>-</u>	<u>-</u>	<u>(11,436)</u>	<u>(11,436)</u>
Balance at March 31, 2018		<u>-</u>	<u>10,640</u>	<u>183</u>	<u>10,823</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, 2018

Page 5

RURAL WATER SUPPLY LIMITED**STATEMENT OF CASH FLOWS**

YEAR ENDED MARCH 31, 2018

	<u>2018</u> \$'000	<u>2017</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(11,436)	(43,314)
Adjustments for:		
Depreciation of property and equipment	1,807	1,534
Loss on disposal of property and equipment	-	195
Foreign exchange adjustment	8	(47)
Deferred income	(63)	(71)
Interest income	(771)	(1,074)
Impairment loss recognised on receivables	11	-
(Decrease) Increase in provision for employee benefit	(727)	1,505
Operating cash flows before movement in working capital	(11,171)	(41,272)
(Increase) Decrease in receivables and prepayments	(1,641)	39,763
Increase in inventories	(1,241)	(3,241)
Increase in payables and accruals	6,074	15,369
Net cash (used in) provided by operating activities	(7,979)	10,619
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	807	1,025
Proceeds from disposal of property and equipment	-	25
Acquisition of property and equipment	-	(2,689)
Work-in-progress	(146,778)	(139,620)
Cash used in investing activities	(145,971)	(141,259)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital grant received	200,100	125,642
Cash provided by investing activities	200,100	125,642
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46,150	(4,998)
OPENING CASH AND CASH EQUIVALENTS	40,609	45,560
Effect of foreign exchange rate changes on the balance of cash held in foreign currency	(8)	47
CLOSING CASH AND CASH EQUIVALENTS	<u>86,751</u>	<u>40,609</u>

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

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

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

Standards affecting disclosures in the current period

IAS 7 Statement of Cash Flows

Disclosure Initiative amends IAS 7 *Statement of Cash Flows* to require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. These amendments were applied prospectively (See Note 6 (c)).

There were no other 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
beginning on or after

Amendments to Standards

IAS 12	Income Taxes	
	- Amendments to clarify aspects relating to the recognition of deferred tax assets for unrealised losses	January 1, 2017
IFRS 12	- Amendments arising from Annual Improvements to IFRS 2014 – 2016 Cycle	January 1, 2017

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

New and Revised Interpretations

IFRIC 18	Transfer of Assets from Customers	January 1, 2017
----------	-----------------------------------	-----------------

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

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:

<u>New and Revised Standards</u>		<u>Effective for annual periods beginning on or after</u>
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 • Overlay approach • Deferral approach	Applies when IFRS 9 is applied January 1, 2018
IFRS 7 and 9	Amendments requiring disclosures about the initial application of IFRS 9	Applies when IFRS 9 is applied
IFRS 9 (2014)	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 1, 2018
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
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
<u>New and Revised Interpretations</u>		
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:

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(i) 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:

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

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

(i) IFRS 9 *Financial Instruments* (cont'd)

- *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 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 recognised.
- *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.

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.

(ii) 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, 2018 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.

- (iii) 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

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

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, 2018. The application of the amendments of the adoption date is not expected to have a significant impact on the Company's revenue.

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, 2018

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.

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, 2018

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 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, 2018

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 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, 2018

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, 2018

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).

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.

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

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, 2018

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
Cost					
April 1, 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	1,750	5,334	5,603	3,556	16,243
Additions	-	-	-	-	-
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
March 31, 2018	<u>1,750</u>	<u>5,334</u>	<u>5,603</u>	<u>3,556</u>	<u>16,243</u>
Depreciation					
April 1, 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	1,750	3,589	2,482	2,844	10,665
Charge for year	<u>-</u>	<u>362</u>	<u>733</u>	<u>712</u>	<u>1,807</u>
March 31, 2018	<u>1,750</u>	<u>3,951</u>	<u>3,215</u>	<u>3,556</u>	<u>12,472</u>
Carrying Amount					
March 31, 2018	<u>-</u>	<u>1,383</u>	<u>2,388</u>	<u>-</u>	<u>3,771</u>
March 31, 2017	<u>-</u>	<u>1,745</u>	<u>3,121</u>	<u>712</u>	<u>5,578</u>

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, 2018

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) \$'000	Projects Funded from Sugar Transformation (MOA) \$'000	Projects Funded from the National Water Commission \$'000	Projects Funded from the Environmental Foundation of Jamaica (EFJ) \$'000	Total \$'000
Balance at April 1, 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	(88,785)	-	-	-	(88,785)
Adjustments	(11,307)	-	-	-	(11,307)
Balance at March 31, 2017	100,327	11,300	24,075	4,251	139,953
Cost incurred during the year	149,967	1,124	10,709	8,757	170,557
Projects completed during the year	(95,907)	-	-	-	(95,907)
Adjustments	(1,877)	-	-	-	(1,877)
Balance at March 31, 2018	<u>152,510</u>	<u>12,424</u>	<u>34,784</u>	<u>13,008</u>	<u>212,726</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, 2018

7 INVENTORIES

These comprise:

	<u>2018</u> \$'000	<u>2017</u> \$'000
Engine driven, pressure fire pumps	4,482	3,241
	<u>4,482</u>	<u>3,241</u>

8 RECEIVABLES AND PREPAYMENTS

8.1 These include:

	<u>2018</u> \$'000	<u>2017</u> \$'000
Consultancy fees	56,776	58,700
Subvention receivable	8,657	-
Staff loans and advances	6,162	7,841
Other receivables	4,089	7,873
Prepayments	<u>698</u>	<u>610</u>
	76,382	75,024
Less: Allowance for doubtful debts	(564)	(836)
	<u>75,818</u>	<u>74,188</u>

8.2 Movement in the allowance for doubtful debts:

	<u>2018</u> \$'000	<u>2017</u> \$'000
Balance at beginning of the year	836	5,545
Impairment loss recognised on receivables	11	-
Amounts recovered during the year	(265)	-
Amounts written off during the year as uncollectible	<u>(18)</u>	<u>(4,709)</u>
Balance at end of the year	<u>564</u>	<u>836</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:

	<u>2018</u> \$'000	<u>2017</u> \$'000
Funds held for administration and resource management	80,092	24,891
Funds held for consultancy projects	6,012	12,904
Staff Revolving Loan Fund	<u>660</u>	<u>2,863</u>
Cash, bank and short-term deposits	<u>86,764</u>	<u>40,658</u>

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

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

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>2018</u>	<u>2017</u>
	%	\$'000	\$'000
Fixed deposit (Jamaican dollars)	3.55	14,508	13,952
Cash on hand and in banks:			
– Current accounts	0.08	71,964	26,221
– Saving accounts - including US\$1,998 (2017 - US\$3,192)	0.12	264	421
Cash on hand		<u>15</u>	<u>15</u>
Cash and cash equivalents		<u>86,751</u>	<u>40,609</u>

10 SHARE CAPITAL

	<u>2018</u>	<u>2017</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

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>2018</u>	<u>2017</u>
	\$'000	\$'000
Balance at beginning of year	213,299	172,149
Capital grants received during the year	200,100	125,642
Set-off against work-in-progress (Note 6)	(95,907)	(88,785)
Adjustments (Note 12(a))	<u>-</u>	<u>4,293</u>
Balance at end of year (Note 12(c))	<u>317,492</u>	<u>213,299</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, 2018

12 PROJECT ADVANCES (Cont'd)

(b) General Consumption Tax (GCT) withheld with respect to project costs during the year amounting to \$4.69 (2017: \$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.

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	<u>April 1, 2017</u>	<u>Financing</u>	<u>Non-Cash Changes</u>		<u>March 31, 2018</u>
	\$'000	Cash Flows	<u>Completed</u>	<u>Adjustments</u>	\$'000
		\$'000	<u>Projects</u>	\$'000	\$'000
Project advances	<u>213,299</u>	<u>200,100</u>	<u>(95,907)</u>	<u>-</u>	<u>317,492</u>
	<u>213,299</u>	<u>200,100</u>	<u>(95,907)</u>	<u>-</u>	<u>317,492</u>

13 PAYABLES AND ACCRUALS

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Trade payable	2,434	882
Contractor's payable (Note 13(a))	32,353	12,862
Deferred income (Note 13(b))	267	331
Employee's benefit	8,594	9,321
Other payables and accruals	<u>11,598</u>	<u>4,664</u>
	<u>55,246</u>	<u>28,060</u>

(a) Contractor's payable includes contractor's fees, retentions and contractor's levy. Contractor's retention amounting to \$4.29 million, brought forward from prior years (exceeding 7 years) for which no claims have been made by contractor's was written-off against project advances in 2017.

(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.

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

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>2018</u> \$'000	<u>2017</u> \$'000
Income from external consultancy	<u>60,992</u>	<u>36,593</u>

16 FINANCE INCOME

Finance income comprises:

	<u>2018</u> \$'000	<u>2017</u> \$'000
Interest income from bank and other short-term deposits	746	1,053
Interest income from staff loans	25	21
Foreign exchange conversion gain	(8)	<u>47</u>
	<u>763</u>	<u>1,121</u>

17 OTHER INCOME

	<u>2018</u> \$'000	<u>2017</u> \$'000
Loss on sale of property and equipment	-	(195)
Deferred income (Note 13)	63	71
Other	<u>1,647</u>	<u>1,534</u>
	<u>1,710</u>	<u>1,410</u>

18 STAFF COST

	<u>2018</u> \$'000	<u>2017</u> \$'000
Salaries and allowances	96,971	99,407
Gratuity	20,610	19,078
Vacation expense	509	254
Statutory contributions	5,726	5,718
Staff welfare and subsidies	<u>9,981</u>	<u>12,716</u>
	<u>133,797</u>	<u>137,173</u>

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

19 LOSS

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

	<u>2018</u> \$'000	<u>2017</u> \$'000
Directors emoluments - fees	894	911
Auditors' remuneration	880	830
Depreciation	1,807	1,534
Minimum Business Tax (See below)	62	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>2018</u> \$'000	<u>2017</u> \$'000
Salaries and allowances including statutory contributions	<u>32,517</u>	<u>31,314</u>
Directors fees	<u>894</u>	<u>911</u>

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

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

	<u>2018</u> \$'000	<u>2017</u> \$'000
Staff loans and advances	<u>2,620</u>	<u>2,989</u>
Other payables	<u>24</u>	<u>30</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 2017.

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

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

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

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>2018</u>	<u>2017</u>
	\$'000	\$'000
Financial assets (at amortised cost)		
Loans and receivables (including cash and bank balances)	161,883	114,237
Financial liabilities (at amortised cost)		
Payables	39,831	15,917

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. 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, 2018

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

21.6 Liquidity risk management

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The directors do not consider that there is a significant liquidity risk because the operations are funded by the Government of Jamaica.

The table below summarises the Company's remaining contractual maturities for the financial assets and financial liabilities.

	2018			
	Weighted Average Effective Rate %	Less than 1 Month \$'000	1 to 12 Months \$'000	Total \$'000
Financial assets				
Receivables	-	-	75,119	75,119
Cash and bank deposits	2.72	<u>86,808</u>	-	<u>86,808</u>
		<u>86,808</u>	<u>75,119</u>	<u>161,927</u>
Financial liabilities				
Payables	-	<u>39,831</u>	-	<u>39,831</u>
		<u>24,808</u>	<u>75,119</u>	<u>122,096</u>
	2017			
	Weighted Average Effective Rate %	Less than 1 Month \$'000	1 to 12 Months \$'000	Total \$'000
Financial assets				
Receivables	-	-	73,578	73,578
Cash and bank deposits	3.78	<u>40,725</u>	-	<u>40,725</u>
		<u>40,725</u>	<u>73,578</u>	<u>114,303</u>
Financial liabilities				
Payables	-	<u>15,917</u>	-	<u>15,917</u>
		<u>24,808</u>	<u>73,578</u>	<u>98,386</u>

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

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>2018</u>	<u>2017</u>
	\$'000	\$'000
Cash and bank deposits - United States dollars	<u>250</u>	<u>408</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 2% revaluation or 4% devaluation (2017: 1% revaluation or 6% 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 2% revaluation or 4% devaluation (2017: 1% revaluation or 6% devaluation) in the Jamaican dollar against the United States dollar would be a decrease of J\$0.010 million or an increase of J\$0.005 million (2017: decrease of J\$0.02 million or an increase of J\$0.004 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% (2017: 1%) on Jamaican dollar (J\$) deposits and 0.5% (2017: 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, 2018

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 lower (2017: 1% higher or lower) on J\$ deposits and 0.5% higher or lower (2017: 1% higher or 0.5% lower) on US\$ deposits and all other variables were held constant:

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Effect on profit or loss increase 1% (2017: 1%) (J\$ deposit)	193	209
Effect on profit or loss decrease 1% (2017: 1%) (J\$ deposit)	(193)	(209)
Effect on profit or loss increase 0.5% (2017: 1%) (US\$ deposit)	1	4
Effect on profit or loss decrease 0.5% (2017: 0.5%) (US\$ deposit)	(1)	(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, 2018 was intended primarily for the purpose of formulating an opinion on those financial statements taken as a whole. The additional information presented in pages 2 to 3 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, 2018 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,
September 4, 2018

ADDITIONAL INFORMATION

RURAL WATER SUPPLY LIMITED

EXPENSES

YEAR ENDED MARCH 31, 2018

	<u>2018</u> \$'000		<u>2017</u> \$'000
OPERATING EXPENSES			
Staff cost			
Salaries and wages	96,971		99,407
Gratuity	20,610		19,078
Vacation expense	509		254
Statutory contributions	5,726		5,718
Staff welfare and subsistence	<u>9,981</u>		<u>12,716</u>
	<u>133,797</u>		<u>137,173</u>
Property expenses			
Repairs and maintenance	<u>2,145</u>		<u>2,003</u>
Motor vehicle expenses	<u>626</u>		<u>503</u>
Utility, rates and taxes			
Telephone	1,584		1,159
Asset tax and registration fees	<u>757</u>	<u>25</u>	
	<u>2,341</u>		<u>1,184</u>
Depreciation of property and equipment	<u>1,807</u>		<u>1,534</u>
Bad debts	<u>11</u>		<u>-</u>
Advertising and public relation	<u>1,157</u>		<u>355</u>
Professional fees	<u>4,634</u>		<u>2,478</u>
Other expenses			
Directors fees	894		911
Board meetings	1,133		1,726
Printing and stationery	1,744		1,939
Donations and subscriptions	203		165
Insurance	517		448
Bank charges	197		286
Withholding tax irrecoverable	185		229
Miscellaneous expenses	818	579	
Engineering expenses	<u>6,501</u>		<u>1,728</u>
	<u>12,192</u>	<u>8,011</u>	
Minimum Business Tax	<u>62</u>	<u>60</u>	
Total expenses	<u>158,772</u>		<u>153,301</u>

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

YEAR ENDED MARCH 31, 2018

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>11,106,190</u>	<u>1,124,296</u>	<u>-</u>	<u>12,230,486</u>
	<u>11,300,285</u>	<u>1,124,296</u>	<u>-</u>	<u>12,424,581</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	2,639,083	-	2,780,083
Rosewell Water Supply System	<u>23,934,471</u>	<u>8,069,724</u>	<u>-</u>	<u>32,004,195</u>
	<u>24,075,471</u>	<u>10,708,807</u>	<u>-</u>	<u>34,784,278</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	3,105,064	-	4,158,084
Marley Hill Primary	1,936,864	3,089,798	-	5,026,662
Gordon Hill Rainwater Harvesting	<u>1,261,437</u>	<u>2,561,770</u>	<u>-</u>	<u>3,823,207</u>
	<u>4,251,321</u>	<u>8,756,632</u>	<u>-</u>	<u>13,007,953</u>

RURAL WATER SUPPLY LIMITED**WORK-IN-PROGRESS****YEAR ENDED MARCH 31, 2018****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>
	\$	\$	\$	\$	\$
Catchment Tank – Anchovy High School	6,832,878	2,230,604	-	-	9,063,482
Catchment Tank – Armadale	-	689,050	-	-	689,050
Catchment Tank – Bagdale Mountain	-	1,001,807	-	-	1,001,807
Catchment Tank – Bamboo Bow Wayside	830,950	165,000	-	995,950	-
Catchment Tank – Bleauwaire	2,296,155	90,749	-	2,386,904	-
Catchment Tank – Beersheba	2,534,621	405,219	-	-	2,939,840
Catchment Tank – Bog	-	-	582	-	(582)
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 – Clunis	-	1,127,269	-	-	1,127,269
Catchment Tank – Denham Farm	-	2,748,130	-	2,748,130	-
Catchment Tank – Derry Primary School	2,432,975	1,772,588	372,540	3,833,023	-
Catchment Tank – Devon	-	1,412,580	-	-	1,412,580
Catchment Tank – Ebenezer	-	766,837	181,000	-	585,837
Catchment Tank – Endeavor	-	423,800	-	-	423,800
Catchment Tank – Ferncourt High School	2,488,173	469,085	-	-	2,957,258
Catchment Tank – Foga Road	-	837,137	-	-	837,137
Catchment Tank – Frazor Land	1,406,655	-	-	1,406,655	-
Catchment Tank – Gayle Primary	2,180,320	2,172,813	120,510	-	4,232,623
Catchment Tank – Ginger Hill	-	238,000	-	-	238,000
Catchment Tank – Heavy Tree	-	2,620,314	-	-	2,620,314
Catchment Tank – Higgins Land	-	(90,280)	-	-	(90,280)
Catchment Tank – Iron River	-	1,328,222	-	-	1,328,222
Balance c/f	<u>23,720,753</u>	<u>20,408,924</u>	<u>674,632</u>	<u>13,982,662</u>	<u>29,472,383</u>

RURAL WATER SUPPLY LIMITED**WORK-IN-PROGRESS****YEAR ENDED MARCH 31, 2018****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	23,720,753	20,408,924	674,632	13,982,662	29,472,383
Catchment Tank – Knockalva	-	1,803,540	-	-	1,803,540
Catchment Tank – Lancaster	-	-	7,500	-	(7,500)
Catchment Tank – Lection Wayside Tanks	848,950	165,000	-	1,013,950	-
Catchment Tank – Lime Tree	-	518,188	-	-	518,188
Catchment Tank – Lodge Wayside Tanks	957,302	-	-	957,302	-
Catchment Tank – MacField	696,237	-	-	696,237	-
Catchment Tank – Manchester Parish Council	-	998,000	-	-	998,000
Catchment Tank – Marley Hill	858,877	2,793,833	181,000	3,471,710	-
Catchment Tank – Minard Hill Wayside	827,548	-	-	827,548	-
Catchment Tank – Monymusk	-	224,800	218,056	-	6,744
Catchment Tank – Mount Angus	2,417,562	3,221,475	26,220	-	5,612,817
Catchment Tank – Mount Olivet	-	4,420,947	-	-	4,420,947
Catchment Tank – Pear Tree	-	329,655	-	-	329,655
Catchment Tank – Queen Hythe	-	625,871	-	-	625,871
Catchment Tank – Rennals	-	994,990	-	-	994,990
Catchment Tank – Robins Hall	-	2,314,339	-	-	2,314,339
Catchment Tank – Restore	1,017,000	-	-	1,017,000	-
Catchment Tank – Rock Hall	5,015,631	3,926,736	-	-	8,942,367
Catchment Tank – Roehampton	66,718	2,056,857	-	2,123,575	-
Catchment Tank – St. Bay Hospital	-	261,421	-	-	261,421
Catchment Tank – St. Mary Infirmary	-	4,070,061	-	-	4,070,061
Catchment Tank – Stewarton	-	1,929,120	-	-	1,929,120
Catchment Tank – Thompson Hill	450,199	-	-	450,199	-
Catchment Tank – Top Hill	-	(876,520)	-	-	(876,520)
Balance c/f	<u>36,876,777</u>	<u>50,187,237</u>	<u>1,107,408</u>	<u>24,540,183</u>	<u>61,416,423</u>

RURAL WATER SUPPLY LIMITED**WORK-IN-PROGRESS****YEAR ENDED MARCH 31, 2018****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	36,876,777	50,187,237	1,107,408	24,540,183	61,416,423
Catchment Tank – Wic War	1,774,529	-	-	-	1,774,529
Catchment Tank – Woodlands	-	542,635	-	-	542,635
Catchment Tank – York Mountain	44,000	-	-	44,000	-
Catchment Tank – York Castle	-	2,723,954	-	-	2,723,954
Miscellaneous	-	10,939	-	-	10,939
CRWUP – Alden Spring	-	817,839	-	817,839	-
CRWUP – Banana Ground	-	21,000	-	21,000	-
CRWUP – Barnstaple	-	97,101	-	-	97,101
CRWUP – Burial Ground	1,589,530	(6,700)	-	1,582,830	-
CRWUP – Burnt Ground	-	4,200,848	-	-	4,200,848
CRWUP – Camp Road	-	941,011	-	-	941,011
CRWUP – Cane River	2,408,585	37,993	-	-	2,446,578
CRWUP – Carron Hall	54,300	-	-	-	54,300
CRWUP – Chigwell	2,697,000	74,152	-	2,771,152	-
CRWUP – Coffee Piece/Leicesterfield	-	6,200	-	6,200	-
CRWUP – Comfort Valley	-	49,655	-	49,655	-
CRWUP – Comma/Mango Valley	2,817,849	2,469,300	-	5,287,149	-
CRWUP – Douglas Castle	-	2,714,265	-	2,714,265	-
CRWUP – Farmer's Heights	-	1,961,744	-	1,961,744	-
CRWUP – Georgia W/S	13,758,430	2,935,487	1,000	16,692,917	-
CRWUP – Gibbs Hill	-	8,840,032	-	-	8,840,032
CRWUP – Grant Hill Phase 2	162,335	-	162,335	-	-
CRWUP – Hermitage	-	9,418,098	-	-	9,418,098
CRWUP – Islington	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Balance c/f	<u>62,186,335</u>	<u>88,042,790</u>	<u>1,270,743</u>	<u>56,491,934</u>	<u>92,466,448</u>

**RURAL WATER SUPPLY LIMITED
WORK-IN-PROGRESS
YEAR ENDED MARCH 31, 2018**

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

Projects	Balance Brought	Expenditure	Adjustments	Projects Completed	Balance Carried
	Forward	During the Year		During the Year	Forward
	\$	\$	\$	\$	\$
Balance b/f	62,186,335	88,042,790	1,270,743	56,491,934	92,466,448
CRWUP – Jonh's Groin	-	-	25,000	-	(25,000)
CRWUP – Lionel Town	-	-	154,603	-	(154,603)
CRWUP – Llandewey	-	-	393,682	-	(393,682)
CRWUP – Long Hood	-	-	6,828	-	(6,828)
CRWUP – Manchester PC	-	3,751,836	-	-	3,751,836
CRWUP – Maroon Town	-	7,548,290	-	7,548,290	-
CRWUP – Mcknie	-	3,353,745	-	3,353,745	-
CRWUP – Montpelier Well	11,929,701	3,298,526	-	15,228,227	-
CRWUP – Nothern Clarendon	-	1,026,000	26,400	-	999,600
CRWUP – Pear Tree River	19,951,487	450,832	-	-	20,402,319
CRWUP – Peart Spring	-	1,689,554	-	-	1,689,554
CRWUP – Platfield	-	4,761,937	-	-	4,761,937
CRWUP – Portland Cottage	-	9,684,355	-	-	9,684,355
CRWUP – Red Hills/Derry	1,949,823	300,344	-	-	2,250,167
CRWUP – Reid's Mountain	-	270,000	-	-	270,000
CRWUP – Rejoin	-	66,000	-	-	66,000
CRWUP – Retirement/Gutters	-	590,218	-	-	590,218
CRWUP – Rock River	-	64,870	-	64,870	-
CRWUP – Rosewell	90,966	-	-	90,966	-
CRWUP – Spice Grove	-	769,400	-	-	769,400
CRWUP – Spring Gardens	-	10,258,494	-	-	10,258,494
CRWUP – Tangle River W/S	317,315	161,159	-	-	478,474
CRWUP – Tinsbury	-	188,874	-	-	188,874
CRWUP – Top Hill	-	315,204	-	-	315,204
CRWUP – Top Leinster	-	1,441,306	-	1,441,306	-
CRWUP – Top Redding W/S	26,400	1,433,786	-	-	1,460,186
CRWUP – Vaughnsfield W/S	36,777	-	-	36,777	-
	<u>96,488,804</u>	<u>139,467,520</u>	<u>1,877,256</u>	<u>84,256,115</u>	<u>149,822,953</u>

RURAL WATER SUPPLY LIMITED**WORK-IN-PROGRESS****YEAR ENDED MARCH 31, 2018****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	96,488,804	139,467,520	1,877,256	84,256,115	149,822,953
CRWUP – Warsop/John Daggy	3,816,110	177,326	-	3,993,436	-
RWDS – North Clarendon Investigations	21,000	17,500	-	-	38,500
Wayside Tank – Coffee Grove(Manchester)	-	1,809,850	-	1,809,850	-
Wayside Tank – Friendship	-	1,052,350	-	1,052,350	-
Wayside Tank – Silent Hill (Manchester)	-	1,065,350	-	1,065,350	-
Wayside Tank – Spice Grove	-	1,771,546	-	-	1,771,546
Wayside Tank – Evergreen (Manchester)	-	1,408,700	-	1,408,700	-
Wayside Tank – Keith	-	1,568,450	-	1,568,450	-
Wayside Tank – Richmond Hill (Manchester)	-	169,970	-	169,970	-
Wayside Tank – Top Hill	-	876,520	-	-	876,520
Wayside Tank – Wilberforce	-	582,450	-	582,450	-
	<u>100,325,914</u>	<u>149,967,532</u>	<u>1,877,256</u>	<u>95,906,671</u>	<u>152,509,519</u>
Total work-in-progress	<u>139,952,991</u>	<u>170,557,267</u>	<u>1,877,256</u>	<u>95,906,671</u>	<u>212,726,331</u>

