



RURAL WATER SUPPLY LTD

Engineering Solutions for Development



ANNUAL REPORT

2015/2016

TABLE OF CONTENTS

Vision Statement	3
Mission Statement	3
Message from the Minister without Portfolio – Hon. Dr. Horace Chang (Water, Works and Housing)	4
Message from the Managing Director – Audley Thompson	5
Board of Directors – 2015 – April 2016	7
Report on Projects	8
Operational Plan 2015/2016	15
Salaries and Emoluments for Senior Management Staff – 2015/2016	16
Report on the Financial Statements – 2015/2016	17

RURAL WATER SUPPLY LIMITED

WORK-IN-PROGRESS

YEAR ENDED MARCH 31, 2016

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

Projects	Balance Brought Forward	Expenditure During the Year	Projects Completed During the Year	Balance Carried Forward
	\$	\$	\$	\$
Balance b/f	86,036,019	114,389,009	94,059,236	106,365,792
CRWUP – Tangle River W/S	-	317,315	-	317,315
CRWUP – Top Redding W/S	-	778,410	-	778,410
CRWUP – Vaughns Field W/S	-	36,777	-	36,777
CRWUP – Wales Pond W/S	-	240,518	240,518	-
CRWUP – Warsop/New Road	-	42,000	-	42,000
CRWUP – Watermount W/S	-	1,897,999	1,897,999	-
CRWUP – Wayside Tank – Gravesen	11,238,900	-	-	213,800
CRWUP – Williams Gully	-	39,708	39,708	-
CRWUP – Windsor Heights W/S	-	16,500	16,500	-
CRWUP – Quaminus #2	-	-	-	-
	<u>97,274,919</u>	<u>117,972,036</u>	<u>107,492,861</u>	<u>107,754,094</u>
Total work-in-progress	<u>101,817,807</u>	<u>148,433,191</u>	<u>134,219,443</u>	<u>116,031,555</u>

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

YEAR ENDED MARCH 31, 2016

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

Projects	Balance Brought Forward \$	Expenditure During the Year \$	Projects Completed During the Year \$	Balance Carried Forward \$
Balance b/f	18,724,273	61,988,108	33,898,560	46,813,821
CRWUP – Georges Valley	-	927,928	-	927,928
CRWUP – Green Park	-	229,100	-	229,100
CRWUP – Hagley Gap W/S	-	767,709	-	767,709
CRWUP – Haining W/S	15,137,545	-	15,137,545	-
CRWUP – Horse Guard	10,632,753	1,981,521	12,614,274	-
CRWUP – Islington	-	3,000	-	3,000
CRWUP – Jack's Hill W/S	23,000	-	23,000	-
CRWUP – James Hill W/S	49,961	6,600	-	56,561
CRWUP – John's Hall	-	1,890,168	-	1,890,168
CRWUP – Kensington W/S	-	1,351,917	-	1,351,917
CRWUP – Liberty Hall W/S	-	36,777	36,777	-
CRWUP – Llandewey	3,851,659	5,774,901	-	9,626,560
CRWUP – Mahoe Ridge	3,189,244	1,330,418	-	4,519,662
CRWUP – Maldon and Chetsworth School	310,498	216,200	-	526,698
CRWUP – Mullock W/S	-	45,000	-	45,000
CRWUP – Northern Clarendon	9,322,304	1,317,830	10,640,134	-
CRWUP – Pear Tree River	2,108,960	12,966,733	-	15,075,693
CRWUP – Reckford W/S	-	2,716,781	-	2,716,781
CRWUP – Retirement/Gutters W/S	18,566,025	2,116,526	20,682,551	-
CRWUP – Rio Bueno W/S	-	14,803,991	-	14,803,991
CRWUP – Roaring River W/S	-	426,517	-	426,517
CRWUP – Seaton W/S	3,119,639	3,307,397	-	6,427,036
CRWUP – Shooting River	3,340	-	-	3,340
CRWUP – Silent Hill W/S	7,200	-	-	7,200
CRWUP – Springvale W/S	-	36,777	36,777	-
CRWUP – Southern St. James	989,618	147,110	989,618	-
Balance c/f	86,036,019	114,389,009	94,059,236	106,365,792

RURAL WATER SUPPLY LTD. Annual Report 2015/2016 60

VISION STATEMENT

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

MISSION STATEMENT

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



**Message from
Hon. Dr. Horace Chang, M.P.,
Minister without Portfolio (Water, Works & Housing)**



I am pleased to be associated with this presentation of the 2015/2016 Financial Statements and Annual Report for the Rural Water Supply Limited (RWSL).

The Report outlines the performance of the organization in carrying out its mandate by adhering to its Mission of effectively managing the implementation of water supply projects by ensuring a high standard and adherence to budget.

This Administration intends to ensure that every rural household in Jamaica gains access to an adequate supply of the lifesaving commodity, water. In this regard, the Rural Water Supply Limited has been playing a pivotal role but there is much more work to be done.


In going forward, this company, the major implementer of water related infrastructure in rural Jamaica, will undertake a number of projects and complete many others in the parishes of Trelawny, Westmoreland, St. Mary, St. Elizabeth, Clarendon, St. Catherine and Hanover. They will continue to refurbish the community catchment tanks in all parishes and install rainwater harvesting and solar panels in schools.

Despite the challenging economic realities, the Rural Water Supply Limited has achieved commendable results in the Water Sector.

The company's success rests on the performance of the highly skilled engineers as well as an excellent and motivated team who are constantly improving work methods through training.

The Rural Water Supply Limited is the only publicly owned engineering company and continues to contribute to the development of the water infrastructure in all areas of Government.

I have every confidence that as we work to make Jamaica the place of choice to live work and do business, the Agency will rise to the challenges ahead, as it continues to pursue its Mission 'to effectively manage the implementation of projects, by ensuring adherence to standards, time schedule and budget'.


Dr. Horace Chang, M.P.
Minister without Portfolio
(Water, Works & Housing)

**RURAL WATER SUPPLY LIMITED
WORK-IN-PROGRESS
YEAR ENDED MARCH 31, 2016**

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

Projects	Balance Brought	Expenditure	Projects Completed	Balance Carried
	Forward	During the Year	During the Year	Forward
	\$	\$	\$	\$
Balance b/f	10,092,751	36,470,126	25,755,259	20,807,618
Catchment Tank – Patrick Town	-	465,084	465,084	-
Catchment Tank – Pilgrim	355,126	(355,126)	-	257,300
Catchment Tank – Pear Tree	-	257,300	76,902	-
Catchment Tank – Plantain Walk	-	76,902	421,429	-
Catchment Tank – Rosetta	-	421,429	1,264,716	-
Catchment Tank – Retirement	-	1,264,716	665,190	1,264,716
Catchment Tank – Seven	-	665,190	220,101	-
Catchment Tank – Stewerton	-	220,101	1,112,658	220,101
Catchment Tank – Stony Hill	-	1,112,658	526,983	1,112,658
Catchment Tank – Turnberry	-	526,983	-	-
Catchment Tank – Unity Vale	-	474,240	-	474,240
Catchment Tank – Wic War	-	626,381	-	626,381
Catchment Tank – Windsor Forrest	3,162,775	-	3,162,775	-
Catchment Tank – York Mountain	1,346,480	359,198	1,705,678	-
CRWUP – Alexandra W/S	7,500	-	7,500	-
CRWUP – Belle Isle W/S	-	6,242,444	-	6,242,444
CRWUP – Burnt Ground Base	-	2,607,269	-	2,607,269
CRWUP – Bushy Park	2,982,549	-	-	2,982,549
CRWUP – Cascade W/S	-	200,000	-	200,000
CRWUP – Cassava Pond W/S	-	9,382,459	-	9,382,459
CRWUP – Fairburn Pumping Station	205,332	127,054	-	332,386
CRWUP – Farkett	493,760	618,000	1,111,760	-
CRWUP – Flagstaff (Zambia) W/S	78,000	225,700	-	303,700
Balance c/f	18,724,273	61,988,108	33,898,560	46,813,821

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

Projects	Balance Brought Forward	Expenditure During the Year	Projects Completed During the Year	Balance Carried Forward
	\$	\$	\$	\$
Balance b/f	3,511,577	14,848,477	8,004,034	10,356,020
Catchment Tank – Darlow	-	2,336,010	2,336,010	-
Catchment Tank – Dumbarton	-	963,622	963,622	-
Catchment Tank – Ebenezer	-	2,125,251	-	2,125,251
Catchment Tank – Endeavour	1,054,318	-	1,054,318	-
Catchment Tank – Fermcourt High School	-	775,104	-	775,104
Catchment Tank – Foga Road	520,099	727,000	1,247,099	-
Catchment Tank – Frazor	-	1,249,155	-	1,249,155
Catchment Tank – Genus	-	47,585	47,585	-
Catchment Tank – Grants Mountain	368,964	798,750	1,167,714	-
Catchment Tank – Harmons	-	551,350	-	551,350
Catchment Tank – Holly Hill	-	686,125	-	686,125
Catchment Tank – Irons Mtn.	-	1,089,462	1,089,462	-
Catchment Tank – Jerusalem	-	1,522,428	-	1,522,428
Catchment Tank – Lancaster	1,159,322	1,135,500	2,294,822	-
Catchment Tank – Longbough	788,163	86,000	874,163	-
Catchment Tank – MacField	-	606,237	-	606,237
Catchment Tank – Maidenstone	-	478,300	478,300	-
Catchment Tank – Melksham	-	285,400	285,400	-
Catchment Tank – Mendez	-	668,400	668,400	-
Catchment Tank – Middle Buxton	-	896,150	-	896,150
Catchment Tank – Monymusk	-	1,265,298	-	1,265,298
Catchment Tank – Mount Alivy	-	774,500	-	774,500
Catchment Tank – Mount Pleasant Hybrid	1,375,155	585,987	585,987	-
Catchment Tank – New Field	1,315,153	1,302,635	2,677,790	-
Balance c/f	10,092,751	36,470,126	25,755,259	20,807,618

RURAL WATER SUPPLY LTD. Annual Report 2015/2016 58

Message from the Managing Director – Audley Thompson



Rural Water Supply Limited (RWSL) has continued its role of being a primary supplier of technical expertise for the implementation of rural water projects for the water sector. This in fulfilment of its mandate as an agency of the Ministry of Economic Growth and Job Creation (formerly Ministry of Water, Land Environment and Climate Change).

The main emphasis of the Company, during the Financial Year 2015-2016 was the completion of the on-going projects, the upgrading of catchment tanks and the rehabilitation of rainwater harvesting facilities, islandwide, with funding made available under the Government of Jamaica Capital “A” Budget.

Additionally, external consultancy services were provided to other government agencies. These include design and monitoring of construction activities on water supply systems’ infrastructure and housing related projects.

The rehabilitation of minor water supply systems, valued at \$75.386M, was carried out during the Financial Year 2015-2016 and benefitted approximately 10,250 residents in the parishes of St. Thomas, St. James, Trelawny, Westmoreland, and Clarendon.

Works also started on the John’s Hall and Reckford Water Supply System in Northern Clarendon with completion scheduled for June 2016

A total of \$42.56M was expended on the rehabilitation of eighteen (18) catchment tanks during the Financial Year under review. Approximately 6,300 residents benefit from these refurbishing works.

The construction of a Rainwater Harvesting Facility was started at the new Anchovy High School in Montpelier St. James. Works, which include the construction of two (10,000 and 20,000) Ferro Cement tanks and installation of solar pump system. These were slated to be completed by May 2016.

External Consultancy Services provided by RWSL to other public sector entity includes:-

- National Water Commission, Ministry of Housing (now Ministry of Economic Growth & Job Creation), National Housing Trust and National Road Operating Constructing Company (NROCC).

There was a shortfall of \$3.955M in the projected income from external consultancy services during the 2015-2016 Financial Year. A total of \$78.75M was earned when compared to the projected \$84.3M. The actual amount reflected a reversal of the \$39.9M earned in profit during the preceding (2014-2015) Financial Year.

The reason for the shortfall is as a result of the scaling back on some on-going Projects by our main external employer, the National Water Commission (NWC).

The company capitalized on the official opening of the following completed projects to bolster public awareness of the Company and its functions, during the Financial Year under review. Projects opened are:-

- Cassava Pond Water Supply System, St. Catherine, Horseguard, Phase I, St. James, Ballinure Rainwater Harvesting Facility, Manchester, Gutters Retirement, St. James.

The Company also participated in a Jamaica Information Service (JIS) Think Tank as well as the World Water Day Exposition held on 2016 March 31.

The Company is in the process of preparing a Business Plan aimed at diversifying its customer base in order to move away from the dependency on its main customer the National Water Commission (NWC). The idea also is to bolster the Company's revenue base by offering consultancy services to targeted entities such as National Irrigation Commission (NIC), Ministry of Agriculture (MOA), National Housing Trust (NHT) and other private sector entities.

Achieving scheduled targets through efficient management has always been the standard code and the main characteristic of services rendered by the staff of Rural Water Supply Limited. The resolute commitment displayed by the team, albeit punctuated by tight fiscal constraints, in response to the water needs of the country, is indeed a proud achievement. I must, in this regard, commend the entire staff complement on the matchless performance and for their steadfastness, dedication and loyalty to discipline in the interest of the company and by extension the country. I am truly honoured and proud to be a member of this awesome team of professionals.

Audley Thompson,
Managing Director

RURAL WATER SUPPLY LIMITED

WORK-IN-PROGRESS

YEAR ENDED MARCH 31, 2016

PROJECTS FUNDED FROM SUGAR TRANSFORMATION (MOA)

Project	Balance Brought Forward	Expenditure During the Year	Projects Completed During the Year	Balance Carried Forward
Springfield Housing Development	4,542,888	8,277,461	-	8,277,461
Bath Mountain	4,542,888	22,183,694	26,726,582	-
	<u>4,542,888</u>	<u>30,461,155</u>	<u>26,726,582</u>	<u>8,277,461</u>

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

Projects	Balance Brought Forward	Expenditure During the Year	Projects Completed During the Year	Balance Carried Forward
Barneyside W/S	-	-	20,036	20,036
Catchment Tank	-	-	3,792,564	3,792,564
Catchment Tank – Anchovy High School	-	-	5,394,846	5,394,846
Catchment Tank – Argyle Mtn.	752,035	-	-	752,035
Catchment Tank – Ballyneur	-	500,714	500,714	-
Catchment Tank – Beauwarie	-	80,000	80,000	-
Catchment Tank – Bog	-	1,068,574	1,068,574	-
Catchment Tank – Bowen's	1,018,642	1,205,125	2,223,767	-
Catchment Tank – Bushy Park	15,000	528,242	543,242	-
Catchment Tank – Calderwood	-	920,763	920,763	-
Catchment Tank – Cedar Valley	-	167,282	167,282	-
Catchment Tank – Cumberland Hybrid	1,725,900	1,170,331	2,896,231	-
Balance c/f	3,511,577	14,848,477	8,004,034	10,356,020

Board of Directors – 2015 / 2016



John Paul White –Chairman



Audley Thompson – M.D.



Debbie-Ann Kerr-Scott



Joseph Taffe



Hugh Graham



Basil Fernandez



Keisha Tyrell



Norman Scott



Omar Oliphant

RURAL WATER SUPPLY LIMITED

EXPENSES

YEAR ENDED MARCH 31, 2016

	2016 \$'000	2015 \$'000
OPERATING EXPENSES		
Staff cost		
Salaries and wages	95,964	86,934
Special one-off payment	867	794
Gratuity	19,086	14,261
Vacation expense	59	32
Statutory contributions	5,606	5,162
Staff welfare and subsistence	<u>12,572</u>	<u>11,671</u>
	<u>134,154</u>	<u>118,854</u>
Property expenses		
Repairs and maintenance	<u>1,755</u>	<u>1,746</u>
Motor vehicle expenses	<u>417</u>	<u>309</u>
Utility, rates and taxes		
Telephone	1,236	1,308
Asset tax and registration fees	<u>425</u>	<u>49</u>
	<u>1,661</u>	<u>1,357</u>
Depreciation of property and equipment	<u>2,317</u>	<u>2,936</u>
Bad debts	<u>182</u>	<u>19</u>
Advertising and public relation	<u>258</u>	<u>406</u>
Professional fees	<u>800</u>	<u>800</u>
Other expenses		
Directors fees	626	921
Board meetings	1,075	1,294
Printing and stationery	1,678	1,349
Donations and subscriptions	189	140
Insurance	484	484
Bank charges	207	146
Withholding tax irrecoverable	517	661
Miscellaneous expenses	687	1,065
Engineering expenses	<u>4,399</u>	<u>3,870</u>
	<u>9,862</u>	<u>9,930</u>
Minimum Business Tax	<u>60</u>	<u>60</u>
Total expenses	<u>151,466</u>	<u>136,417</u>

REPORT ON PROJECTS

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, 2016 was intended primarily for the purpose of formulating an opinion on those financial statements taken as a whole. The additional information presented in page 2 has been taken primarily from accounting and other records of the Company and is not necessary to give a true and fair view of the financial position of the Company at March 31, 2016 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.



Chartered Accountants

Kingston, Jamaica,

May 13, 2016

Comprehensive Rural Water Upgrade

This involves the establishment and/or rehabilitation of minor water supply systems. Systems were upgraded in St. Thomas, St. James, Trelawny, Westmoreland, Clarendon and St. Mary with approximately 10,250 residents benefiting.

COMPREHENSIVE RURAL WATER UPGRADING PROGRAMME

<u>Comprehensive Rural Water Upgrading Programme</u>	To achieve 100% construction of minor water supplies across the island to include intakes, pipelines, pumping stations, storage tanks and catchment tanks.	To construct or repair intakes, pipelines, pumping stations, storage tanks and catchment tanks.	13 Minor Water Supply Systems Completed.
Program Budget: \$77.00M			10 Minor Water Supply Systems Ongoing
Exp. this period: \$75.38M			

The following projects have been completed:

- Llandewey Water Supply System (WSS) Improvement, St. Thomas
- Cassava Pond WSS, St. Catherine
- Farkett Lane Pipeline Extension, St. Catherine
- Belle Isle WSS, Western Westmoreland
- Rio Bueno WSS, Northern Trelawny
- Pear Tree River WSS, St. Thomas
- Horseguard WSS, South St. James
- Bath Mountain WSS, Western Westmoreland
- Penlyne Castle/Hagley Gap WSS, St. Thomas
- Seaton WS, St. Mary
- Belle Isle WS, Westmoreland
- Gutters/Retirement WS, St. James
- North Clarendon Distribution Pipeline

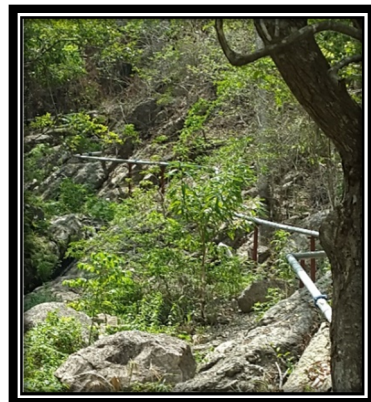
Works also started on the John’s Hall and Reckford Water Supply System in Northern Clarendon with completion scheduled for June 2016.



Llandewey Water Supply, St. Thomas – Chlorine House



Pear Tree River WSS, St. Thomas – Ferro Cement Tank (Before)



Llandewey Water Supply, St. Thomas - Pipeline



Pear Tree River WSS, St. Thomas – Ferro Cement Tank (After)

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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

20.9 Interest rate risk management (Cont'd)

If market interest rates had been 1% higher or 1.5% lower (2015: 2.5% higher or 1% lower) on J\$ deposits and 1% higher or 0.5% lower (2015: 2% higher or 0.5% lower) on US\$ deposits and all other variables were held constant:

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Effect on profit or loss increase 1% (2015: 2.5%) (J\$ deposit)	173	912
Effect on profit or loss decrease 1.5% (2015: 1%) (J\$ deposit)	(259)	(365)
Effect on profit or loss increase 1% (2015: 2%) (US\$ deposit)	5	30
Effect on profit or loss decrease 0.5% (US\$ deposit)	(2)	(8)

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.

20.10 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm’s length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available for some of the financial assets and liabilities of the group, the fair values in the financial statements have been presented using various estimation techniques based on market conditions existing at the end of the reporting year. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Company would realise in a current market exchange.

The carrying amount of cash and bank balances, receivables and payables that mature within one year are assumed to approximate their fair value.

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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

20.7 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 20.8 and 20.9).

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

20.8 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>2016</u> \$'000	<u>2015</u> \$'000
Cash and bank deposits - United States dollars	<u>963</u>	<u>1,505</u>

20.8.1 Foreign currency sensitivity analysis

The Company's deposits are exposed to the United States dollar. The Company's sensitivity to a 1% revaluation or 8% devaluation (2015 1% revaluation or 10% devaluation) in the Jamaican dollar against the United States dollar is the sensitivity rate that represents management's assessment of the reasonably possible change in foreign exchange rate in the short-term.

The sensitivity to a 1% revaluation or 8% devaluation (2015: 1% revaluation or 10% devaluation) in the Jamaican dollar against the United States dollar would be a decrease of J\$0.01 million or an increase of J\$0.08 million in profit or loss (2015: decrease of J\$0.02 million or an increase of J\$0.15 million in profit or loss).

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

20.9 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 20.6).

Interest rate sensitivity analysis

Interest rate sensitivity have been determined based on the exposure to interest rates for the Company's deposits at the end of the reporting year as these are substantially the interest sensitive instrument impacting financial results. For floating rate deposits, the analysis assumes the amount of asset outstanding at year end was outstanding for the whole year. An increase/decrease of 1%/1.5% (2015: 2.5%/1%) on Jamaican dollar (J\$) deposits and 1%/0.5% (2015: 2%/0.5% for United States dollar (US\$) deposits represents management's assessment of the reasonable possible change in interest rates in the short-term.

The following projects are ongoing:

- Reckford WS, Clarendon
- John's Hall WS, Clarendon
- Top Reading WS, St. Elizabeth
- Rio Bueno Housing WS, Trelawny
- Tangle River Water Resources Assessment
- North Clarendon Road Reinstatement
- Wales Pond/Crotia WS, St. James
- Islington, Portland (Investigation & Design)
- Windsor Forest, St. Thomas (Investigation & Design)
- Arntully WS (Investigation)

Rainwater Harvesting Projects and Rehabilitation of Catchment Tanks

This involves the rehabilitation of Parish Catchment Tanks including repairs to barbeques, structural repairs to tanks, water proofing, covering of tanks, piping, fencing and other works.

Approximately 6,300 residents benefitted from these works.

CATCHMENT TANK REPAIRS & RAINWATER HARVESTING PROGRAM		
<u>Catchment Tank Repairs & Rainwater Harvesting Programme</u>	Refurbishment/Installation of sundry catchment tanks and rainwater facilities across the island.	22 Rainwater Facilities are Completed. 20 Rainwater Facilities Systems are Ongoing
Program Budget: \$43.00M		
Exp. this period: \$42.56M		

Tanks rehabilitated are as follows:-

- Darlow Rainwater Catchment Tank, SW Clarendon
- Mount Airy Rainwater Catchment Tank, North Western (NW) Clarendon
- Ebenezer Rainwater Harvesting Catchment Tank, South Manchester
- Mt. Olivet Rainwater Catchment Tank, N. Manchester
- Turnberry Rainwater Catchment Tank, St. Ann
- Middle Buxton Rainwater Catchment Tank, NW St. Ann
- Holgate Rainwater Catchment Tank, St. Ann
- Calderwood Rainwater Catchment Tank, St. Ann
- Dunbarton Rainwater Catchment Tank, St. Ann
- Retirement Rainwater Catchment Tank, St. Ann
- Monymusk Rainwater Catchment Tank, St. Elizabeth
- Stewarton Rainwater Catchment Tank, Clarendon
- Newfield Rainwater Catchment Tank, Manchester
- Maidstone Rainwater Catchment Tank, Manchester
- Lyndhurst Rainwater Catchment Tank, Manchester
- Irons Mountain Rainwater Catchment Tank, St. Ann
- Bowen's Gate Rainwater Catchment Tank, Clarendon

Ongoing Rainwater Facilities:

- Anchovy School
- St. Mary's School
- St. Elizabeth Women's Centre
- Ferncourt High School
- Patrick Town Basic School, Manchester
- Devon Catchment Tank, Manchester
- Green Park Catchment Tank, Clarendon
- Brixton Hill Catchment Tank, Clarendon
- Mount Valley Catchment Tank, Clarendon
- Denham Farm Catchment Tank, Manchester
- McKenzie Catchment Tank, St. Ann
- Sevens Corner Catchment Tank, St. Ann
- Mason Hall Catchment Tank, St. Mary
- Industry Catchment Tank, St. Mary
- Walkerswood Catchment Tank, St. Ann
- Unity Vale Catchment Tank, St. Elizabeth
- Crawle Catchment Tank, St. Elizabeth
- Harmons Catchment Tank, Manchester
- Marly Hill Catchment Tank, Manchester
- Ebenezer Catchment Tank, St. Ann

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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

20.6 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.

	2016			
	Weighted Average Effective Rate %	Less than 1 Month \$'000	1 to 12 Months \$'000	Total \$'000
Financial assets				
Receivables	-	-	113,285	113,285
Cash and bank deposits	1.86	45,596	-	45,596
		45,596	113,285	158,881
Financial liabilities				
Payables	-	32,827	-	32,827
		12,769	113,285	126,054
	2015			
	Weighted Average Effective Rate %	Less than 1 Month \$'000	1 to 12 Months \$'000	Total \$'000
Financial assets				
Receivables	-	-	95,814	95,814
Cash and bank deposits	4.31	49,603	-	49,603
		49,603	95,814	145,417
Financial liabilities				
Payables	-	16,679	-	16,679
		32,924	95,814	128,738

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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.



Darlow Rainwater Catchment Tank, SW Clarendon



Darlow Rainwater Catchment Tank, South Western (SW) Clarendon – Work being carried out

The following catchment tanks were refurbished in Westmoreland:-

- Holly Hill Catchment Tank
- Mt. Stewart Catchment Tank
- Friendship Catchment Tank
- Frazer Land Catchment Tank
- Jerusalem Mountain Catchment Tank

External Consultancy Services provided by RWSL to other Public Sector

Entity

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

National Water Commission

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



*Artificial Recharge Project
– Inlet Chamber and Bar Screen*



*Artificial Recharge Project – Settling
Basin*

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

19 RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
Staff loans and advances	<u>3,664</u>	<u>5,317</u>

20 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

20.1 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 2015.

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

20.2 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.

20.3 Categories of financial instruments

	<u>2016</u> \$'000	<u>2015</u> \$'000
Financial assets (at amortised cost)		
Loans and receivables (including cash and bank balances)	158,845	145,417
Financial liabilities (at amortised cost)		
Payables	32,827	16,679

20.4 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.

20.5 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.

RURAL WATER SUPPLY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2016****16 OTHER INCOME**

	<u>2016</u> \$'000	<u>2015</u> \$'000
(Loss) Gain on sale of property and equipment	(25)	50
Deferred income (Note 12)	71	71
Other	<u>2,174</u>	<u>3,788</u>
	<u>2,220</u>	<u>3,909</u>

17 STAFF COST

	<u>2016</u> \$'000	<u>2015</u> \$'000
Salaries and allowances	95,964	86,934
Special one-off payment	867	794
Gratuity	19,086	14,261
Vacation expense	59	32
Statutory contributions	5,606	5,162
Staff welfare and subsidies	<u>12,572</u>	<u>11,671</u>
	<u>134,154</u>	<u>118,854</u>

18 PROFIT

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
Directors emoluments - fees	626	921
Auditors' remuneration	800	800
Depreciation	2,317	2,936
Minimum Business Tax (See below)	60	60

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

19 RELATED PARTY TRANSACTIONS AND BALANCES

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
Salaries and allowances including statutory contributions	<u>29,740</u>	<u>29,342</u>
Directors fees	<u>626</u>	<u>921</u>

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

Ministry of Housing (now Ministry of Economic Growth & Job Creation)

- a. Bromley Drainage Project
- b. West Albion Drainage Project;
- c. Kennedy Grove Water Supply Treatment Plant;
- d. Crooked River Water Supply Design;
- e. Sugar Transformation Unit, Ministry of Agriculture (now Ministry of Industry, Commerce, Agriculture & Fisheries)
 - Bath Mountain Water Supply System
 - Springfield Offsite Water Supply System

National Housing Trust

- Longville Phase 3 – Sewage Treatment Plant Rehabilitation - Design and submission to NEPA for environmental permit and Licence Renewal;
- Industry Cove Housing Development, Hanover
- NROCC, Banbury Well Replacement of pipeline Infrastructure and
- pumping plant equipment

Rural Water Supply Development Strategy Implementation Programme (RWSDSIP)

RWSL is involved in the implementation of the RWSDSIP that emanated from the revised Water Policy, including undertaking investigations and preparing preliminary designs for the Non-utility Service Areas in St. Thomas, i.e. the areas where it has not been proven feasible by the utility company, National Water Commission (NWC), to provide piped water.

OPERATIONAL PLAN- 2016/2017								
Project	QTR 1 Target	Cost JSM	QTR 2 Target	Cost JSM	QTR 3 Target	Cost JSM	QTR 4 Target	Cost JSM
COMPREHENSIVE RURAL WATER UPGRADING PROGRAM								
Construction of rural water supply schemes to impact needy communities	25%	12	50%	12	75%	12	100%	11
CATCHMENT TANK REPAIRS & RAINWATER HARVESTING PROGRAM								
Catchment Tank Repairs / Rainwater Harvesting Projects	25%	10	50%	11	75%	11	100%	11

RURAL WATER SUPPLY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED MARCH 31, 2016

12 PAYABLES AND ACCRUALS

	<u>2016</u> \$'000	<u>2015</u> \$'000
Trade payable	710	1,203
Contractor's payable (Note 12(a))	29,686	13,468
Deferred income (Note 12(b))	402	620
Employee's benefit	7,816	6,053
Other payables and accruals	<u>3,850</u>	<u>3,879</u>
	<u>42,464</u>	<u>25,223</u>

(a) Contractor's payable includes contractor's fees, retentions and contractor's levy. Contractor's retention amounting to \$Nil (2015: \$4.8 million), brought forward from prior years (exceeding 7 years) for which no claims have been made by contractor's was written-off against work-in-progress.

(b) This amount (2015: \$0.473 million) 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 16.

Included in consultancy fees (Note 14) is one month's amortised income for a special project the company undertook on behalf of the Ministry of Agriculture and Fisheries. Write-off for the year is \$0.15 million (2015: \$1.326 million).

13 GOVERNMENT SUBVENTIONS

Government subventions include recurrent amounts received from the Ministry of Water, Land, Environment and Climate Change 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.

14 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>2016</u> \$'000	<u>2015</u> \$'000
Income from external consultancy	<u>78,757</u>	<u>109,671</u>

15 FINANCE INCOME

Finance income comprises:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Interest income from bank and other short-term deposits	2,083	2,559
Interest income from staff loans	20	23
Foreign exchange conversion gain	<u>80</u>	<u>110</u>
	<u>2,183</u>	<u>2,692</u>

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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

8.2 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 %	2016 \$'000	2015 \$'000
Fixed deposit (Jamaican dollars)	2.25	17,267	32,931
Fixed deposit (foreign currency) US\$3,962 (2015 - US\$7,939)	0.15	481	913
Cash on hand and in banks:			
– Current accounts	0.17	27,296	15,054
– Saving accounts - including US\$3,981 (2015 - US\$5,959)	0.18	496	685
Cash on hand		<u>20</u>	<u>20</u>
Cash and cash equivalents		<u>45,560</u>	<u>49,603</u>

9 SHARE CAPITAL

	2016 \$	2015 \$
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>

10 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.

11 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.

	2016 \$'000	2015 \$'000
Balance at beginning of year	159,768	122,053
Capital grants received during the year	146,257	108,677
Set-off against work-in-progress (Note 6)	(134,219)	(70,962)
Adjustments (Note 11(a))	<u>343</u>	<u>-</u>
Balance at end of year	<u>172,149</u>	<u>159,768</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.

Salaries and emoluments for Chairman, Directors & Senior Management Staff – 2015/2016

DIRECTORS COMPENSATION

Position of Director	Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including Non-Cash Benefits as applicable (\$)	Total (\$)
Chairman	48,000.00	-	-	-	48,000.00
Director 1	28,500.00	-	-	-	28,500.00
Director 2	98,000.00	-	-	-	98,000.00
Director 3	108,500.00	-	-	-	108,500.00
Director 4	40,000.00	-	-	-	40,000.00
Director 5	14,500.00	-	-	-	14,500.00
Director 6	88,000.00	-	-	-	88,000.00
Director 7	123,500.00	-	-	-	123,500.00
Director 8	76,500.00	-	-	-	76,500.00

Notes

- 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 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

7 RECEIVABLES AND PREPAYMENTS

7.1 These include:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Subvention receivable	-	3,847
Consultancy fees	104,916	84,831
Staff loans and advances	7,649	8,605
Deposits	-	137
Other receivables	6,265	6,249
Prepayments	<u>666</u>	<u>630</u>
	119,496	104,299
Less: Allowance for doubtful debts	<u>(5,545)</u>	<u>(7,836)</u>
	<u>113,951</u>	<u>96,463</u>

7.2 Movement in the allowance for doubtful debts:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Balance at beginning of the year	7,836	7,855
Impairment losses recognised on receivables	182	19
Amounts recovered during the year	-	(38)
Amounts written off during the year as uncollectible	<u>(2,473)</u>	<u>-</u>
Balance at end of the year	<u>5,545</u>	<u>7,836</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.

8 CASH, BANK AND SHORT-TERM DEPOSITS

8.1 These comprise:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Funds held for administration and resource management	42,526	44,074
Funds held for consultancy projects	174	3,476
Staff Revolving Loan Fund	<u>2,860</u>	<u>2,053</u>
Cash, bank and short-term deposits	<u>45,560</u>	<u>49,603</u>

SENIOR EXECUTIVE COMPENSATION

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 (\$)
Managing Director	2015/2016	4,567,044.00	1,118,018.00	1,158,672.00	-	108,786.00	-	6,952,520.00
Finance Manager	2015/2016	4,147,963.00	1,085,154.00	796,500.00	-	366,857.00	-	6,396,474.00
General Manager, Engineering	2015/2016	3,715,901.00	879,837.00	1,158,672.00	-	25,000.00	-	5,779,410.00
HR & Corporate Services Manager	2015/2016	3,612,883.00	895,553.00	610,971.00	-	160,485.00	-	5,279,892.00
Engineering Manager	2015/2016	3,612,883.00	897,497.00	675,478.00	-	146,193.00	-	5,332,051.00

Notes

- 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.
- Other Allowances (including laundry, entertainment, housing, utility, etc.)
- 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 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

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 the Constituency Development Funds \$'000	Projects Funded from Capital 'A' Budget - (Comprehensive Rural Water Upgrade) \$'000	Projects Funded from Sugar Transformation (MOA) \$'000	Total \$'000
Balance at April 1, 2014	736	74,817	-	75,553
Cost incurred during the year	-	96,346	4,543	100,889
Projects completed during the year	(736)	(70,226)	-	(70,962)
Adjustments	-	(3,662)	-	(3,662)
Balance at March 31, 2015	-	97,275	4,543	101,818
Cost incurred during the year	-	117,972	30,461	148,433
Projects completed during the year	-	(107,492)	(26,727)	(134,219)
Balance at March 31, 2016	-	107,755	8,277	116,032

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, 2016

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

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



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INDEPENDENT AUDITORS' REPORT

To the members of

RURAL WATER SUPPLY LIMITED

Report on the financial statements

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, 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and of such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Partners: Fagan E. Calvert, Audley L. Gordon

RURAL WATER SUPPLY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016
5 PROPERTY AND EQUIPMENT

	Leasehold Improvements \$'000	Computers \$'000	Furniture, Fixtures and Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Cost					
April 1, 2014	3,329	5,778	4,466	5,249	18,822
Additions	-	92	663	-	755
Write-offs	(1,579)	(213)	(178)	-	(1,970)
Disposals	-	-	(337)	(1,693)	(2,030)
March 31, 2015	1,750	5,657	4,614	3,556	15,577
Additions	-	-	351	-	351
Write-offs	-	-	(204)	-	(204)
Disposals	-	-	(50)	-	(50)
March 31, 2016	1,750	5,657	4,711	3,556	15,674
Depreciation					
April 1, 2014	2,280	3,360	1,962	2,404	10,006
Charge for year	349	1,063	813	711	2,936
Write-offs	(1,579)	(213)	(178)	-	(1,970)
Disposal	-	-	(337)	(1,693)	(2,030)
March 31, 2015	1,050	4,210	2,260	1,422	8,942
Charge for year	350	471	785	711	2,317
Write-offs	-	-	(204)	-	(204)
Disposal	-	-	(24)	-	(24)
March 31, 2016	1,400	4,681	2,817	2,133	11,031
Carrying Amount					
March 31, 2016	350	976	1,894	1,423	4,643
March 31, 2015	700	1,447	2,354	2,134	6,635

Report on the financial statements (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on additional requirements of the Companies Act, 2004 of Jamaica

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required in the manner so required.

CalvertGordon Associates

Chartered Accountants

Kingston, Jamaica,

May 13, 2016

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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 Depreciation 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, 2016

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

RURAL WATER SUPPLY LIMITED

STATEMENT OF FINANCIAL POSITION AT MARCH 31, 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Non-current assets			
Property and equipment	5	4,643	6,635
Work-in-progress	6	116,032	101,818
Total non-current assets		120,675	108,453
Current assets			
Receivables and prepayments	7	113,951	96,463
Cash, bank and short-term deposits	8	45,560	49,603
Total current assets		159,511	146,066
Total assets		280,186	254,519
EQUITY AND LIABILITIES			
Share capital	9	- *	- *
Special reserve	10	10,640	10,640
Accumulated surplus		54,933	58,888
Total equity		65,573	69,528
Current liabilities			
Project advances	11	172,149	159,768
Payables and accruals	12	42,464	25,223
Total current liabilities		214,613	184,991
Total equity and liabilities		280,186	254,519

* 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
May 13, 2016, and are signed on its behalf by:

.....
Director

.....
Director

RURAL WATER SUPPLY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2016

	<u>Notes</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
INCOME			
Government subventions	13	64,351	60,000
Consultancy fees	14	78,757	109,671
Finance income	15	2,183	2,692
Other income	16	<u>2,220</u>	<u>3,947</u>
		<u>147,511</u>	<u>176,310</u>
EXPENSES			
Staff cost	17	134,154	118,854
Property		1,755	1,746
Motor vehicle		417	309
Utilities, rates and taxes		1,661	1,357
Depreciation		2,317	2,936
Bad debts		182	19
Advertising and public relations		258	406
Professional fees		800	800
Minimum Business Tax	18	60	60
Other		<u>9,862</u>	<u>9,930</u>
		<u>151,466</u>	<u>136,417</u>
(LOSS) PROFIT AND TOTAL COMPREHENSIVE			
INCOME FOR THE YEAR	18	<u>(3,955)</u>	<u>39,893</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, 2016

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.

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.11 Revenue recognition

3.11.1 Government subvention

Government subvention are recognised in surplus or deficit on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

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.

3.11.2 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.

3.11.3 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 at 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.

3.12 Foreign currencies

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the Company operates (its functional currency).

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

RURAL WATER SUPPLY LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED MARCH 31, 2016

	Share Capital	Special Reserve	Accumulated Surplus	Total
Notes	\$'000	\$'000	\$'000	\$'000
Balance at April 1, 2014	-	10,640	18,995	29,635
<i>Profit and Total Comprehensive</i>				
<i>Income for the year</i>	-	-	39,893	39,893
Balance at March 31, 2015	-	10,640	58,888	69,528
<i>Loss Total Comprehensive</i>				
<i>Income for the year</i>	-	-	(3,955)	(3,955)
Balance at March 31, 2016	-	10,640	54,933	65,573

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

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2016

	Note	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) Profit for the year		(3,955)	39,893
Adjustments for:			
Depreciation of property and equipment		2,317	2,936
Loss (Gain) on disposal of property and equipment		25	(50)
Foreign exchange adjustment		(80)	(110)
Deferred income		(218)	(1,398)
Interest income		(2,103)	(2,582)
Increase in provision for bad debts		182	19
Increase (Decrease) in provision for employee benefit		<u>1,763</u>	<u>(73)</u>
Operating cash flows before movement in working capital		(2,069)	38,635
Increase in receivables and prepayments		(21,120)	(47,710)
Decrease in payables and accruals		<u>(516)</u>	<u>(798)</u>
Net cash used in operating activities		<u>(23,705)</u>	<u>(9,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,103	2,669
Acquisition of property and equipment		(351)	(755)
Proceeds on sale of property and equipment		-	50
Work-in-progress		<u>(131,877)</u>	<u>(131,681)</u>
Cash used in investing activities		<u>(130,125)</u>	<u>(129,717)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital grant received		<u>149,707</u>	<u>138,803</u>
Cash provided by investing activities		<u>149,707</u>	<u>138,803</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(4,123)	(787)
OPENING CASH AND CASH EQUIVALENTS		49,603	50,280
Effect of foreign exchange rate changes on the balance of cash held in foreign currency		<u>80</u>	<u>110</u>
CLOSING CASH AND CASH EQUIVALENTS	8	<u>45,560</u>	<u>49,603</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, 2016

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

3.10 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 18).

Deferred tax

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 Financial liabilities and equity instruments issued by the Company (Cont'd)

3.8.3 Financial liabilities (Cont'd)

3.8.3.2 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.

3.9 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.

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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 Water, Land, Environment and Climate Change 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 Central 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.

The financial statements are expressed in Jamaican dollars.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

Standards and Interpretations adopted with no effect on financial statements

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

Amendments to Standards

IAS 16, 24, and 38	Amendments arising from 2010 – 2012 Annual	
IFRS 2, 3, 8 and 13	Improvements to IFRS	July 1, 2014
IAS 19	Employee Benefits	
	- Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 1, 2014
IAS 40, IFRS 1, 3 and 13	- Amendments arising from 2011 – 2013 Annual Improvements to IFRS	July 1, 2014

Effective for annual periods
beginning on or after _____

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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:

		Effective for annual periods beginning on or after
<u>New and Revised Standards</u>		
IAS 1 (Revised)	Presentation of Financial Statements	
	- Amendments resulting from the disclosure initiative	January 1, 2016
IAS 7 (Revised)	Statement of Cash Flows	
	- Amendments resulting from the disclosure initiative	January 1, 2017
IAS 9 and 34 and IFRS 5 and 7	Amendments arising from Annual Improvements to IFRS 2012 – 2014 Cycle	July 1, 2016
IAS 12	Income Taxes	
	- Amendments to clarify aspects relating to the recognition of deferred tax assets for unrealised losses	January 1, 2017
IAS 16 and 38	Amendments to clarify acceptable methods of depreciation and amortisation	January 1, 2016
IAS 16 and 41	Amendments to introduce the definition of an include 'bearer plants' within the scope of IAS 16	January 1, 2016
IAS 19 and 34 and IFRS 5, and 7	Amendments resulting from September 2014 Annual Improvements to IFRSs	January 1, 2016
IAS 27 (Revised)	- Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 1, 2016
IAS 39	Financial Instruments: Recognition and Measurement	
	- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	Applies when IFRS 9 is applied
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 10, 12 and IAS 28	Amendments regarding the application of the consolidation exception	January 1, 2016
IFRS 10 and IAS 28	- Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Effective date deferred indefinitely
IFRS 11	Joint Arrangements	
	- Amendments for accounting for acquisitions of interests in joint operations	January 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
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

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.7 *Financial assets (Cont'd)*3.7.4 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.

3.8 *Financial liabilities and equity instruments*3.8.1 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.

3.8.2 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.

3.8.3 Financial liabilities

3.8.3.1 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.

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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, 2016

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

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

<u>New and Revised Interpretations</u>	<u>Effective for annual periods beginning on or after</u>
IFRIC 18 Transfer of Assets from Customers	January 1, 2017

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

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

- IAS 1 *Presentation of Financial Instruments*

Disclosure Initiative amends IAS 1 *Presentation of Financial Statements* to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of Other Comprehensive Income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

The adoption of the amendments at the effective date is not expected to have a significant impact on the Company's financial statements.

- IAS 7 *Statement of Cash Flows*

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

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

- The amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. The amendments introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendments add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which in turn might reflect a reduction of the future economic benefits embodied in the asset. The adoption of these amendments at the effective date is not expected to have a significant impact on the Company's financial statements.

2 **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)*****Standards and interpretations in issue not yet effective (Cont'd)***New and Revised Standards and Interpretations in issue not yet effective that are relevant (Cont'd)

- IFRS 9 *Financial Instruments*

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

- Classification and measurement** - Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to 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

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**3.7 **Financial assets (Cont'd)**3.7.2 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.

3.7.3 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
- it becoming probable 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.

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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.

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

of the application of the amendments and hence have not yet quantified the extent of the likely impact. The Company has not adopted any of the earlier versions of IFRS 9.

- *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 issued in May 2014 provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 is applicable to an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2017.

The five steps in the model are as follows:

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

The directors and management anticipate that IFRS 15 will be adopted in the Company's financial statements for the annual period beginning April 1, 2017 and that the application of IFRS 15 may impact the amounts reported in respect of the Company's revenue. However, the directors have not yet completed their analysis of the impact of the application of the Standard and hence have not yet quantified the extent of the likely impact.

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

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

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

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

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.

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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 and have been consistently applied.

3.3 *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 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.

3.4 *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.

RURAL WATER SUPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**3.4 *Impairment of tangible assets (Cont'd)*

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.

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.

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.

3.5 *Project advances*

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 the project. 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.

3.6 *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.

3.7 *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.

3.7.1 Loans and receivables