NATIONAL ENVIRONMENT AND PLANNING AGENCY

An Executive Agency of the Ministry of Land and Environment

Annual Report 2003/2004

Appendix

PRICEWATERHOUSECOOPERS

National Environment and Planning Agency

Financial Statements
31 March 2004

National Environment and Planning Agency

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31 March 2004

PRICEWATERHOUSECOOPERS

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30 June 2004

To the Members of
National Environment and Planning Agency

Auditors' Report

We have audited the financial statements set out on pages 1 to 20, and have received all the information and explanations which we considered necessary. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the Agency as at 31 March 2004 and of the results of operations, changes in equity and cash flows for the year then ended, and have been prepared in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

PricewaterhouseCoopers
Chartered Accountants
Kingston, Jamaica

National Environment and Planning Agency

Income and Expenditure Account

Year ended 31 March 2004

	Note	2004 $'000	2003 $'000
Subvention Received	3	350,497	272,285
Expenses			
Staff costs		314,735	250,675
Goods and services		29,232	25,217
Premises and related costs		38,865	33,600
Other costs		5,193	6,050
Depreciation		7,079	10,677
		395,104	326,219
Operating Loss	4	(44,607)	(53,934)
Other income		1,988	1,209
Finance income	6	14,502	10,460
Deficit for the year		(28,117)	(42,265)

Deficit for the year is comprised as below:

		2004 $'000	2003 $'000
Deficit on Recurrent		(27,882)	(18,479)
Deficit on Capital A and B		(235)	(23,786)
		(28,117)	(42,265)

National Environment and Planning Agency

Balance Sheet

31 March 2004

	Note	2004 $'000	2003 $'000
Non-Current Assets			
Property, plant and equipment	7	48,038	51,501
Retirement benefit asset	8	20,792	18,527
Current Assets			
Receivables	9	32,148	19,681
Cash and short term deposits	10	110,610	104,830
		142,758	124,511
Current Liabilities			
Payables	11	77,968	47,820
Project funds	12	11,952	7,760
		89,920	55,580
Net Current Assets		52,838	68,931
		121,668	138,959
Equity			
Capital – (GOJ Investment)	13	43,384	46,655
General reserve		7,940	14,856
Donated asset reserve	14	23,011	25,737
Fees reserve	15	46,333	50,711
Computer and education fund	16	1,000	1,000
		121,668	138,959

Approved for issue on behalf of the Agency on 30 June 2004 and signed on its behalf by:

Patricia Sinclair-McCalla — Chief Executive Officer	Valoris Smith — Financial Manager

National Environment and Planning Agency

Statement of Changes in Equity

Year ended 31 March 2004

	Capital – (GOJ Investment)	General Reserve	Donated Asset Reserve	Fees Reserve	Computer and Education Fund	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance as at 1 April 2002, as restated	46,655	44,441	9,716	46,938	-	147,750
Additions	-	-	19,852	19,198	1,000	40,050
Release from reserves	-	12,680	(3,831)	(15,425)	-	(6,576)
Deficit for year, as restated	-	(42,265)	-	-	-	(42,265)
Balance as at 31 March 2003, as restated	46,655	14,856	25,737	50,711	1,000	138,959
Additions	-	-	4,891	27,289	-	32,180
Release from reserves	(3,271)	21,201	(7,617)	(31,667)	-	(21,354)
Deficit for year	-	(28,117)	-	-	-	(28,117)
Balance at 31 March 2004	43,384	7,940	23,011	46,333	1,000	121,668

National Environment and Planning Agency

Statement of Cash Flows

Year ended 31 March 2004

	2004 $'000	2003 $'000
Cash Flows from Operating Activities		
Deficit for year	(28,117)	(42,265)
Items not affecting cash:		
Depreciation	7,079	10,677
Loss/(profit) on disposal of property, plant and equipment	121	(988)
Interest income	(13,040)	(8,121)
Exchange gain on foreign balances	1,301	2,260
	(32,656)	(38,437)
Changes in operating assets and liabilities:		
Receivables	(11,683)	8,191
Payables	30,147	19,313
Retirement benefit asset	(2,264)	(1,641)
Project funds	(9,319)	(629)
Cash used in operating activities	(25,775)	(13,203)
Cash Flows from Investing Activities		
Proceeds from sale of property, plant and equipment	843	1,348
Purchase of property, plant and equipment	(7,851)	(16,892)
Interest received	12,256	7,662
Cash provided by/(used in) investing activities	5,248	(7,882)
Cash Flows from Financing Activities		
Capital grant received	4,891	16,892
Fees received	22,717	19,198
Cash provided by financing activities	27,608	36,090
Effect of exchange rate changes on cash and cash equivalents	(1,301)	(2,260)
Increase in cash and cash equivalents	5,780	12,745
Cash and cash equivalents at beginning of year	104,830	92,085
CASH AND CASH EQUIVALENTS AT END OF YEAR	110,610	104,830

National Environment and Planning Agency

Notes to the Financial Statements

31 March 2004

1. Identification and Activities

The National Environment and Planning Agency (NEPA) is an executive agency established by the Government of Jamaica. The Agency is incorporated in Jamaica, as a body corporate by the enactment of the Executive Agency Act of 2001. The Agency's registered office is located at 10 Caledonia Avenue, Kingston 5. The Agency acquired the assets of Natural Resources and Conservation Authority, the Town Planning Department and the Land Development and Utilization Commission.

The Agency also operates under the following Acts:

(i) Endangered Species (Protection, Conservation and Regulation of Trade) Act
(ii) Watershed Protection Act
(iii) Beach Control Act
(iv) Wildlife Protection Act
(v) Natural Resources Conservation Act
(vi) Land Development and Utilization Act
(vii) Town and Country Planning Act

The main functions of the Agency are as follows:

(i) Monitoring the natural resources assets and the state of the Jamaican environment;
(ii) Processing of environmental permits and licenses, planning and developmental applications and change of agricultural land use application;
(iii) Granting permits and licence for beach use, construction and operation of industrial facilities listed on the prescribed categories, sewage discharge, industrial waste discharge and export of wildlife species, e.g. conch, orchid;
(iv) Preparing town and parish development plans and advising on land use planning and development; and
(v) Enforcing planning approvals in the areas covered by the development orders;
(vi) Protection, conservation and management of endangered species of wild fauna and flora of Jamaica and other countries.

These financial statements are presented in Jamaican dollars.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets.

Jamaica adopted International Financial Reporting Standards (IFRS) as the national accounting standards, effective for accounting periods beginning on or after 1 July 2002. The financial statements for the year ended 31 March 2004 have therefore been prepared in accordance and comply with IFRS and comparative information has been restated to conform with the provisions of IFRS. In particular, the Agency has opted for early adoption of IFRS 1, First-time Adoption of International Financial Reporting Standards and has applied the provisions of that standard in the preparation of these financial statements. The effect of adopting IFRS on the equity and net profit as previously reported is detailed in Note 21.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those.

(b) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currency, are translated using the closing exchange rate. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange difference on unsettled foreign currency monetary assets and liabilities are recognised in the profit and loss account.

(c) Property, plant and equipment

Land is shown at deemed cost. All other fixed assets are stated at historical cost less accumulated depreciation. Under IFRS 1, a first time adopter may elect to use the fair value of an item of fixed asset at the date of transition to IFRS as the deemed cost of the asset. The Agency has elected to apply this provision.

Depreciation is calculated on the straight-line basis at rates that will write off the relevant assets over their estimated useful lives. Annual depreciation rates are as follows:

Plant, machinery and equipment	10%
Computers	20%
Furniture, office equipment, fixtures and fittings	10%
Vehicles	20%
Specialist Assets	20%

Land is not depreciated.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to the carrying amount and are taken into account in determining operating profit.

Repairs and maintenance are charged to the income and expenditure account during the financial period in which they are incurred.

(d) Impairment on long-lived assets

Property, plant and equipment and other long-lived assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

National Environment and Planning Agency

Notes to the Financial Statements

31 March 2004

2. Summary of Significant Accounting Policies (Continued)

(e) Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of these receivables is established when there is objective evidence that the Agency will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rates of interest for similar borrowers. The amount of the provision is recognised in the income and expenditure statement.

(f) Cash and cash equivalents

Cash and cash equivalent are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, and short term highly liquid investments with original maturities of three months or less.

(g) Employee benefits

The Agency operates various pension plans. These schemes are generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations. The Agency has both defined benefit and defined contribution plans. The employees contribute at a compulsory rate of 5% of salary with an additional maximum optional contribution of 5%. The Agency contributes at a rate of 5% or such other amounts as are necessary to provide the stipulated benefits under its defined benefit plan.

A defined benefit plan is a pension plan that determines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, year of service or compensation. A defined contribution plan is a pension plan under which the Agency pays fixed contributions into a separate entity. The Agency has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The pension costs are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to the income and expenditure account so as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plan annually. The present value of the defined benefit obligation is determined by the estimated future cash outflows using estimated discount rates based on market yields of government securities which have terms to maturity approximating the terms of the related liability.

A portion of the actuarial gains and losses is recognised in the income and expenditure account if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded ten percent (10%) of the

(i) present value of the gross defined benefit obligation; and

(ii) the fair value of the plan assets at that date.

National Environment and Planning Agency

2. Summary of Significant Accounting Policies (Continued)

(g) Employee benefits (Continued)
Any excess actuarial gains or losses are charged to income over the average remaining service lives of the related employees.

(h) Payables
Payables are recorded at cost.

(i) Provisions
Provisions are recognised when the Agency has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Agency expects a provision to be reimbursed for example under an insurance contract, the reimbursement is recognised as a separate asset but only when reimbursement is virtually certain.

(j) Donated asset reserve
The cost of assets acquired from grant funds, subventions and gifts is credited to the Donated Asset Reserve and written off to the income and expenditure account over the expected useful lives of the related assets.

(k) Project fund account
Unexpended project balances are treated as current liabilities and are credited to the Project Fund Account.

(l) Fees reserve
Fees charged by the Agency are reflected in a Fees Reserve and released for use on specific projects relating to the source from which collected. The amount released is based on assessed needs as approved by the Board of Directors.

(m) Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Agency will comply with any attached conditions.

Government grants relating to costs are deferred and recognised in the income and expenditure statement over the period necessary to match them with the cost they are intended to compensate.

Grants relating to the purchase of property, plant and equipment are included in donated asset reserve as deferred government grants and credited to the income and expenditure statement on a straight line basis over the expected lives of the related assets.

(n) Financial instruments
Financial instruments carried on the balance sheet include receivables, cash and short term deposits, payables and project funds. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

The fair values of the Agency's financial instruments are discussed in note 17.

(o) Comparative information
Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of International Financial Reporting Standards (Note 21).

National Environment and Planning Agency

Notes to the Financial Statements

31 March 2004

3. Subvention Received

Subvention received represents grant funds from the Ministry of Land and Environment and other entities and is comprised as follows:

	2004	2003
	$'000	$'000
Recurrent	315,642	258,593
Capital A	14,555	10,692
Capital B	20,300	3,000
	350,497	272,285

4. Operating Loss

Operating loss is stated after charging:

	2004	2003
	$'000	$'000
Directors' emoluments (Included in staff costs) -		
Management remuneration	5,279	4,311
Fees	1,103	609
Auditors' remuneration	750	714
Depreciation	7,079	10,677
Staff costs (Note 5)	314,735	250,675

5. Staff Costs

	2004	2003
	$'000	$'000
Wages and salaries	295,254	240,732
Termination costs	8,917	39
Statutory contributions	2,228	3,662
Pension costs – Defined contribution plans	3,196	1,091
Pension costs – Defined benefit plans (Note 8)	31	804
Other	5,109	4,347
	314,735	250,675

National Environment and Planning Agency
Notes to the Financial Statements
31 March 2004

5. Staff Costs (Continued)

The number of persons employed by the Agency during the year was 251 (2003 –216).

Gross emoluments received during the year:

	2004	2003
Emoluments Bands ($'000)	**No.**	**No.**
1.00 – 1.25	44	9
1.26 – 1.50	28	5
1.51 – 2.00	14	27
2.01 – 2.50	18	3
2.51 – 3.00	4	3
3.10 and over	1	1

6. Finance Income

	2004 $'000	2003 $'000
Interest income	13,040	8,121
Net foreign exchange gains	1,462	2,339
	14,502	10,460

National Environment and Planning Agency

Notes to the Financial Statements

31 March 2004

7. Property, Plant and Equipment

	Land	Plant, Machinery and Equipment	Computers	Furniture, Office Equipment, Fixture and Fittings	Vehicles	Specialist Assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At Cost or Valuation -							
At 1 April 2003	20,053	5,659	25,381	21,423	49,772	2,050	124,338
Additions	-	2,601	889	3,435	855	71	7,851
Transfers and adjustments	-	883	303	(3,487)	(7,450)	2,301	(7,450)
Disposal	-	-	(160)	(10)	(7,822)	-	(7,992)
At 31 March 2004	20,053	9,143	26,413	21,361	35,355	4,422	116,747
Depreciation -							
At 1 April 2003	-	3,623	16,482	10,121	40,777	1,834	72,837
Charge for the year	-	2,001	2,770	1,560	463	285	7,079
Transfers and adjustments		269	303	(1,883)	(4,180)	1,312	(4,179)
Disposal	-	-	(160)	-	(6,868)	-	(7,028)
At 31 March 2004	-	5,893	19,395	9,798	30,192	3,431	68,709
Net Book Value -							
31 March 2004	20,053	3,250	7,018	11,563	5,163	991	48,038
31 March 2003	20,053	2,036	8,900	11,302	8,996	216	51,501

At 1 April 2001, the Agency acquired the assets of the Natural Resources and Conservation Authority, the Town Planning Department and the Land Development and Utilization Commission. These assets are included at directors' valuation which is deemed as cost. The acquisition of these assets was financed by the Government of Jamaica (Note 14).

8. Retirement Benefit Asset

The Agency operates a number of pension schemes covering all permanent employees and administered by independent trustees. The Agency has both defined benefit and defined contribution plans, which are funded by employee contributions of 5% of salary with the option to contribute an additional 5%. The Agency contributes at a rate of 5% as recommended by independent actuaries.

Defined benefit plans are valued by independent actuaries every year using the projected unit credit method. The latest actuarial valuations were carried out as at 31 March 2004. The plan provides benefits to members based on 2% of earnings over the one year period prior to retirement.

National Environment and Planning Agency
Notes to the Financial Statements
31 March 2004

8. Retirement Benefit Asset (Continued)

The amounts recognised in the balance sheet are determined as follows:

	2004	2003
	$'000	$'000
Present value of funded obligations	48,307	30,874
Fair value of plan assets	(73,858)	(54,374)
	(25,551)	(23,500)
Unrecognised actuarial gain	4,759	4,973
Asset in the balance sheet	(20,792)	(18,527)

The amounts recognised in the income and expenditure account are as follows:

	2004	2003
	$'000	$'000
Current service cost	2,469	2,507
Interest cost	3,907	3,317
Expected return on plan assets	(6,345)	(5,020)
Total, included in staff costs (Note 5)	31	804

The actual return on plan assets was $16,579,000 (2003 - $8,423,000)

The movement in the amounts recognised in the balance sheet is as follows:

	2004	2003
	$'000	$'000
At beginning of year	(18,527)	(16,886)
Total expense, as above	31	804
Contributions paid	(2,296)	(2,445)
At end of year	(20,792)	(18,527)

The principal actuarial assumptions used were as follows:

	2004	2003
Discount rate	12.5%	12.5%
Expected return on plan assets	12.5%	12.5%
Future salary increases	10.0%	10.0%
Future pension increases	3.5%	3.5%

The average future working lifetime of contributors is 24.5 years (2003 – 26.1).

9. Receivables

Accounts receivable comprise:

	2004 $'000	2003 $'000
Staff loans and advances	9,791	7,310
Computer and education loans (Note 16)	930	805
Prepayments	-	142
Deposits	931	886
Deposit on property, plant and equipment	-	2,960
Subvention	10,148	-
Accrued interest	2,111	1,327
General Consumption Taxation (GCT)	938	1,178
Insurance recoverable	3,000	3,000
Other	7,299	2,073
	35,148	19,681
Less: Provision for doubtful debts	(3,000)	-
	32,148	19,681

10. Cash and Short Term Deposits

	2004 $'000	2003 $'000
Cash at bank and in hand	29,227	23,487
Short-term deposits	81,383	81,343
	110,610	104,830

The weighted average effective interest rates on short-term deposits during the year were 12.75% and 4% (2003 – 13% and 6.75%) on Jamaican dollar and United States dollar denominated deposits, respectively.

Cash and short term deposits include $6,740,000 and $70,000 (2003 - $3,506,000 and $195,000) respectively, which represent amounts due to Project Funds (Note 12), and Computer and Education Fund (Note 16).

National Environment and Planning Agency
Notes to the Financial Statements
31 March 2004

11. Payables

	2004 $'000	2003 $'000
Unpresented cheques	197	965
Payroll account	12,485	997
Audit and accounting fees	750	714
Provision for gratuity	34,930	27,331
Provision for contingency	3,000	3,000
Sundry accruals	26,606	14,813
	77,968	47,820

12. Project Funds

Certain bank accounts are funded by allocations used for specific project purposes. Unexpended balances in these accounts are recognised as current liabilities.

13. Capital – (GOJ Investment)

This represents amount invested by the Government of Jamaica for the acquisition of fixed assets on the formation of the Executive Agency (Note 7).

14. Donated Asset Reserve

The ascribed values of capital assets acquired from subvention and project funds are credited to the Donated Asset Reserve and released to the Income and Expenditure Account over the estimated useful lives of the assets (Note 7). The balance is comprised as follows: -

	Computers $'000	Furniture, Office Equipment, fixture and fittings $'000	Vehicles $'000	Deferred Expenditure Equipment $'000	Total $'000
Fund balance at 1 April 2003	7,275	10,668	4,834	2,960	25,737
Additions during the year	889	3,147	855	-	4,891
Transfers	-	2,960	-	(2,960)	-
Transfer to income and expenditure	(1,946)	(3,877)	(1,794)	-	(7,617)
Fund balance at 31 March 2004	6,218	12,898	3,895	-	23,011

National Environment and Planning Agency

Notes to the Financial Statements

31 March 2004

14. Donated Asset Reserve (Continued)

Fixed assets acquired during the year were financed from the following sources.

	2004
	$'000
Subvention	971
Other	3,920
	4,891

15. Fees Reserve

This represents fees collected by the Agency, which are to be used for specific projects, the determination of which is based on the source from which the fees are collected. The amount is comprised as follows:

	Beach and Dredging Fees	Lifeguard Fees	Hunting Fees	License Fees	Export Permits	Other Fees	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fund balance at beginning of year	14,885	880	11,276	18,921	4,749	-	50,711
Fee income for year	18,123	618	5,115	2,985	214	234	27,289
	33,008	1,498	16,391	21,906	4,963	234	78,000
Transfer to donated asset reserve	(3,315)	(287)	(574)	(431)	(144)	-	(4,751)
Transfers and adjustments	6,266	-	-	(6,087) -		-	179
Transfer to project funds	(5,887)	(565)	(3,530)	(2,647)	(882)	-	(13,511)
Transfer to income and expenditure amount	(3,311)	(454)	(4,907)	(3,681)	(1,231)	-	(13,584)
Fund balance at end of year	26,761	192	7,380	9,060	2,706	234	46,333

16. Computer and Education Loan Fund

This represents funds allocated from fees reserve and set aside to be issued as loans to employees for educational and technological development (Notes 9 and 10).

17. Financial Risk Management

The Agency's activities expose it to a variety of financial risks, including the effects of changes in market prices, foreign exchange rates and interest rates. Management seeks to minimize potential adverse effects on the financial performance of the Agency by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Directors.

17. Financial Risk Management (Continued)

(a) Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is primarily exposed to such risks arising from United States dollar denominated deposits and bank accounts. The Agency's aggregate net foreign assets at 31 March 2004 amount to US$281,000 (2003 - US$262,000) in respect of transactions arising in the ordinary course of business.

(b) Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As at 31 March 2004 the Agency's income and operating cash flows are substantially independent of changes in the market rates. The company has interest bearing assets as disclosed in note 10.

(c) Market risk
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. At 31 March 2004, the Agency had no significant exposure to such risks.

(d) Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. There are no significant concentrations of risk attaching to accounts receivable as these amounts are not concentrated in any given sector or institution and are shown net of provisions for impairment. Cash and short-term deposits are placed with substantial financial institutions.

(e) Cash flow risk
Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The company manages this risk by ensuring, as far as possible, that financial assets and liabilities are matched to mitigate any adverse cash flows.

(f) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The management of the Agency maintains sufficient cash and short-term deposits and available funding through an adequate amount of committed credit facilities.

18. Fair Values
In assessing the fair value of financial instruments, the Agency uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The estimated fair values are determined using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates are not necessarily indicative of the amounts that the Agency would realise in a current market exchange.

The face values, less any estimated credit adjustments, of financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. The amounts included in the financial statements for receivables, cash and short term deposits, project funds and payables reflect their approximate fair values because of the short-term maturity of these instruments.

19. Taxation

The Agency is exempt from income taxes under section 12(h) of the Income Tax Act.

20. Contingencies

At the 31 March 2004 the Agency had the following contingent liabilities:

i) A suit was filed by a former landlord who is claiming amounts of approximately $14,000,000, inclusive of interest. The Agency is contending that the claim is excessive and based on legal advice has made a counter offer of $1,000,000 as full and final settlement, without prejudice. No provision has been made in the accounts as the likelihood of the outcome could not be ascertained.

ii) A claim of approximately $6,800,000 has been presented by the estate of Ian McHaragh who was injured in a motor vehicle accident involving one of the Agency's vehicles. The claim is that Mr. McHaragh sustained serious injuries from the accident from which he later died. The Agency contended that the claim was excessive and has made an offer of $3,000,000 available under its insurance policy. Full provision has been made for the offer amount and the amount recoverable from the Agency's insurance policy.

National Environment and Planning Agency

Notes to the Financial Statements

31 March 2004

21. Financial Effects of Adopting International Financial Reporting Standards (IFRS).

The company adopted International Financial Reporting Standards effective 1 April 2002. Prior to that date, the financial statements of the Agency were prepared in accordance with Jamaican Generally Accepted Accounting Principles (JGAAP). The financial statements for the years ended 31 March 2002 and 31 March 2003 (the immediately preceding comparative periods) have been restated to reflect the financial position and results under IFRS. The financial effects of conversion from Jamaican GAAP to IFRS are set out as follows:

(a) Reconciliation of equity at 1 April 2002

	Note	Previous Jamaican GAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
Non-Current Assets				
Property, plant and equipment		45,646	-	45,646
Retirement benefit asset	(i)	-	16,886	16,886
Current Assets	(ii)	116,499	3,000	119,499
Current Liabilities	(ii), (iii)	(25,216)	(9,065)	(34,281)
Net Current Assets		91,283	(6,065)	85,218
		136,929	10,821	147,750
Equity				
Capital – (GOJ Investments		46,655	-	46,655
General reserve	(i), (iii)	33,620	10,821	44,441
Donated asset reserve		9,716	-	9,716
Fees reserve		46,938	-	46,938
		136,929	10,821	147,750

National Environment and Planning Agency

Notes to the Financial Statements

31 March 2004

21. Financial Effects of Adopting International Financial Reporting Standards (IFRS) (Continued)

(b) Reconciliation of equity at 31 March 2003

	Note	Previous Jamaican GAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
Non-Current Assets				
Property, plant and equipment		51,501	-	51,501
Deferred expenditure	(iv)	2,960	(2,960)	-
Retirement benefit asset	(i)	-	18,527	18,527
Current Assets	(ii)	118,551	5,960	124,511
Current Liabilities	(ii), (iii)	(43,155)	(12,425)	(55,580)
Net Current Assets		75,396	(6,465)	68,931
		129,857	9,102	138,959
Equity				
Capital – (GOJ Investments		46,655	-	46,655
General reserve	(i), (iii)	5,754	9,102	14,856
Donated asset reserve		25,737	-	25,737
Fees reserve		50,711	-	50,711
Computer and education fund		1,000	-	1,000
		129,857	9,102	138,959

National Environment and Planning Agency

Notes to the Financial Statements

31 March 2004

21. Financial Effects of Adopting International Financial Reporting Standards (IFRS) (Continued)

(c) Reconciliation of income and expenditure for the year ended 31 March 2003

	Note	Previous Jamaican GAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
Subvention Received		272,285	-	272,285
Expenses	(i), (iii)	(324,501)	(1,718)	(326,219)
Operating Loss		(52,216)	(1,718)	(53,934)
Other income		1,209	-	1,209
Finance income		10,460	-	10,460
Deficit for the year		(40,547)	(1,718)	(42,265)

Brief description of each item of difference:

(i) Assets arising under defined benefit pension plans were not recognised under previous Jamaican GAAP. They are recognised under IFRS based on valuations carried out by independent actuaries using the projected unit credit method.

(ii) Under IFRS, a provision of $3,000,000 has been made for contingent liability arising from litigation against the Agency. No provision was made under previous Jamaican GAAP.

(iii) No provision was made under previous Jamaican GAAP for vacation leave outstanding at the balance sheet date. Under IFRS, full provision is made.

(iv) Certain expenditures related to fixed assets were carried as deferred expenditure under Jamaican GAAP. Under IFRS these amounts have been reclassified to receivables.

PRICEWATERHOUSECOOPERS

30 June 2004

To the Members of
National Environment and Planning Agency

Auditors' Report

The supplementary information set out on pages 21 to 24 taken from the accounting records of the Agency, has been subjected to the tests and other auditing procedures applied in our examination of the Agency's financial statements for the year ended 31 March 2004.

In our opinion, this information, although not necessary for a fair presentation of the Agency's state of affairs, results of operations or cash flows, is fairly presented in all material respects in relation to the financial statements taken as a whole.

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica

National Environment and Planning Agency

Income and Expenditure - Recurrent
Year ended 31 March 2004

	2004 $'000	2003 $'000
Income		
Subvention received	316,610	263,729
Less: Capital grant	(968)	(5,136)
	315,642	258,593
Interest income	11,916	7,342
Foreign exchange gains	1,462	2,339
Other income	1,988	1,209
	15,366	10,890
Expenditure:		
Staff costs	290,516	221,470
Goods and services	21,815	20,786
Premises and related costs	34,901	29,068
Other costs	4,579	5,961
Depreciation	7,079	10,677
	(358,890)	(287,962)
Deficit for the year	(27,882)	(18,479)

National Environment and Planning Agency

Income and Expenditure - Capital A and B
Year ended 31 March 2004

	2004	2003
	$'000	**$'000**
Income		
Subvention received	34,858	13,692
Less: Capital grant	(3)	-
	34,855	13,692
Interest income	1,124	779
	35,979	14,471
Expenditure		
Staff costs	24,219	29,205
Goods and services	7,417	4,431
Premises and related costs	3,964	4,532
Other costs	614	89
	(36,214)	(38,257)
Deficit for the year	(235)	(23,786)

National Environment and Planning Agency

Detailed Expenditure - Recurrent
Year ended 31 March 2004

	2004 $'000	2003 $'000
Expenditure		
Accounting fees	-	155
Advertisement	1,166	1,698
Audit fees	750	644
Bad debts	4,240	52
Bank charges	173	168
Building maintenance	2,269	2,216
Computer supplies	928	1,781
Courier services	241	203
Depreciation	7,079	10,677
Donations and subscriptions	182	-
Directors' emoluments	6,382	4,920
Grants and contributions	4,579	5,961
Insurance	2,678	2,581
Laboratory expenses	350	140
Legal and professional fees	939	695
Licence and fees	77	-
Loss on disposal of property, plant and equipment	121	-
Meetings and workshop	1,299	1,867
Miscellaneous	444	445
Motor vehicle	3,699	2,896
Office supplies	644	1,468
Printing and stationery	849	1,454
Rental	17,328	14,739
Repairs and maintenance	1,806	3,327
Salaries and related costs	251,008	182,587
Security	1,226	1,085
Travelling and subsistence	33,305	33,913
Text and reference books	33	177
Utilities	15,095	12,113
	358,890	287,962

National Environment and Planning Agency

Detailed Expenditure – Capital A and B
Year ended 31 March 2004

	2004 $'000	2003 $'000
Expenditure		
Advertisement	1,043	241
Bank charges	18	8
Building maintenance	209	189
Computer supplies	189	42
Courier services	11	18
Donations and subscription	24	-
Grants and contributions	614	89
Insurance	29	22
Laboratory expenses	21	-
Legal and professional fees	4,132	1,987
Licences and fees	5	-
Meetings and workshop	95	387
Miscellaneous	60	60
Motor vehicle	531	1,069
Office supplies	339	137
Printing and stationery	71	310
Rental	2,785	2,711
Repairs and maintenance	354	147
Salaries and related costs	22,720	25,774
Security	83	-
Text and reference books	192	3
Travelling, subsistence and entertainment	1,510	3,431
Utilities	1,179	1,632
	36,214	38,257