



**NATIONAL ENVIRONMENT AND PLANNING  
AGENCY**

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*An Executive Agency of the Ministry of Land and Environment*



***Annual Report***  
***2004/2005***



**National Environment and  
Planning Agency**

**Financial Statements  
31 March 2005**

# National Environment and Planning Agency

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31 March 2005

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28 June 2005


To the Members of  
National Environment and Planning Agency

### Auditors' Report

We have audited the financial statements set out on pages 1 to 17, 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 2005 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.

  
Chartered Accountants  
Kingston, Jamaica

# National Environment and Planning Agency

Income and Expenditure Account

Year ended 31 March 2005

	Note	2005 \$'000	2004 \$'000
<b>Subvention Received</b>	3	316,113	350,497
<b>Expenses</b>			
Staff costs		262,055	314,735
Goods and services		19,352	29,232
Premises and related costs		35,795	38,865
Other costs		5,994	5,193
Depreciation		7,495	7,079
		<u>330,691</u>	<u>395,104</u>
<b>Operating Loss</b>	4	(14,578)	(44,607)
Other income		1,731	1,988
Finance income	6	7,276	14,502
<b>Deficit for the year</b>		<u>(5,571)</u>	<u>(28,117)</u>
<b>Deficit for the year is comprised as below:</b>			
Deficit on Recurrent		(9,352)	(27,882)
Surplus/(deficit) on Capital A and B		3,781	(235)
		<u>(5,571)</u>	<u>(28,117)</u>

# National Environment and Planning Agency

Balance Sheet

31 March 2005

	Note	2005 \$'000	2004 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	7	41,629	48,038
Retirement benefit asset	8	22,516	20,792
<b>Current Assets</b>			
Receivables	9	39,578	32,148
Cash and short term deposits	10	116,565	110,610
		156,143	142,758
<b>Current Liabilities</b>			
Payables	11	73,476	77,968
Project funds	12	15,517	11,952
		88,993	89,920
<b>Net Current Assets</b>			
		67,150	52,838
		131,295	121,668
<b>Equity</b>			
Capital – (GOJ Investment)	13	43,384	43,384
General reserve		18,871	7,940
Donated asset reserve	14	18,187	23,011
Fees reserve	15	49,853	46,333
Computer and education fund	16	1,000	1,000
		131,295	121,668

Approved for issue on behalf of the Agency on 28 June 2005 and signed on its behalf by:



Hopeton Heron

Acting Chief Executive Officer



Valoris Smith

Financial Manager

# National Environment and Planning Agency

## Statement of Changes in Equity Year ended 31 March 2005

	Capital – (GOJ Investment)	General Reserve	Donated Asset Reserve	Fees Reserve	Computer and Education Fund	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 31 March 2003	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)
<b>Balance as at 31 March 2004</b>	<b>43,384</b>	<b>7,940</b>	<b>23,011</b>	<b>46,333</b>	<b>1,000</b>	<b>121,668</b>
Additions and adjustments	-	-	1,119	31,924	-	33,043
Release from reserves	-	16,502	(5,943)	(28,404)	-	(17,845)
Deficit for year	-	(5,571)	-	-	-	(5,571)
<b>Balance at 31 March 2005</b>	<b>43,384</b>	<b>18,871</b>	<b>18,187</b>	<b>49,853</b>	<b>1,000</b>	<b>131,295</b>

# National Environment and Planning Agency

## Statement of Cash Flows

Year ended 31 March 2005

	2005 \$'000	2004 \$'000
<b>Cash Flows from Operating Activities</b>		
Deficit for year	(5,571)	(28,117)
Items not affecting cash:		
Depreciation	7,495	7,079
(Profit)/loss on disposal of property, plant and equipment	(839)	121
Provision for doubtful debt	789	3,000
Interest income	(7,134)	(13,040)
Exchange gain on foreign balances	161	1,301
	<u>(5,099)</u>	<u>(29,656)</u>
Changes in operating assets and liabilities:		
Receivables	(9,930)	(14,683)
Payables	(4,492)	30,147
Retirement benefit asset	(1,724)	(2,264)
Project funds	(14,141)	(9,319)
Cash used in operating activities	<u>(35,386)</u>	<u>(25,775)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of property, plant and equipment	863	843
Purchase of property, plant and equipment	(1,110)	(7,851)
Interest received	8,845	12,256
Cash provided by investing activities	<u>8,598</u>	<u>5,248</u>
<b>Cash Flows from Financing Activities</b>		
Capital grant received	1,110	4,891
Donated asset reserve	9	-
Capital grant released on disposal	(15)	-
Fees received	31,800	22,717
Cash provided by financing activities	<u>32,904</u>	<u>27,608</u>
Increase in cash and cash equivalents	6,116	7,081
Effect of exchange rate changes on cash and cash equivalents	(161)	(1,301)
Cash and cash equivalents at beginning of year	<u>110,610</u>	<u>104,830</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>116,565</u>	<u>110,610</u>



# National Environment and Planning Agency

## Notes to the Financial Statements

31 March 2005

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### 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 2005 have therefore been prepared in accordance and comply with IFRS and comparative information has been restated to conform with the provisions of IFRS.

# National Environment and Planning Agency

## Notes to the Financial Statements

31 March 2005

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### 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	10%-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 2005

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## 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

Notes to the Financial Statements

31 March 2005

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## 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 18.

### (o) Comparative information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

# National Environment and Planning Agency

Notes to the Financial Statements

31 March 2005

### 3. Subvention Received

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

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Recurrent	289,295	315,642
Capital A	7,740	14,555
Capital B	19,078	20,300
	<u>316,113</u>	<u>350,497</u>

### 4. Operating Loss

Operating loss is stated after charging:

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Directors' emoluments (Included in staff costs) -		
Management remuneration	4,482	5,279
Fees	425	1,103
Auditors' remuneration	900	750
Depreciation	7,495	7,079
Staff costs (Note 5)	<u>262,055</u>	<u>314,735</u>

### 5. Staff Costs

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	252,238	295,625
Termination costs	( 24)	8,917
Statutory contributions	2,651	2,228
Pension costs – Defined contribution plans	2,690	3,196
Pension costs – Defined benefit plans (Note 8)	223	31
Other	4,277	4,738
	<u>262,055</u>	<u>314,735</u>

# National Environment and Planning Agency

Notes to the Financial Statements

31 March 2005

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## 5. Staff Costs (Continued)

The number of persons employed by the Agency during the year was 231 (2004 –251).

Gross emoluments received during the year:

	<b>2005</b>	<b>2004</b>
Emoluments Bands (\$'000)	<b>No.</b>	<b>No.</b>
1.00 – 1.25	8	44
1.26 – 1.50	26	28
1.51 – 2.00	15	14
2.01 – 2.50	13	18
2.51 – 3.00	2	4
3.10 and over	<u>1</u>	<u>1</u>

## 6. Finance Income

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income	7,134	13,040
Net foreign exchange gains	<u>142</u>	<u>1,462</u>
	<u>7,276</u>	<u>14,502</u>

# National Environment and Planning Agency

## Notes to the Financial Statements

31 March 2005

### 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 31 March 2004	20,053	9,143	26,413	21,361	35,355	4,422	116,747
Additions	-	363	437	310	-	-	1,110
Disposal	-	-	-	(35)	(4,736)	-	(4,771)
At 31 March 2005	20,053	9,506	26,850	21,636	30,619	4,422	113,086
Depreciation -							
At 31 March 2004	-	5,893	19,395	9,798	30,192	3,431	68,709
Charge for the year	-	1,508	2,276	1,695	1,731	285	7,495
Relieved on disposal	-	-	-	(11)	(4,736)	-	(4,747)
At 31 March 2005	-	7,401	21,671	11,482	27,187	3,716	71,457
Net Book Value -							
31 March 2005	20,053	2,105	5,161	10,172	3,432	706	41,629
31 March 2004	20,053	3,250	7,018	11,563	5,163	991	48,038

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 13).

### 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 2005. Normal retirement benefit is calculated on the basis of 2% of final pensionable salary for each year of pensionable service to that date, among others.

# National Environment and Planning Agency

Notes to the Financial Statements

31 March 2005

## 8. Retirement Benefit Asset (Continued)

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

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Present value of funded obligations	49,025	48,307
Fair value of plan assets	<u>(90,472)</u>	<u>(73,858)</u>
	(41,447)	(25,551)
Unrecognised actuarial gain	<u>18,931</u>	<u>4,759</u>
Asset in the balance sheet	<u><u>(22,516)</u></u>	<u><u>(20,792)</u></u>

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

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Current service cost	3,538	2,469
Interest cost	5,701	3,907
Expected return on plan assets	<u>(9,016)</u>	<u>(6,345)</u>
Total, included in staff costs (Note 5)	<u><u>223</u></u>	<u><u>31</u></u>

The actual return on plan assets was \$14,879,000 (2004 - \$16,579,000).

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

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
At beginning of year	(20,792)	(18,527)
Total expense, as above	223	31
Contributions paid	<u>(1,947)</u>	<u>(2,296)</u>
At end of year	<u><u>(22,516)</u></u>	<u><u>(20,792)</u></u>

The principal actuarial assumptions used were as follows:

	<b>2005</b>	<b>2004</b>
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	<u>3.5%</u>	<u>3.5%</u>

The average future working lifetime of contributors is 24 years (2004 - 24.5).



# National Environment and Planning Agency

Notes to the Financial Statements

31 March 2005

## 9. Receivables

Accounts receivable comprise:

	2005	2004
	\$'000	\$'000
Staff loans and advances	9,458	9,791
Computer and education loans (Note 16)	717	930
Deposits	931	931
Subvention	16,700	10,148
Accrued interest	400	2,111
General Consumption Taxation (GCT)	687	938
Insurance recoverable	3,000	3,000
Other	11,474	7,299
	<u>43,367</u>	<u>35,148</u>
Less: Provision for doubtful debts	<u>(3,789)</u>	<u>(3,000)</u>
	<u>39,578</u>	<u>32,148</u>

## 10. Cash and Short Term Deposits

	2005	2004
	\$'000	\$'000
Cash at bank and in hand	41,944	29,227
Short-term deposits	74,621	81,383
	<u>116,565</u>	<u>110,610</u>

The weighted average effective interest rates on short-term deposits during the year were 12.36% and 3.85% (2004 - 12.75% and 4%) on Jamaican dollar and United States dollar denominated deposits, respectively.

Cash and short term deposits include \$13,582,000 and \$283,000 (2004 - \$6,740,000 and \$70,000) 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 2005

### 11. Payables

	2005	2004
	\$'000	\$'000
Unpresented cheques	51	197
Payroll account	19,770	12,485
Audit fees	900	750
Provision for gratuity	12,482	34,930
Provision for contingency	3,000	3,000
Contingency advances	10,439	550
Sundry accruals	26,834	26,056
	<u>73,476</u>	<u>77,968</u>

### 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	Furniture, Office Equipment, Fixture and Fittings	Vehicles	Total
	\$'000	\$'000	\$'000	\$'000
Fund balance at 31 March 2004	6,218	12,898	3,895	23,011
Additions during the year	419	691	-	1,110
Adjustments		9	-	9
Disposals	-	(15)	-	(15)
Transfer to income and expenditure account	(2,054)	(2,612)	(1,262)	(5,928)
Fund balance at 31 March 2005	<u>4,583</u>	<u>10,971</u>	<u>2,633</u>	<u>18,187</u>

# National Environment and Planning Agency

## Notes to the Financial Statements

31 March 2005

### 14. Donated Asset Reserve (Continued)

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

	2005 \$'000
Subvention	632
Other	478
	<u>1,110</u>

### 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 \$'000	Lifeguard Fees \$'000	Hunting Fees \$'000	License Fees \$'000	Export Permits \$'000	Other Fees \$'000	Total \$'000
Fund balance at 31 March 2004	26,761	192	7,380	9,060	2,706	234	46,333
Fee income for year	21,174	368	6,100	4,185	328	(231)	31,924
	47,935	560	13,480	13,245	3,034	3	78,257
Transfer to donated asset reserve	(72)	(1)	(20)	(24)	(7)	-	(124)
Transfer to project funds	(10,278)	(74)	(2,835)	(3,480)	(1,039)	-	(17,706)
Transfer to income and expenditure account	(6,093)	(45)	(1,710)	(2,099)	(627)	-	(10,574)
Fund balance at 31 March 2005	<u>31,492</u>	<u>440</u>	<u>8,915</u>	<u>7,642</u>	<u>1,361</u>	<u>3</u>	<u>49,853</u>

### 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.

# National Environment and Planning Agency

Notes to the Financial Statements

31 March 2005

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## 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 2005 amount to US\$277,000 (2004 - US\$281,000) 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 2005 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 2005, 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.

# National Environment and Planning Agency

Notes to the Financial Statements

31 March 2005

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## 19. Taxation

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

## 20. Contingencies

At the 31 March 2005 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.

28 June 2005

To the Members of  
National Environment and Planning Agency

### **Auditors' Report**

The supplementary information set out on pages 18 to 21 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 2005.

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.

  
Chartered Accountants  
Kingston, Jamaica

# National Environment and Planning Agency

Income and Expenditure - Recurrent

Year ended 31 March 2005

	2005	2004
	\$'000	\$'000
<b>Income</b>		
Subvention received	289,927	316,610
Less: Capital grant	(632)	( 968)
	<u>289,295</u>	<u>315,642</u>
Interest income	6,085	11,916
Foreign exchange gains	142	1,462
Other income	892	1,988
Gain on disposal of property, plant and equipment	839	-
	<u>7,958</u>	<u>15,366</u>
<b>Expenditure</b>		
Staff costs	247,204	290,516
Goods and services	14,787	21,815
Premises and related costs	31,379	34,901
Other costs	5,740	4,579
Depreciation	7,495	7,079
	<u>(306,605)</u>	<u>(358,890)</u>
<b>Deficit for the year</b>	<u>(9,352)</u>	<u>(27,882)</u>

# National Environment and Planning Agency

Income and Expenditure - Capital A and B

Year ended 31 March 2005

	2005	2004
	\$'000	\$'000
<b>Income</b>		
Subvention received	26,818	34,858
Less: Capital grant	-	( 3)
	<u>26,818</u>	<u>34,855</u>
Interest income	1,049	1,124
	<u>27,867</u>	<u>35,979</u>
<b>Expenditure</b>		
Staff costs	14,851	24,219
Goods and services	4,565	7,417
Premises and related costs	4,416	3,964
Other costs	254	614
	<u>(24,086)</u>	<u>(36,214)</u>
<b>Surplus/(deficit) for the year</b>	<u>3,781</u>	<u>(235)</u>



# National Environment and Planning Agency

Detailed Expenditure - Recurrent

Year ended 31 March 2005

	2005	2004
	\$'000	\$'000
<b>Expenditure</b>		
Advertisement	102	1,166
Audit fees	900	750
Bad debts	831	4,240
Bank charges	176	173
Building maintenance	1,841	2,269
Computer supplies	786	928
Courier services	246	241
Depreciation	7,495	7,079
Donations and subscriptions	191	182
Directors' emoluments	4,907	6,382
Entertainment	208	-
Grants and contributions	5,740	4,579
Insurance	1,805	2,678
Laboratory expenses	39	350
Legal and professional fees	621	939
Licence and fees	295	77
Loss on disposal of property, plant and equipment	-	121
Meetings and workshop	1,117	1,299
Miscellaneous	30	444
Motor vehicle	3,687	4,505
Office supplies	892	644
Printing and stationery	815	849
Rental	16,486	17,328
Repairs and maintenance	351	1,000
Salaries and related costs	214,995	250,839
Security	1,694	1,226
Travelling and subsistence	27,302	33,474
Text and reference books	1	33
Utilities	13,052	15,095
	<u>306,605</u>	<u>358,890</u>

# National Environment and Planning Agency

Detailed Expenditure – Capital A and B

Year ended 31 March 2005

	2005	2004
	\$'000	\$'000
<b>Expenditure</b>		
Advertisement	494	1,043
Bank charges	12	18
Building maintenance	54	209
Computer supplies	94	189
Courier services	-	11
Donations and subscriptions	2	24
Grants and contributions	254	614
Insurance	29	29
Laboratory expenses	497	21
Legal and professional fees	2,364	4,132
Licences and fees	-	5
Meetings and workshop	193	95
Miscellaneous	7	60
Motor vehicle	440	818
Office supplies	185	339
Printing and stationery	106	71
Rental	2,934	2,785
Repairs and maintenance	62	67
Salaries and related costs	13,194	22,517
Security	80	83
Text and reference books	-	192
Travelling and subsistence	1,657	1,713
Utilities	1,428	1,179
	<u>24,086</u>	<u>36,214</u>