

NEPM Waste Management Limited
Financial Statements

31 March 2024



NEPM Waste Management Limited

Financial Statements

31 March 2024

Index

	Page
Independent Auditors' Report to the Members	1 - 2
FINANCIAL STATEMENTS	
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 34



10 Holborn Road, Kgn. 5, Ja., W.I.

Tel: (876) 926-4546, 926-6310, 631-8533 - Cell: (876) 386-2618

TeleFax: (876) 631-7555 - E-mail: crhylton@yahoo.com



INDEPENDENT AUDITORS' REPORT

To the Members of NEPM Waste Management Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of NEPM Waste Management Limited (the Company) which comprise the statement of financial position as at 31 March 2024, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

INDEPENDENT AUDITORS' REPORT (Continued)

To the Members of NEPM Waste Management Limited

Report on the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on additional requirements of the Jamaican Companies Act

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

In our opinion, proper accounting records have been kept and the financial statements are in agreement therewith, and give the information required by the Jamaica Companies Act, in the manner so required.



Chartered Accountants

Kingston, Jamaica

July 24, 2024

NEPM WASTE MANAGEMENT LIMITED**STATEMENT OF COMPREHENSIVE INCOME****YEAR ENDED 31 MARCH 2024****(expressed in Jamaican dollars unless otherwise indicated)**

	Note	2024 \$'000	2023 \$'000
Income			
Government Subvention	6	1,152,867	922,985
Commercial Income	7	98,860	77,150
Other Income	8	2,497	429
Interest Income		<u>30</u>	<u>5</u>
		<u>1,254,254</u>	<u>1,000,569</u>
Expenses			
Direct, administrative and general expenses	9	<u>(1,248,148)</u>	<u>(1,036,732)</u>
Surplus (Deficit), being total comprehensive income (loss) for the year		<u><u>6,106</u></u>	<u><u>(36,163)</u></u>

The accompanying notes form an integral part of the financial statements

NEPM WASTE MANAGEMENT LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024**

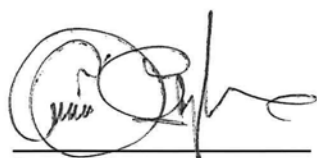
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2024 \$'000	2023 \$'000
Non-current assets			
Property, plant and equipment	12	<u>8,982</u>	<u>9,276</u>
Current assets			
Inventories	13	11,965	17,821
Trade and other receivables	14	24,515	22,474
Cash and cash equivalents	15	<u>54,123</u>	<u>53,539</u>
<i>Total current assets</i>		<u>90,603</u>	<u>93,834</u>
Current liabilities			
Trade and other payables	16	179,245	195,137
Due to related party	17(b)	<u>200,205</u>	<u>193,944</u>
<i>Total current liabilities</i>		<u>379,450</u>	<u>389,081</u>
Net current liabilities		<u>(288,847)</u>	<u>(295,247)</u>
Net Liabilities		<u>(279,865)</u>	<u>(285,971)</u>
Deficiency in assets			
Share capital	18	-	-
Revaluation reserve	19	760	760
Accumulated deficit		<u>(280,625)</u>	<u>(286,731)</u>
Total deficiency in assets		<u>(279,865)</u>	<u>(285,971)</u>

The accompanying notes form an integral part of the financial statements

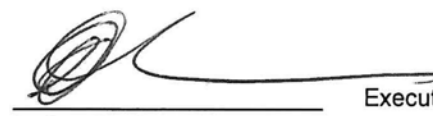
Approved for issue on behalf of the Board of Directors on July 24, 2024 and signed on its behalf

by:



Owen Ellington

Chairman



Audley Gordon

Executive Director

NEPM WASTE MANAGEMENT LIMITED**STATEMENT OF CHANGES IN EQUITY****YEAR ENDED 31 MARCH 2024****(expressed in Jamaican dollars unless otherwise indicated)**

	Share Capital (*) \$'000	Revaluation Reserve \$'000	Accumulated Deficit \$'000	Total \$'000
Balance at 1 April 2022	-	760	(250,568)	(249,808)
Deficit, being total comprehensive loss	-	-	(36,163)	(36,163)
Balance at 31 March 2023	-	760	(286,731)	(285,971)
Surplus, being total comprehensive income	-	-	6,106	6,106
Balance at 31 March 2024	-	760	(280,625)	(279,865)

(*) - denotes \$2.

The accompanying notes form an integral part of the financial statements

NEPM WASTE MANAGEMENT LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2024 \$'000	2023 \$'000
Cash flows from operating activities:			
Surplus (Deficit) for the year		6,106	(36,163)
Adjustments for:			
Depreciation of property, plant and equipment	12	2,713	2,762
Interest income		(30)	(5)
Impairment of trade receivables		5,000	4,000
		<u>13,789</u>	<u>(29,406)</u>
Operating cash flows before movements in working capital:			
Increase in inventories		5,855	(9,461)
Increase in trade and other receivables		(7,041)	(12,489)
Increase in due to related party		6,261	95,176
Decrease in trade and other payables		<u>(15,892)</u>	<u>(362)</u>
Net cash generated by operations		2,972	43,458
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(2,418)	(2,490)
Interest received		<u>30</u>	<u>5</u>
Cash used in investment activities		<u>(2,388)</u>	<u>(2,485)</u>
Net Increase in cash and cash equivalents		584	40,973
Cash and cash equivalents at beginning of year		<u>53,539</u>	<u>12,566</u>
Cash and cash equivalents at end of year	15	<u><u>54,123</u></u>	<u><u>53,539</u></u>

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

1. IDENTIFICATION AND PRINCIPAL ACTIVITY

NEPM Waste Management Limited (the Company), is incorporated and domiciled in Jamaica and is controlled by the Government of Jamaica (the Government). The registered office of the Company is located at Main Street, Ocho Rios, Saint Ann. The Company is managed by National Solid Waste Management Authority, which, by its mandate and an act of parliament (namely the National Solid Waste Management Act) has the ultimate responsibility of solid waste collection and disposal nationally. This is done through its regional offices island wide, NEPM Waste Management Limited being one of them. With one exception, NEPM Waste Management Limited's directors are similar to those of the National Solid Waste Management Authority.

The Company is responsible for the collection, treatment and disposal of solid waste for the parishes of Saint Ann, Portland and Saint Mary. The company is economically dependent on the Government of Jamaica and receives funding from the Ministry of Local Government and Community Development through the National Solid Waste Management Authority (NSWMA).

The Company also earns income from third parties for the collection and disposal of commercial garbage.

Management considers it appropriate to adopt the going concern basis in the preparation of these financial statements on the premise that the Company will be able to secure adequate financial support from these sources until it attains future sustained profitable operations.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

2.1 Statement of Compliance

The Company's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS), (2022: IFRS and IPSAS) and their interpretations issued by the International Accounting Standards Board and the relevant requirements of the Acts. There was no material impact on the Financial Statements arising from that change.

The financial statements have been prepared under the historical cost basis and are expressed in Jamaican dollars, unless otherwise indicated.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year then ended. Actual results could differ from these estimates.

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

There are no significant assumptions and judgements applied in these financial statements that carry a risk of material adjustment in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

2.2 Amendments to IFRS that are mandatorily effective for the current year

In the current year the Company has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the accounting period that begins on or after 1 January 2023.

The application of these amendments has not had any impact on the amounts reported or the presentation and disclosures in these financial statements but may impact the accounting for future transactions and arrangements.

		Effective for annual periods beginning on or after
<u>New Standard</u>		
IFRS 17	Insurance Contracts	January 1, 2023
<u>Amendments to Standards</u>		
IFRS 17	<i>Property, Plant and Equipment</i>	January 1, 2023
IAS 1 and IFRS Practice Statement 2	- Amendments regarding the disclosure of accounting policies	
IAS 8	Amendments regarding the definition of accounting estimates	January 1, 2023
IAS 12	Income taxes – clarifying application of the initial recognition exemption for temporary differences	January 1, 2023

Amendments to IAS 1: Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS1 and *IFRS Practice Statement 2 Making Materiality Judgements* with the aim of assisting entities to provide accounting policy disclosures that are more useful by:

- (1) Replacing the requirement to disclose '*significant*' accounting policies with a requirement to disclose '*material*' accounting policies
- (2) Adding guidance on how to apply the concept of materiality in making decisions about accounting policy disclosures. Guidance and examples are provided to assist the process of application. Entities will need to consider the size of transactions, other events or conditions and their nature in making the assessment.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

2.2 Amendments to IFRS that are mandatorily effective for the current year (Continued)

In the current year management reviewed the accounting policy and disclosures of the previous financial year to assess their materiality. Careful consideration was given to standardized information or those that only duplicate or summarises the requirements of IFRSs in deciding whether to remove or retain these as material in enhancing the usefulness of these financial statements.

Amendments to IAS 8: *Definition of accounting estimated*

The amendment clarified how to distinguish between changes in accounting policies and changes in accounting estimates:

1. The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
2. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. Clarification is also given on how entities use measurement techniques and inputs to develop accounting estimates.
3. The amendment clarifies that a change in accounting estimate that results from new Information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
4. This importance of the distinction is that changes in accounting estimates are applied prospectively to future transactions and other future events, while changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The amendment did not have any significant impact on the Company’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

2.3 New and revised IFRS in issue but not yet effective

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

		Effective for annual periods beginning on or after
<u>New Standards</u>		
IFRS 18	Presentation and Disclosures in Financial statements	January 1, 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	January 1, 2024
IFRS S2	Climate-related Disclosures	January 1, 2024
<u>Revised Standards</u>		
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Effective date deferred indefinitely
IAS 1	<i>Presentation of Financial Statements</i>	
	Classification of liabilities as Current or Non-current	January 1, 2024
	Amendment regarding the classification of debts with covenants	January 1, 2024
IAS 21	<i>The effect of Changes in Foreign Exchange Rates</i>	January 1, 2025
IFRS 16	Amendment on 'Lack of Exchangeability', providing guidance to specify when a currency is exchangeable <i>Leases</i>	January 1, 2024
	Amendment to clarify how a seller-lessee subsequently measures sale and leaseback transactions	
IFRS 7 and IAS 7	<i>Financial Instruments: Disclosures and Statement of Cash Flows</i>	
	Statement of Cash Flows: Amendments regarding supplier finance arrangements	January 1, 2024
IAS 7	Amendments requiring the use of the operating profit subtotal as defined in IFRS 18 as the starting point for the indirect method of reporting cash flows from operating activities. Additionally, the presentation alternatives for cash flows related to interest and dividends paid and received will be removed.	When IFRS 18 is applied, effectively for annual periods beginning on or after January 1, 2027

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

2.3 New and revised IFRS in issue but not yet effective (cont'd)

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

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

Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*

In January 2020 and October 2022, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied prospectively.

The Company is currently assessing the impact the amendments will have on current practice.

Amendments to IFRS 7 and IAS 7: *Disclosures – Supplier Finance Arrangements*

The amendments assist users of the financial statements to assess the effect of these arrangements on the entity's liabilities, cash flows and exposure to liquidity risks.

Characteristics of the supplier arrangements

One or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle these amounts with the finance providers according to the contractual arrangement with them, which may be at terms and conditions at the same date or at later dates than that on which the finance providers pay the entity's suppliers.

Disclosure requirements

New disclosures are required to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements. The information on those arrangements is required to be aggregated unless the individual arrangements have dissimilar or unique terms and conditions. IFRS 7 requires quantitative liquidity risk disclosures of financial liabilities. In that context, supplier finance arrangements are included as an example of other factors that might be relevant to disclose.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. There are transition reliefs regarding comparative and quantitative information as at

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

2.3 New and revised IFRS in issue but not yet effective (cont'd)

Disclosure requirements (cont'd)

the beginning of the annual reporting period.

The Company will apply the amendments as at the end of the 2025 reporting period. The amendment is not expected to have any significant impact of the financial statements on initial application.

- **IFRS 18: Presentation and Disclosures in Financial Statements (New Standard)**

The objective of the standard is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's economic resources.

IFRS 18 identifies what a complete set of financial statements comprises and identifies this as 'primary financial statements'.

Statement of profit or loss

The standard requires that an entity classify all income and expenses within its statement of profit and loss into one of five categories: Operating, investing, financing, income taxes and discontinued operations, the first three of which are new. This is complemented by the requirement to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'.

Main business activities

For purpose of classification in the three new categories, an entity will need to assess whether it has a 'specified main business activity' of investing in assets or providing financing to customers., as. specific classification requirements apply to such entities. Judgement is required in determining the fact and circumstances relevant to a specified main business activity as an entity may have more than one business activity.

Investing Category

This category will generally include income and expenses from investments in associates, joint ventures and unconsolidated subsidiaries, cash and cash equivalents and other assets, if they generate a return individually and largely independently of the entity's other resources.

Financing category

For an entity that does not provide financing to customers as a specified main business activity, the financing category comprises income and expenses from liabilities arising from transactions that involve only the raising of finance, for example, debentures, loans, notes, bonds and mortgages. It would also include interest income and expenses and the effects of changes in interest rates from liabilities arising from transactions that do not involve only the raising of finance, for example, payables for goods or services, lease liabilities and defined benefit pension liabilities, but only if the entity identifies those amounts when applying another IFRS accounting standard' (other liabilities).

Those entities that provide financing to customers as a main business activity will classify in the operating category income and expenses from liabilities that arise from transactions that involve only the raising of finance related to the provision of financing to customers and make an accounting policy choice to classify in the operating category or financing category income and expenses from liabilities that arise from transactions that involve only the raising of finance not related to the provision of financing to customers.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

2.3 New and revised IFRS in issue but not yet effective (cont'd)

Operating category

This category is intended to capture income and expenses from the entity's main business activities. IFRS 18 describes it as a residual category and it therefore will comprise all income and expenses not included within the other categories irrespective of volatility or their unusual nature. However, any income or loss from investments accounted for using the equity method is to be included in the investing category, regardless of the specified main business activity of the entity.

Retrospective application of the standard is mandatory for annual reporting periods starting from 1 January 2027 onwards but earlier application is permitted provided that this fact is disclosed.

The Company is assessing the impact of this new standard on its financial statements and will implement the standard on the period it becomes effective.

IFRS S1: General Requirements for Disclosure of Sustainability-related financial information

IFRS S1 sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general purpose financial reports in making decisions relating to providing resources to the entity. It applies to all entities regardless of their accounting principles and practices.

The Company will assess the extent to which compliance with the standard is required as part of its reporting obligation prior to the effective date which would apply to the 2025 reporting period. Such reporting is typically made in an entity's annual report.

IFRS S2: Climate-related Disclosures

IFRS S2 sets out the requirements for identifying, measuring, and disclosing information about climate-related risks and opportunities to which the entity is exposed that is useful to the primary users of general purpose financial reports in making informed decisions regarding resource allocation to the entity. These are climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows. Climate-related financial disclosures cover matters of governance, strategy, risk management and metrics and targets.

The Company will assess the extent to which compliance with the standard is required as part of its reporting obligation prior to the effective date which would apply to the 2025 reporting period. Such reporting is typically made in an entity's annual report.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES

3.1 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on managements' best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

Reclassification

Certain prior year amounts have been reclassified in order to conform to the current year presentation.

3.2 Financial instruments (Policy applicable from 1 April 2018)

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Recognition

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

3.2.1 Financial Assets

Classification

The company classifies financial assets at initial recognition based on the financial asset's contractual cash flow characteristic and the company's business model for managing the instruments. The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Measurement category

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2.1 Financial assets (continued)

Measurement category (continued)

of financial assets carried at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables that do not contain a significant financing component are measured on initial recognition at their transaction price.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)
- Amortised cost:
These assets arise principally from the provision of goods and services to customers as well as other types of financial assets held within a business model where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding. The SPPI test is performed at an instrument level. After initial recognition they are subsequently carried at amortised cost using the effective interest method, less any impairment.

The company's financial assets at amortised cost comprise trade and other receivables including contract assets, due from related parties and cash and bank balances.

- FVTPL and FVOCI
Equity instruments are measured at FVTPL, unless the asset is not held for trading purposes and the company makes an irrevocable election on an instrument-by-instrument basis to designate the asset as FVOCI. As a result of the election, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversal are not reported separately from other changes in fair value. Dividends representing a return on such investments are recognised in profit or loss as other income when the company's right to receive payments is established. Where the asset is held within a business model where the objective is both to collect contractual cash flows and selling the financial assets and the SPPI test is met, the assets are measured subsequently at FVOCI with gains and losses recycled to profit or loss on derecognition.

Derecognition

A financial asset or group of similar financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired or
- The company has (i) transferred its rights to receive the cash flows from the asset or (ii) has assumed an obligation to pay the received cash flows in full

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2.1 Financial assets (continued)

- FVTPL and FVOCI (continued)

Derecognition (continued)

- without material delay to a third party under a 'pass-through' arrangement and either the company
 - (a) has transferred substantially all the risk and rewards of ownership of the asset, or
 - (b) has neither transferred substantially all the risk and rewards of ownership of the asset, but has transferred control of the asset

Where the transfer does not qualify for derecognition as above, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Impairment

The company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

The company recognises a loss allowance for expected credit losses on trade receivables and other financial assets that are measured at amortised cost applying the expected credit loss model. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Trade receivables and contract assets

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. They are generally due for settlement within 30 days and therefore are all classified as current. The company recognises lifetime ECL at each reporting date for trade receivables and contract assets applying a simplified approach. The expected credit losses on these financial assets are estimated based on the company's historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions adjusted for factors that are specific to the debtors as well as the expected changes in factors or conditions affecting the debt at the reporting date, including time value of money where appropriate. If

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2.1 Financial assets (continued)

- FVTPL and FVOCI (continued)

events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly.

For all other financial instruments, the company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. Significant increase is assessed as the change in the risk of a default over the expected life of the financial asset as at the reporting date with the risk of default on the instrument occurring at the date of initial recognition, considering reasonable and supportable information that is available without undue cost or effort. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The credit risk on a financial instrument is assumed not to have increased significantly if it is determined to have a low credit risk at the reporting date taking into consideration all the terms and conditions of the instrument from the perspective of market participants or by use of other methodologies that are consistent with assessing low credit risk for the particular instrument. 12-month ECL are applied to the company's debt securities determined to have low credit risk and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition,

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and a financial asset to be in default when the financial asset is more than 270 days past due and/or internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows in its entirety or a portion thereof. For trade receivables, the company fully provide for the gross carrying amount when the financial asset is 270 days past due based on historical experience of recoveries of similar assets. Nevertheless, the company makes individual assessments regarding the timing and amount of write-off based on whether there is reasonable expectation of recovery. Write off takes place when the company's internal collection efforts have been unsuccessful in collecting the amount due. No significant recovery is expected from amounts written off.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2.1 Financial assets (continued)

- FVTPL and FVOCI (continued)

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3.2.2 Financial Liabilities

Initial recognition and measurement.

All financial liabilities are recognised initially at fair value, and except for financial liabilities not at fair value through profit or loss (FVTPL), net of directly attributable transaction costs of issue. Financial liabilities are subsequently measured at amortised cost, except for any financial liabilities at fair value through profit or loss which are subsequently measured at fair value.

Measurement category

- FVTPL
A financial liability is classified as at FVTPL if it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The company has no financial liabilities at FVTPL.
- Other financial liabilities
Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The company's financial liabilities measured at amortised cost comprise trade and other payable and due to related party.

Derecognition

A financial liability is derecognised when the obligation under the instrument is extinguished by being discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2.1 Financial assets (continued)

3.3 Financial Instruments (Policy applicable before 1 April 2018)

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity enterprise. Financial instruments carried on the statement of financial position include accounts receivable, cash and bank and short term deposits and payables.

Receivables

Trade receivables are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company 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 rate of interest.

3.4 Foreign currency transactions

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rate of exchange prevailing at the dates of the transactions. At each reporting date monetary assets and liabilities denominated in foreign currencies are retranslated at exchange rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses resulting from the settlement of foreign currency transactions and from the retranslation at period-end exchange rates are recognised in profit or loss in the period in which they arise.

3.5 Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions and balances are recognised and disclosed for the following:

- i. Enterprises and individuals owning directly or indirectly an interest in the voting power of the company that gives them significant influence over the company's affairs and close members of the families of these individuals.
- ii. Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the company, including those directors and officers and close members of the families of those individuals.
- iii. Post-employment benefit plans for the benefit of employees of the company
- iv. An entity or any member of a group to which it is a part providing key management personnel services to the company.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on property, plant and equipment is recognised so as to allocate the cost or valuation of assets less their residual values over their estimated useful lives or, in the case of leasehold improvements the shorter lease term, using the straight-line method. The following useful lives are used in the calculation of depreciation:

Motor vehicles	5 years
Furniture and fixtures	10 years
Machinery and equipment	10 years
Leasehold improvements	Period of lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Repairs and maintenance are charged to income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits are in excess of the originally assessed standard of performance of the existing asset that will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant 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 asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.7 Impairment of tangible assets

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount of an asset exceeds its estimated recoverable amount, which is the higher of the asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

3.8 Inventories

Inventories are stated at the lowest of cost and net realizable value, cost being determined on the first in first out basis. Net realizable value is the estimated selling price in the ordinary course of business, less cost to sell.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.9 Cash and cash equivalents

Further purposes of presentation of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. Bank overdrafts are shown within current liabilities on the statement of financial position.

3.10 Government subvention

Government subvention is received principally as an allocation from the National Solid Waste Management Authority and is recognised at fair value where there is reasonable assurance that the subvention will be received and the company will comply with all attached conditions.

3.11 Revenue recognition (Policy applicable from 1 April 2018)

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

The company's solid waste collection business involves the collection, transfer and disposal of waste from residential, commercial and industrial customers for transport directly to landfills and from sales of skips to a related entity. Solid waste collection services include both recurring and temporary customer relationships. Revenues from collection operations are influenced by factors such as collection frequency, type and volume or weight of the waste collected and distance to the disposal facility. Revenues from landfill operations consist of tipping fees, which are generally based on the type and weight or volume of waste being disposed of at the disposal facilities. Commercial services are performed under service agreements, with customers. The agreements give the company the exclusive right to provide specified waste services in the specified territory during the contract term. The standard customer service agreements generally range for one year with a few up to five years. Typically, the contractual arrangement provides for commercial customers to be billed on a monthly basis in arrears but for the solid waste removal to be provided bi-monthly or monthly. Revenue recognized under these agreements is earned over time over the contract cycle

Revenue from sources other than customer contracts primarily relates to imposed fines and employee services. Revenue from these sources were not material and represented less than 1% of total revenue for the current and previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue recognition (Continued)

Deferred Revenues

Deferred revenues is recognised when cash payments are received or due in advance of performance obligations and is classified as current since they are earned within a year and there are no significant financing components. Substantially all deferred revenues during the reported periods are realized as revenues within one to three months, when the related services are performed.

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 Revenue recognition (Policy applicable prior to 1 April 2018)

Revenue consists mainly of subvention income received from the National Solid Waste Management Authority and is recognised when the company is relatively certain that the amount will be collected and the company has a legal claim over the amount received.

3.13 Capital reserve

Grant funds received specifically for the acquisition of capital assets are credited directly to capital reserves and written off to revenue over the useful lives of the relevant assets.

3.14 Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or option are shown in equity as a deduction, net of tax from the proceeds.

3.15 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in a market accessible to or by the company, either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The company has exposure to the following risk from its use of financial instruments: credit risk (including currency risk and cash flow interest rate risk), market risk and liquidity risk.

The Board of Directors, together with senior management has overall responsibility for the establishment and oversight of the company's risk management framework.

The company's risk management policies are established to identify and analyze the risks faced by the company in order to set appropriate risks limits and controls, and to monitor risks. These are reviewed regularly to reflect changes in market conditions and the company's activities.

4.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Company by failing to discharge their contractual obligations. Credit risk is the most important risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Company's receivables from customers and treasury activities. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and industry segments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (Continued)

The maximum exposure to credit risk at the reporting date was \$78.638 million (2023: \$75.764 million) relating to the Company's trade and other receivables and cash and bank balances.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The Company has policies that limit the amount of credit exposure to any financial institution.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Board has established a credit policy under which each customer is analysed individually for creditworthiness prior to the Company offering them a credit facility. Credit limits are assigned to each customer, which represents the maximum credit allowable without approval from the Board. The Company has procedures in place to restrict customer orders if the order will exceed credit limits. Customers that fail to meet the Company's benchmark of creditworthiness may transact with the Company on a prepayment basis.

Customer credit risk is monitored according to their credit characteristics such as whether it is an individual or company, industry, aging profile, and previous financial difficulties. Trade receivables relate mainly to the Company's commercial customers.

The Company establishes an impairment loss allowance that represents its estimate of expected losses in respect of trade receivables. The Company addresses impairment assessment by the Expected Credit Loss (ECL) model utilizing a simplified approach and individually assessed allowances.

The Company's average credit period on the delivery of services is 30 days. A loss allowance is recognised on trade receivables that are past due more than 30 days. The loss allowance is based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries at default.

Ageing analysis of trade receivables that are past due but not impaired

Trade receivables that are 30 days or less past due are not considered impaired. The ageing analysis of trade receivables that are past due but not considered impaired is as follows:

	2024 \$'000	2023 \$'000
31 – 60 days	4,570	6,356
61 – 90 days	(40)	1,676
>90 days	12,333	6,880
	<u>16,863</u>	<u>14,912</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (Continued)

Ageing analysis of trade receivables that are past due and impaired

As at the end of the reporting period trade receivables of \$56.035 million (2023: \$45.582 million) were past due over 90 days. The expected credit loss model (ECL) was applied and the ECL assessed at \$43.702 million (2023: \$38.702 million). Impaired receivables mainly relate to Parish Councils and other commercial customers that have not fulfilled their obligations.

Movement analysis for loss allowance on trade receivables

The movement in the allowance for expected credit losses on trade receivables is as follows:

	2024 \$'000	2023 \$'000
At start of year	38,702	34,702
Allowance recognised in year	5,000	4,000
At end of year	43,702	38,702

The creation and release of loss allowances for trade receivables have been included in expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There are no financial assets other than trade receivables for which expected credit losses were assessed.

Trade receivables by customer sector

The following table summarises the credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

	2024 \$'000	2023 \$'000
Parish Councils and private enterprises	67,968	60,926
Less: Provisions for impairment	(43,702)	(38,702)
	24,266	22,224

The Company's trade receivables are receivable from customers in North Eastern Jamaica.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (Continued)

4.2 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed facilities.

The management of the Company maintains an adequate amount of financial assets in liquid form to meet contractual obligations and other recurring payments. Further the company has available access to funding through government subvention.

Liquidity risk management process

The Company's liquidity management process, as carried out within the Company and monitored by the Board of Directors includes monitoring future cash flows and liquidity on a regular basis. This incorporates an assessment of expected cash flows:

Undiscounted contractual cash flows of financial liabilities

The tables below summarise the maturity profile of the Company's financial liabilities at March 31 based on contractual undiscounted payments.

	2024	
	Within 1 Month \$'000	Total \$'000
Trade payables	124,234	124,234
Other	55,011	55,011
	<u>179,245</u>	<u>179,245</u>
	2023	
	Within 1 Month \$'000	Total \$'000
Trade payables	144,145	144,145
Other	50,992	50,992
	<u>195,137</u>	<u>195,137</u>

Liabilities are usually covered by cash generated from operations in the normal course of business. Assets available to meet all liabilities include cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

4. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

4.3 **Market risk**

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by management which carries out research and monitors the price movement of financial assets on the local market. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

4.3.1 **Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign exchange risk, primarily with respect to the US dollar. Foreign exchange risk arises from commercial transactions denominated in foreign currency and recognised foreign currency assets and liabilities.

At the end of the reporting period, the Company had no significant exposure to currency risk as there were no balances denominated in foreign currency.

4.3.2 **Interest rate risk**

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

At the end of the reporting period, the Company had no significant exposure to interest rate risk as there was no significant interest bearing assets or liabilities.

Capital management

The Company's objectives when managing capital, which is its accumulated funds are to safeguard the Company's ability to continue as a going concern and to maintain a stable capital base in order to carry out its mandate. Management closely monitors the Company's cash flows through continuous planning and reporting.

The overall strategy remains unchanged from prior year.

5. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

5.1 Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, management believes that there were no critical judgements made, apart from those involving estimation (see below) that would cause a significant impact on the amounts recognised in the financial statements.

5.2 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

Management exercises judgement in determining whether the costs incurred can accrue significant future economic benefits to the Company to enable the value to be treated as a capital expense. Further, judgement is applied in the annual review of the useful lives of all categories of property, plant and equipment and the resulting depreciation thereon. Details of the estimated useful lives are disclosed in Note 3.6 (See Note 12).

Impairment of trade receivables

The Company periodically assesses the collectability of its trade receivables. Allowance for expected credit losses is established or increased as described in Note 3.3.1. There is, however, no certainty that the Company will collect the total remaining unimpaired balance, as some balances that are estimated to be collectible as at the end of the reporting period may subsequently be at default. Trade receivables amounted to \$67.968 million at the end of the reporting period (2023: \$60.926 million) against which a loss allowance of \$43.702 million (2023: \$38.702 million) has been made. See Notes 4.1 and 14.

Impairment of assets

The Company reviews tangible assets with definite useful lives for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. Should these assumptions and estimates change, or not be met, the value-in-use calculations will be affected.

Fair value estimation

Financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable as described in Note 3.13. The Company had no financial instruments that were measured at fair value after initial recognition classified at Level 1 to Level 3 at the end of the reporting period.

In assessing the fair values of financial instruments, the Company uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rates used. The methods and assumptions used are described in Note 21.

NEPM WASTE MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2024****(expressed in Jamaican dollars unless otherwise indicated)**

6. GOVERNMENT SUBVENTION

Government subvention includes recurrent amounts received through the National Solid Waste Management Authority (NSWMA). There are no unfulfilled conditions or other contingencies attached to subvention received.

	2024 \$'000	2023 \$'000
Subvention - primary allocation	1,084,867	892,079
Subvention - emergency and special projects	<u>68,000</u>	<u>30,906</u>
	<u>1,152,867</u>	<u>922,985</u>

7. COMMERCIAL INCOME

These comprise revenue from contracts with customers which are substantially fees received from the collection of commercial solid waste in the parishes of Saint Ann, Portland and Saint Mary.

	2024 \$'000	2023 \$'000
Income earned	98,860	94,558
Remitted to Accountant General	<u>-</u>	<u>(17,408)</u>
	<u>98,860</u>	<u>77,150</u>

8. OTHER INCOME

	2024 \$'000	2023 \$'000
Anti-litter fine	1,321	342
Management fee	1,095	-
Card replacement & Staff deduction fees	<u>81</u>	<u>87</u>
	<u>2,497</u>	<u>429</u>

NEPM WASTE MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2024****(expressed in Jamaican dollars unless otherwise indicated)****9. EXPENSE BY NATURE**

Total direct, administration and other expenses:

	2024 \$'000	2023 \$'000
Landfill Operations*	226,449	191,700
Supplementary fleet –Contractors' expense	126,973	148,687
Public cleansing	8,728	36,698
Beautification and special projects**	138,129	87,857
Staff costs (Note 10) ***	534,190	402,435
Motor vehicle expense****	172,189	133,072
Repairs and maintenance property and equipment	932	1,114
Depreciation–property, plant & equip. (Note 12)	2,713	2,762
Security services	2,617	4,441
Rental, leases and hireage (Note 20)	1,902	1,551
Utilities	4,510	4,469
Stationery and office expense	7,456	2,697
Interest & Penalties	626	-
Bank charges	66	68
Allowance for expected credit losses (Note 4)	5,000	4,000
General Consumption Tax (GCT)	14,194	13,424
Training, advertising & promotions	1,474	1,757
	1,248,148	1,036,732

* Landfill operations costs increased due to an increase in the number of trips allotted to each operator and an increase in the cost of cover material.

** Beautification and special projects cost increased due to a \$38M Christmas cleanup project and a \$37M Dengue mitigation project.

*** Staff cost increased due to increased staff rates effective April 2023.

**** Motor vehicle expense increased due to increased fuel cost.

10. STAFF COSTS

	2024 \$'000	2023 \$'000
Wages and salaries	462,895	349,121
Travel cost incl. motor vehicle upkeep and mileage allowances	33,301	16,261
Payroll taxes – employer's portion (NIS, NHT)	26,953	18,991
Staff allowances and benefits	1,546	5,944
Staff welfare incl. health and life insurance	9,495	12,118
	534,190	402,435

The number of employees at year end was 340 (2023: 295).

NEPM WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

(expressed in Jamaican dollars unless otherwise indicated)

11. TAXATION

No provision for taxation has been made in these financial statements. The Company is exempt from income tax under the provisions of Section 12(h) of the Income Tax Act.

Deferred taxation is not recognised in these financial statements as a result of the company's exemption from taxation.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings Portable \$'000	Motor Vehicles \$'000	Furniture, Fixtures and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Cost or valuation					
1 April 2022	3,300	14,744	19,335	3,077	40,456
Additions	-	-	2,491	-	2,491
31 March 2023	3,300	14,744	21,826	3,077	42,947
Additions	-	-	2,419	-	2,419
31 March 2024	3,300	14,744	24,245	3,077	45,366
Accumulated depreciation					
1 April 2022	1,112	12,194	14,701	2,902	30,909
Charge for the year	89	755	1,869	49	2,762
31 March 2023	1,201	12,949	16,570	2,951	33,671
Charge for the year	84	755	1,825	49	2,713
31 March 2024	1,285	13,704	18,395	3,000	36,384
Carrying amount					
31 March 2024	2,015	1,040	5,850	77	8,982
31 March 2023	2,105	1,795	5,256	120	9,276

13. INVENTORIES

Inventories comprise the following:

	2024 \$'000	2023 \$'000
Tyres	1,235	6,729
Tools and equipment	98	98
Stationery	703	1,554
Consumables	3,580	1,933
Spare parts	6,200	6,826
Oils and lubricants	149	681
	<u>11,965</u>	<u>17,821</u>

Inventories recognised as an expense during the year amounted to \$26.071 million (2023: \$7.231 million).

NEPM WASTE MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2024****(expressed in Jamaican dollars unless otherwise indicated)****14. TRADE AND OTHER RECEIVABLES**

	2024 \$'000	2023 \$'000
Trade receivables	67,968	60,927
Allowance for impairment	<u>(43,702)</u>	<u>(38,702)</u>
	24,266	22,225
Advances	155	155
Prepayments	<u>94</u>	<u>94</u>
	<u>24,515</u>	<u>22,474</u>

15. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statements, cash and cash equivalents comprise:

	2024 \$'000	2023 \$'000
NCB Current account	39,189	41,452
BNS Current account	14,819	11,972
Petty cash	<u>115</u>	<u>115</u>
	<u>54,123</u>	<u>53,539</u>

16. TRADE AND OTHER PAYABLES

	2024 \$'000	2023 \$'000
Trade payables	124,234	144,145
Statutory deductions	22,127	27,104
Vacation leave	15,907	9,542
Legal, audit and other professional fees	2,735	2,735
St. Ann Parish Council & Jamaica Railway	12,185	10,920
Accruals	<u>2,057</u>	<u>691</u>
	<u>179,245</u>	<u>195,137</u>

NEPM WASTE MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2024****(expressed in Jamaican dollars unless otherwise indicated)****17. RELATED PARTY TRANSACTIONS AND BALANCES**

The following transactions were carried out with related parties:

(a) Subventions received

	2024 \$'000	2023 \$'000
Government subventions (Note 6)	<u>1,128,211</u>	<u>922,985</u>

(b) Due to Related party

	2024 \$'000	2023 \$'000
National Solid Waste Management Authority	<u>200,205</u>	<u>193,944</u>

(c) Senior Management Compensation

	2024 \$'000	2023 \$'000
Salaries and related expenses	<u>35,025</u>	<u>28,701</u>

18. SHARE CAPITAL

	2024 \$	2023 \$
Authorised		
200 ordinary shares at no par value at April 1 and March 31	<u>200</u>	<u>200</u>
Issued and fully paid		
2 ordinary shares at no par value at April 1 and March 31	<u>2</u>	<u>2</u>

19. REVALUATION RESERVE

This represents the previous Jamaican GAAP revalued amount which has been used as the deemed cost of the assets under the provision of IFRS 1.

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 MARCH 2024****(expressed in Jamaican dollars unless otherwise indicated)**

20. LEASES COMMITMENTS

As at March 31 the company had an ongoing monthly arrangement relating to rental of premises for carrying out its operations. A lease contract has not yet been negotiated and finalised between the parties.

	2024 \$'000	2023 \$'000
Operating lease recognised as an expense in the year	<u>1,385</u>	<u>1,213</u>

At the end of the reporting period the Company had no outstanding commitments under operating leases.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

There were no financial instruments of the Company that were measured at fair value after initial recognition classified at Level 1 to Level 3 at the end of the reporting period.

The following methods and assumptions have been used in assessing the fair value of the company's financial instruments:

The carrying values of cash and bank balances, trade receivables, trade payables and other assets and liabilities maturing within twelve months are assumed to approximate their fair values because of the short-term maturities of these instruments.