

JAMAICA SOCIAL INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

1 IDENTIFICATION

The company which was incorporated in Jamaica, is the vehicle used to carry out all the activities of the Jamaica Social Investment Fund (JSIF) project. The registered office of the company is 10-12 Grenada Crescent, Kingston 5.

The Jamaica Social Investment Fund (JSIF) is a temporary, autonomous Government of Jamaica (GOJ) sponsored project designed to address some of the most pressing socio-economic needs of the poorest. In order to achieve this, the JSIF mobilizes resources from the Government, donors and lending agencies.

The initial JSIF project was funded in its first six years, that is, up to March 31, 2003, by a series of grants and loans as follows:

- (a) Initial project preparation costs were funded under the Grant Agreement No. TF 029209 between the GOJ and the Government of Japan.

Other financing arrangements made to fund the project activities were:

- (b) Loan Agreement No. 4088 JM between the GOJ and International Bank for Reconstruction and Development (IBRD) dated October 2, 1996 to borrow US\$20 million.

Disbursement was completed in March 2002.

- (c) Loan Contract No. 1005/OC-JA between the GOJ and the Inter-American Development Bank (IDB) dated July 25, 1997 to finance up to US\$10 million.

The final disbursement was made in August 2002.

- (d) Grant Agreement No. TF024816 between the GOJ and the Government of Netherlands (GON), IBRD being the Administrator on behalf of the Netherlands Minister for Development Cooperation, dated March 26, 1997 for funds totalling US\$3 million (5,250,000 Netherlands Guilders (NLG)).

Disbursement was completed in August 2001.

- (e) Memorandum of Understanding between the GOJ, JSIF and the European Union dated December 12, 1996 for funds totalling \$91 million (US\$2.6 million). This sum forms a part of the GOJ counterpart funding referred to in (f) below.

- (f) Implementation Letter from GOJ and JSIF to IBRD dated October 2, 1996 confirming the availability of the minimum counterpart funding of US\$10 million.

- (g) Loan Agreement No. 685P between the GOJ and the Organization for Petroleum Exporting Countries (OPEC) dated April 21, 1997 to borrow US\$2 million.

Disbursement was completed in February 2002.

JAMAICA SOCIAL INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

1 IDENTIFICATION (Cont'd)

- (h) Arrangement between the GOJ and the Government of the United Kingdom of Great Britain and Northern Ireland dated May 16, 1997 to make available a technical cooperation grant through the Department for International Development (DFID), previously Overseas Development Administration (ODA) up to £476,000. The grant expired in December 2001.
- (i) Beneficiaries and sponsors of sub-projects were obligated to contribute a minimum of 5% of the estimated sub-project cost in the form of donated labour, local materials and project preparation and supervision services.

Continuing project activities is financed as follows:

- (a) Loan Agreement No. 10/SFR-OR-JAM between the GOJ, JSIF and the Caribbean Development Bank (CDB) dated May 26, 2000 to finance up to US\$14.128 million.
 Grant Agreement No. GA10/JAM between the JSIF and the Caribbean Development Bank dated May 26, 2000 for funds totalling US\$124,000.
- (b) Grant Agreement No. 6349/JM between the GOJ and the Commission of the European Communities (EU) dated December 11, 2000 from the resources of the European Development Fund of EUR 6 million.
- (c) Loan Agreement No. 7148-JM between the GOJ and IBRD dated October 31, 2002 to borrow US\$15 million.
- (d) Grant Agreement No. GA19/JM between the GOJ, JSIF and the CDB dated June 16, 2003 for funds totalling US\$2,866,897 under the Basic Needs Trust Fund fifth programme (BNTFS) jointly funded by the CDB and CIDA.

The Jamaica Social Investment Fund is a project and the company is the corporate entity which implements the activities of the project. The company enters into contracts and pays expenses with respect to the project. The company neither earns any income nor incurs expenditure on its own account.

These financial statements reflect the assets and liabilities of the company only and do not reflect the income, expenditure or property and equipment of the project. Separate financial statements are prepared to show project funding sources and expenditures.

2 SIGNIFICANT ACCOUNTING POLICIES

- (a) Basis of preparation

Jamaica adopted International Financial Reporting Standards (IFRS) as its national accounting standards, effective for accounting periods beginning on or after July 1, 2002. The company's financial statements for the year ended March 31, 2004 have been prepared in accordance and comply with IFRS and comparative information also conforms with the provisions of IFRS. The adoption of IFRS has had no impact on the previously reported financial position of the company.

These financial statements have been prepared under the historical cost basis and are expressed in Jamaican dollars.

- (b) Accounts receivable

These comprise amounts which are expected to be settled within a year of inception and are stated at their nominal value.

JAMAICA SOCIAL INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Cash and cash equivalents

For the purposes of the cash flow statements, cash and bank deposits comprise cash at bank and in hand and bank deposits having an original maturity of three months or less.

(d) Accounts payable

These amounts are stated at their nominal value.

(e) Net resources for project expenditure

These represent the unused balances of loans, grants or other financing received which have not yet been utilized in the JSIF project at the reporting date and for which the company would therefore have an obligation to justify their use subsequently in project activities.

These are recognized at their nominal amount adjusted for advances disbursed and contractual claims against the funds.

(f) Foreign currencies

Transactions in foreign currencies have been converted to Jamaican dollars at the rates of exchange ruling at the dates of those transactions. Assets and liabilities denominated in foreign currencies are translated to Jamaican dollars at exchange rates current at balance sheet date. All exchange gains and losses arising in the financial period are credited to, or charged against, Government of Jamaica resources, in the financial statements of the Project.

(g) Financial instruments

Financial instruments include contracts that give rise to both financial assets and financial liabilities. Financial assets include cash bank deposits, advances and deposits receivable. Financial liabilities include project expenditure reimbursable to GOJ and other funding agencies, net resources for project expenditure and accounts payable.

(h) Use of estimates

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 and the disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from the estimates and any adjustments that may be necessary would be reflected in the financial period in which actual results are known.

JAMAICA SOCIAL INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

3 ADVANCES TO CONTRACTORS AND OTHER RECEIVABLES

	<u>2004</u>	<u>2003</u>
	\$	\$
Advances on sub-project contracts	7,538,620	6,947,518
Other advances	-	67,254
Security deposits	<u>838,060</u>	<u>895,708</u>
	<u>8,376,680</u>	<u>7,910,480</u>

The management considers that the carrying amount of accounts receivable approximates their fair value because of their short-term nature.

4 NET RESOURCES FOR PROJECT EXPENDITURE

	<u>2004</u>	<u>2003</u>
	\$	\$
<i>Funds advanced (reimbursable) for project expenditure at March 31:</i>		
International Bank for Reconstruction and Development	21,551,322	-
Government of Jamaica	(73,250,084)	(5,402,049)
Caribbean Development Bank (Loan)	36,216,971	89,098,056
Commission of European Communities	8,359,460	31,458,036
Caribbean Development Bank (grant)	<u>23,988,819</u>	<u>-</u>
	<u>16,866,488</u>	<u>115,154,043</u>

5 ACCOUNTS PAYABLE

	<u>2004</u>	<u>2003</u>
	\$	\$
Contractor claims	42,202,060	32,475,353
Other payables	<u>16,742,247</u>	<u>2,312,053</u>
	<u>58,944,307</u>	<u>34,787,406</u>

The management considers that the carrying amount of accounts payable approximates their fair value because of their short-term nature.

JAMAICA SOCIAL INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

6 PROPERTY AND EQUIPMENT

The property and equipment used by the company totalling a cost of \$37,030,746 (2003 - \$34,026,891), financed by funds received from the IBRD, IDB, EU, the Government of Japan and the GOJ have been accounted for as project expenditure and therefore are not reflected in these financial statements other than by way of this note.

7 CASH RESOURCES AVAILABLE

Funding Agency	Available Cash Resources <u>April 1, 2003</u> \$'000	Funds Received During the Year <u>Ended March 31, 2004</u> \$'000	Project Outflows/Less Recoveries \$'000	Available Cash Resources <u>March 31, 2004</u> \$'000
Government of Jamaica	47,799	136,934	(181,091)	3,642
EU	31,447	5,000	(28,099)	8,348
CDB (loan)	62,786	163,929	(216,810)	9,905
IBRD	-	61,474	(39,923)	21,551
CDB (grant)	-	22,794	1,195	23,989
	<u>142,032</u>	<u>390,131</u>	<u>(464,728)</u>	<u>67,435</u>

8 FINANCIAL INSTRUMENTS

(a) Fair value

Fair value amounts represent estimates of the consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair values of the company's financial assets and liabilities included in current assets and liabilities are assumed to approximate their carrying value, due to their short-term nature.

(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.

Interest bearing financial assets are primarily represented by bank deposits which are materially contracted at fixed interest rates for the duration of the term. At March 31, 2004, financial assets subject to interest aggregated to approximately \$3,268,681.

There are no interest bearing financial liabilities at March 31, 2004.

JAMAICA SOCIAL INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

8 FINANCIAL INSTRUMENTS (Cont'd)

(c) Credit risk

Financial instruments contain an element of risk that the other obligators may be unable to meet the terms of agreements. Direct credit risk represents risk of loss resulting from the obligators' default in relation to assets on the balance sheet.

In respect of the bank deposits, the company minimizes this risk by seeking to limit its obligators to creditworthy entities.

Management policies require contractors for civil works to provide performance bonds and/or bank guarantees in respect of performance of these contracts. Procurement and selection procedures also evaluate the credit risk of potential contractors.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(d) Foreign currency risk

The company incurred foreign currency risk on transactions that are denominated in currencies other than Jamaican dollars.

The following foreign currency balances are included in these financial statements:

	<u>2004</u>	<u>2003</u>
Cash and bank deposits	US\$956,346	US\$ 2,026,290

9 CONTINGENCIES AND COMMITMENTS

- (a) At March 31, 2004, outstanding claims against the company made by a contractor on JSIF Projects aggregated approximately \$2.9 million in respect of contract payments and interests thereon.

The adjudicator awarded settlement of \$312,615 in January 2003 to the contractor and the amount was paid in February 2003. However, the contractor refused to accept payment and referred the matter to an arbitrator. However, after a preliminary hearing the attorney of the contractor did not deliver the points of claim on the required date.

- (b) At March 31, 2004, commitments in respect of contracts approved by the board but not yet executed amounted to approximately \$392 million.

10 SUBSEQUENT EVENT

Subsequent to the balance sheet date, two companies made claims aggregating approximately J\$7,685,000 plus interest against the company in relation to JSIF construction agreements. The outcome of these claims cannot presently be determined.