

JAMAICA SOCIAL INVESTMENT FUND LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2006

	<u>Note</u>	<u>2006</u> \$	<u>2005</u> \$
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received		525,137,042	332,179,729
Grants received		64,738,730	14,809,237
GOJ subvention and miscellaneous funding		<u>185,639,684</u>	<u>273,678,744</u>
Net cash from financing activities		<u>775,515,456</u>	<u>620,667,710</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Changes in non-cash working capital			
Advances to contractors and other receivables		3,359,780	(1,022,662)
Accounts payable		5,791,051	(8,957,743)
Expenditure in JSIF projects		<u>(813,513,067)</u>	<u>(542,742,507)</u>
Net cash invested in JSIF Project		<u>(804,362,236)</u>	<u>(552,722,912)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(28,846,780)</u>	67,944,798
OPENING CASH AND CASH EQUIVALENTS		<u>135,379,913</u>	<u>67,435,115</u>
CLOSING CASH AND CASH EQUIVALENTS	6	<u>106,533,133</u>	<u>135,379,913</u>

The Notes on Statement IV form an integral part of the Financial Statements.

JAMAICA SOCIAL INVESTMENT FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

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). The registered office of the company is 1C-1F Pawsey Road, Kingston.

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.

JAMAICA SOCIAL INVESTMENT FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

1 IDENTIFICATION (Cont'd)

- (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.

- (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 are 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 provide US\$15 million for the funding of the National Community Development Project (NCDP).
- (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 (BNTF) fifth programme jointly funded by the CDB and the Canadian International Development Agency (CIDA).

JAMAICA SOCIAL INVESTMENT FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

1 IDENTIFICATION (Cont'd)

- (e) Letter Agreement No. P4140 dated February 24, 2005 between the GOJ and the World Bank for US\$650,000 for the preparation of the Inner City Basic Services Project (ICBSP). This Project Preparation Facility was later incorporated into Loan Agreement No. 4819-JM between the GOJ and the IBRD dated May 4, 2006 to finance up to US\$29,300,000 under the project.
- (f) Loan Agreement No. 1007P dated April 21, 2005 between Jamaica and the OPEC Fund for International Development approving a loan in the amount of US\$5 million to provide counterpart funding for the World Bank loan No. 7148-JM.
- (g) Grant Agreement No TF 054629 dated May 10, 2005 between the GOJ and the World Bank in the capacity of administrator of grant funds of US\$650,000 provided by the Government of Japan for preparation of the Inner City Basic Services Project.
- (h) Grant Agreement, titled Jamaica PHRD Grant for Preparation of Jamaica Catastrophe Insurance (Grant No. TF 055128) between GOJ and the IBRD concluded October 25, 2005, in the sum of US\$800,000 provided by Japan, and administered by the Bank for the purpose of assisting in the financing of Preparation of Jamaica Catastrophe Insurance Project.
- (i) Grant Agreement No. TF 055129 between the IBRD and Antigua and Barbuda, Commonwealth of Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines concluded January 12, 2006 in the sum of US\$1 million for the preparation of OECS Catastrophe Insurance.

The Jamaica Social Investment Fund is a project and the company is the corporate entity which implements the activities of the project. The company receives funding, 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 relating to activities carried out on behalf of the project and do not reflect the receipts or expenditure of the project. Separate financial statements are prepared to show project funding sources and expenditures.

2 ADOPTION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2005. The adoption of these new and revised Standards and Interpretations have resulted in changes to the company's disclosures in the financial statements but have not affected the amounts reported for the current and prior years.

JAMAICA SOCIAL INVESTMENT FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

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

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosure
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
<u>IFRIC 6</u>	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
<u>IFRIC 7</u>	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
<u>IFRIC 8</u>	Scope of IFRS 2
<u>IFRIC 9</u>	Reassessment of Embedded Derivatives

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The company's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and under the historical cost convention.

These financial statements are expressed in Jamaican dollars since that is the currency in which the majority of the company's transactions are denominated.

(b) 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and any adjustments that may be necessary would be reflected in the year in which actual results are known.

JAMAICA SOCIAL INVESTMENT FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Financial instruments

Financial assets and financial liabilities are recognized on the company's balance sheet when it becomes a party to the contractual provision of the instrument.

i) Accounts receivable

These are measured at initial recognition at their fair values. Interest is not charged on outstanding balances and these are not generally discounted as they are usually settled within a short period during which market interest rates do not normally move significantly. Appropriate allowances for estimated irrecoverable amounts are recognized when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated cash flows.

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term bank deposits that are readily convertible to a known amount of cash and are subject to insignificant risk or change in value.

iii) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

iv) Accounts payable

Trade payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

v) Equity instruments

Equity instruments issued by the company are recorded at the proceeds received net of direct issue costs.

The fair values of the financial instruments are discussed in Note 10.

(d) 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.

JAMAICA SOCIAL INVESTMENT FUND LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2006****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(e) Foreign currency translation**

The financial statements of the company are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in Government of Jamaica resources, in the financial statements of the Project.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the company's accounting policies, which are described in Note 3, management has made no judgements and estimates that have significant effect on the amounts recognized in the financial statements and could cause material adjustments to the carrying amounts of assets and liabilities.

5 PROPERTY AND EQUIPMENT

The property and equipment used by the company totalling a cost of \$43,547,288 (2005 - \$38,822,997), financed by funds received from the IBRD, IDB, EU, CDB, 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.

JAMAICA SOCIAL INVESTMENT FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

6 CASH RESOURCES AVAILABLE

<u>Funding Agency</u>	<u>Available Cash Resources April 1, 2005</u> \$	<u>Funds Received During the Year Ended March 31, 2006</u> \$	<u>Project Outflows/Less Recoveries</u> \$	<u>Available Cash Resources March 31, 2006</u> \$
Government of Jamaica	62,045,123	185,639,684	(174,333,039)	73,351,768
EU	4,661,227	180,857,697	(182,979,945)	2,538,979
IBRD (ICBSP)	-	45,681,472	(44,431,423)	1,250,040
CDB (loan)	22,516,331	-	(10,782,104)	11,734,226
IBRD (NCDP)	31,331,948	298,597,873	(328,525,041)	1,404,780
CDB (BNTF grant)	<u>14,825,284</u>	<u>64,738,730</u>	<u>(63,310,684)</u>	<u>16,253,331</u>
	<u>135,379,913</u>	<u>775,515,456</u>	<u>(804,362,236)</u>	<u>106,533,133</u>

JAMAICA SOCIAL INVESTMENT FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

7 ADVANCES TO CONTRACTORS AND OTHER RECEIVABLES

	<u>2006</u>	<u>2005</u>
	\$	\$
Advances on sub-project contracts	4,669,996	8,070,255
Other advances	167,744	66,152
Prepayments	<u>1,201,822</u>	<u>1,262,935</u>
	<u>6,039,562</u>	<u>9,399,342</u>

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

8 NET RESOURCES FOR PROJECT EXPENDITURE

	<u>2006</u>	<u>2005</u>
	\$	\$
<i>Funds advanced (reimbursable) for project expenditure at March 31:</i>		
International Bank for Reconstruction and Development (NCDP loan)	31,435,532	61,362,700
International Bank for Reconstruction and Development (ICBSP)	1,250,049	-
Government of Jamaica	(25,299,762)	(27,455,576)
Caribbean Development Bank (Loan)	23,349,547	34,131,652
Commission of European Communities	2,550,160	4,672,408
Caribbean Development Bank (BNTF Grant)	<u>23,508,554</u>	<u>22,080,507</u>
	<u>56,794,080</u>	<u>94,791,691</u>

9 ACCOUNTS PAYABLE

	<u>2006</u>	<u>2005</u>
	\$	\$
Contractors' claims	52,865,835	49,136,204
Other payables	<u>2,911,780</u>	<u>850,360</u>
	<u>55,777,615</u>	<u>49,986,564</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, 2006****10 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, 2006, financial assets subject to interest aggregated to approximately \$63,055,159.

There are no interest bearing financial liabilities at March 31, 2006.

(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.

JAMAICA SOCIAL INVESTMENT FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

10 FINANCIAL INSTRUMENTS (Cont'd)

(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>2006</u>	<u>2005</u>
Cash and cash equivalents	US\$ 624,470	US\$ 1,123,175

11 CONTINGENCIES AND COMMITMENTS

- (a) At March 31, 2006, there was one outstanding claim for approximately \$3 million against the company made by a contractor on JSIF Projects. The adjudicator awarded settlement of \$312,615 in January 2003 to the contractor and the amount was paid in February 2003. The contractor refused to accept payment and referred the matter to an arbitrator. The arbitration hearing has not yet commenced. On January 12, 2006, the arbitrator issued Amended Directions as to the conduct of the arbitration.

JSIF pointed out to him that the February 22 and 23, 2006 hearing dates set out in the amended directions of arbitrator had to be rescheduled for dates after June 10, 2006, so as to enable the parties to comply with certain pre-hearing directions specified in his Amended Directions of Arbitrator.

- (b) At March 31, 2006, commitments in respect of contracts approved by the board but not yet executed amounted to approximately \$312 million.
- (c) The company has entered into a lease agreement for office space expiring January 31, 2007. The total annual rental to be paid is:

	J\$'000
2007	7,549