

N.C.B. Foundation

**Financial Statements
31 December 2006**

N.C.B. Foundation

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N.C.B. Foundation

Directors' Report

31 December 2006

The directors submit herewith the financial statements of N.C.B. Foundation for the year ended 31 December 2006.

The Statement of Revenues and Expenses shows a surplus of \$18,155,000. The Fund balance at 31 December 2006 amounted to \$144,741,000.

Directors

The Board of Directors currently comprises:

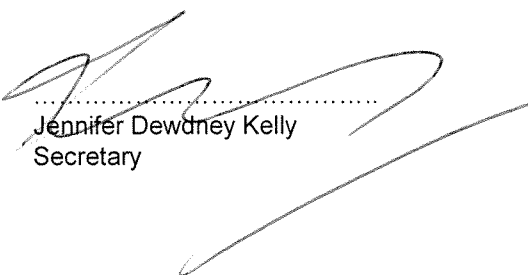
Mrs. Thalia Lyn - Chairman
Dr. Joy Callender
Mrs. Yvonne Clarke
Mrs. Jennifer Dewdney Kelly - Secretary
Mrs. Lisa Lakhan-Chen
Mrs. Sheree Martin
Mr. Andrew Pairman (appointed on 29 November 2006)
Mrs. Diana Oddi
Dr. Diana Thorburn
Mrs. Irene Walter

Dr. Paulette Henry resigned on 23 January 2008

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and offer themselves for re-appointment.

On behalf of the Board


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Jennifer Dewdney Kelly
Secretary

Independent Auditors' Report

To the Members of
NCB Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of NCB Foundation, set out on pages 1 to 9, which comprise the balance sheet as of 31 December 2006 and the statement of revenue and expenses, statements of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Members of NCB Foundation
Independent Auditors' Report
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Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Foundation as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by 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, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants

25 June 2008

Kingston, Jamaica

N.C.B. Foundation
 Statement of Revenue and Expenses
 Year ended 31 December 2006

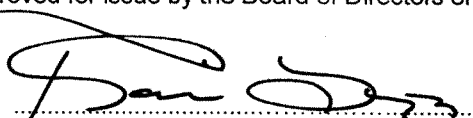
	2006	2005
	\$'000	\$'000
Revenue		
Contributions received	91,202	49,560
Interest	15,775	16,408
	<u>106,977</u>	<u>65,968</u>
Expenses		
Grants and scholarships	81,057	29,926
Management Fees	1,144	796
Auditors' remuneration	-	-
Directors' emoluments	-	-
Advertisement	6,448	2,368
Miscellaneous	173	54
	<u>88,822</u>	<u>33,144</u>
Surplus	<u>18,155</u>	<u>32,824</u>

N.C.B. Foundation

Balance Sheet
31 December 2006

	Note	2006 \$'000	2005 \$'000
NET ASSETS EMPLOYED			
Current Assets			
Taxation recoverable		10,767	7,742
Investments	6	47,148	52,727
Reverse repurchase agreements	7	88,449	62,487
Cash at bank		-	4,410
		146,364	127,366
Current Liabilities			
Bank overdraft		964	-
		<u>145,400</u>	<u>127,366</u>
FINANCED BY			
Fair value reserve		659	780
Fund balance		144,741	126,586
		<u>145,400</u>	<u>127,366</u>

Approved for issue by the Board of Directors on 25 June 2008 and signed on its behalf by:


Thalia Lyn Director


Andrew Pairman Director

N.C.B. Foundation

Statement of Changes in Equity Year ended 31 December 2006

	Fair Value Reserve	Fund Balance	Total
	\$'000	\$'000	\$'000
Balance as at 1 January 2005	16	93,762	93,778
Unrealised gain on available for sale securities	764	-	764
Surplus for the year	-	32,824	32,824
Balance at 31 December 2005	780	126,586	127,366
Unrealised loss on available for sale securities	(121)	-	(121)
Surplus for the year	-	18,155	18,155
Balance at 31 December 2006	659	144,741	145,400

N.C.B. Foundation
Statement of Changes in Cash Flows
Year ended 31 December 2006

	2006	2005
	\$'000	\$'000
CASH RESOURCES WERE PROVIDED BY:		
Operating Activities		
Surplus	18,155	32,824
Item not affecting cash:		
Interest income	<u>(15,775)</u>	<u>(16,408)</u>
	2,380	16,416
Change in non-cash working capital balance:		
Taxation recoverable	<u>(3,025)</u>	<u>(2,951)</u>
Net cash (used in)/provided by operating activities	<u>(645)</u>	<u>13,465</u>
Cash Flows from Investing Activities		
Interest received	18,156	17,785
Investments, net	5,331	(37,699)
Reverse repurchase agreements	<u>(28,216)</u>	<u>10,668</u>
Net cash used in investing activities	<u>(4,729)</u>	<u>(9,246)</u>
(Decrease)/increase in cash and cash equivalents	(5,374)	4,219
Cash and cash equivalents at beginning of year	<u>4,410</u>	<u>191</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>(964)</u></u>	<u><u>4,410</u></u>

N.C.B. Foundation

Notes to the Financial Statements

31 December 2006

1. Incorporation

N.C.B. Foundation (the Foundation) was incorporated on 27 October 1981 as a company limited by guarantee not having a share capital.

All amounts are stated in Jamaican dollars.

2. Objects

The objects of the Foundation are to promote and assist for the benefit of the public of Jamaica, any charitable purposes, the advancement of education, the furtherance of health, the relief of poverty, distress and sickness, appreciation of Jamaica culture and any other work in Jamaica as the Foundation may from time to time decide.

3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years and presented, unless otherwise stated.

(a) Basis of preparation

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

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Foundation's operations:

- IAS 19 (Amendment), Employee Benefits;
- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment;
- IFRIC 4, Determining whether an Arrangement contains a Lease; and
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

N.C.B. Foundation

Notes to the Financial Statements

31 December 2006

3. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

The following interpretations to existing standards have been published that are mandatory for the Foundation's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Foundation's operations:

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006)
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006).
- IFRIC 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006)
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006)

(b) Funding and contributions

The Foundation is funded by National Commercial Bank Jamaica Limited (the Bank). Contributions are recognised when received.

(c) Awards and grants

Awards and grants are recorded when approved by the Board of Directors.

(d) Financial instruments

Financial instruments carried on the balance sheet include investments, reverse repurchase agreements and cash at bank. The fair values of these financial instruments are discussed in Note 4(b).

(e) Securities purchased under agreements to resell

The securities purchased under agreements to resell are treated as collateralised lending. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(f) Investments

Investment securities are classified as available-for-sale. Management determines the appropriate classification of investments at the time of purchase.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or market prices. They are initially recognised at cost, which includes transaction costs, and subsequently remeasured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are recognised in the fair value reserve. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in fair value reserve are transferred to the statement of revenue and expenses.

N.C.B. Foundation

Notes to the Financial Statements

31 December 2006

3. Significant Accounting Policies (Continued)

(f) Investments (continued)

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

All purchases and sales of investment securities are recognised at the settlement date.

(g) Interest income

Interest Income is recognised in the statement of revenues and expenses for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount on discounted instruments.

(h) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances which mature within 90 days from the date of acquisition including cash resources and investment securities.

(i) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to reflect the requirements of IFRS.

4. Financial Risk Management

(a) Financial risk factors

The Foundation's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. Management seeks to minimise potential adverse effects on the financial performance of the Foundation by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Directors.

(i) Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation currently is not exposed to foreign exchange risks as all assets and liabilities are in the local currency (JMD).

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Foundation manages its price risk by investing in securities that are not heavily affected by market price changes.

N.C.B. Foundation

Notes to the Financial Statements

31 December 2006

4. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Foundation manages this risk by investing with reputable institutions that will not default on their obligation.

(iii) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. At 31 December 2006, the Foundation had no significant exposure to such risks.

(iv) Cash flow and fair value 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. At 31 December 2006, the Foundation's operating cash flows were substantially independent of changes in market interest rates. However, the Foundation has interest-bearing assets as disclosed below. At the year-end the weighted average interest rates were as follows:

	2006 %	2005 %
Government of Jamaica debentures	15.4	15.5
Securities purchased under agreements to resell	<u>12.4</u>	<u>14.5</u>

(b) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The following methods and assumptions have been used to determine fair values:

Interest receivable, securities purchased under agreements to repurchase, promissory notes and cash at bank approximate their fair values due to the short term nature of these instruments. The fair values of the Government of Jamaica debentures are estimated using pricing models.

5. Restriction of Use of Income and Property

The Memorandum of Association of the Foundation provides that its income and property shall be applied solely towards the promotion of the objects of the Foundation, and no portion thereof shall be paid or transferred, directly or indirectly, by way of dividend, bonus or otherwise however by way of profit, to the members of the Foundation.

N.C.B. Foundation
Notes to the Financial Statements
31 December 2006

6. Investments

	2006	2005
	\$'000	\$'000
Available-for-sale securities at fair value		
Government of Jamaica debentures	46,359	51,811
Interest receivable	789	916
	<u>47,148</u>	<u>52,727</u>

7. Reverse Repurchase Agreements

The Foundation entered into reverse repurchase agreements collateralised mainly by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparties to these transactions are unable to fulfill their contractual obligations. Included in this balance is interest receivable of \$3,170,000 (2005 - \$5,424,000).

At 31 December 2006, the Foundation held securities with accumulated face values of \$85,279,533 (2005 - \$57,063,000), mainly Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

8. Taxation

The Foundation has been declared an approved charitable organisation for the purposes of Section 13(1) (q) of the Income Tax Act. By order of the Commissioner of Income Tax, the income of the Foundation is exempt from taxation under section 12(h) of the Income Tax Act.

9. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

	2006	2005
	\$'000	\$'000
The following transactions were carried out with related parties:		
Income		
Contributions – the Bank	91,202	49,560
Expenses		
Management fees – subsidiary of the bank	1,144	796
Year-end balance with related party is as follows:		
Cash at Bank – the Bank	-	4,410
Bank overdraft – the Bank	(964)	-