

PUBLIC ACCOUNTANCY BOARD
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2013

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REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
PUBLIC ACCOUNTANCY BOARD

Report on the Financial Statements

We have audited the accompanying financial statements of Public Accountancy Board which comprise the statement of financial position as at 31st March 2013 and the statement of comprehensive income, changes in accumulated fund and cash flows for the year then ended, together with 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 (IFRS) and the Public Accountancy Act, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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.

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REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
PUBLIC ACCOUNTANCY BOARD

Auditors' Responsibility - Cont'd

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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Public Accountancy Board as at 31st March 2013, and of its financial performance, and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Report on additional requirements of the Public Accountancy 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 maintained, so far as appears from our examination of those records, and the financial statements which are in agreement therewith, give the information required by the Public Accountancy Act, in the manner required.



UHY DAWGEN CHARTERED ACCOUNTANTS
(INCORPORATING PAUL GOLDSON & CO.)


31st July 2013

PUBLIC ACCOUNTANCY BOARD
STATEMENT OF FINANCIAL POSITION - 31ST MARCH 2013

	<u>Note</u>	2013 \$	2012 \$
ASSETS			
Non-current Assets			
Property and Equipment	5	119,798	3
Investment	6	<u>1,028,000</u>	<u>1,028,000</u>
		<u>1,147,798</u>	<u>1,028,003</u>
Current Assets			
Membership Fees and Other Receivables	7	3,097,421	2,006,007
Cash and Cash Equivalents	8	<u>8,276,923</u>	<u>8,033,096</u>
		<u>11,374,344</u>	<u>10,039,103</u>
TOTAL ASSETS		<u><u>12,522,142</u></u>	<u><u>11,067,106</u></u>
RESERVES AND LIABILITIES			
Reserves			
Accumulated Fund		<u>8,488,245</u>	<u>7,589,653</u>
Current Liabilities			
Payables and Accruals	9	<u>4,033,897</u>	<u>3,477,453</u>
TOTAL RESERVES AND LIABILITIES		<u><u>12,522,142</u></u>	<u><u>11,067,106</u></u>

The accompanying notes form an integral part of the financial statements.

APPROVED FOR ISSUE ON BEHALF OF THE BOARD ON 31st July 2013 AND SIGNED ON ITS BEHALF BY:



 ERIC CRAWFORD
 PRESIDENT



 COMPTON RODNEY
 REGISTRAR

PUBLIC ACCOUNTANCY BOARD
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31ST MARCH 2013

	<u>Note</u>	2013 <u>\$</u>	2012 <u>\$</u>
Revenue:			
Practising Certificate Fees		3,280,000	3,284,000
Registration and Application Fees		56,000	90,000
Interest and Other Income	10	<u>435,807</u>	<u>463,521</u>
		3,771,807	3,837,521
Auditor's Remuneration		(300,000)	(275,000)
Administrative and Other Expenses	11	<u>(2,564,760)</u>	<u>(1,684,689)</u>
		907,047	1,877,832
Finance Costs		<u>(8,455)</u>	<u>(6,677)</u>
Total Comprehensive Income for the Year		<u><u>898,592</u></u>	<u><u>1,871,155</u></u>

The accompanying notes form an integral part of the financial statements.

PUBLIC ACCOUNTANCY BOARD
STATEMENT OF CHANGES IN ACCUMULATED FUND
YEAR ENDED 31ST MARCH 2013

	Accumulated Fund
	<u>\$</u>
Balance at 31st March 2011	5,718,498
Total Comprehensive Income for the Year 2012	<u>1,871,155</u>
Balance at 31st March 2012	7,589,653
Total Comprehensive Income for the Year 2013	<u>898,592</u>
Balance at 31st March 2013	<u><u>8,488,245</u></u>

The accompanying notes form an integral part of the financial statements.

PUBLIC ACCOUNTANCY BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED 31ST MARCH 2013

	2013	2012
	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Total Comprehensive Income for the Year	898,592	1,871,155
Adjustments to Reconcile Total Comprehensive Income for Year to Net Cash Provided by Operating Activities:		
Depreciation	39,931	-
Interest Income	<u>(432,348)</u>	<u>(463,521)</u>
	506,175	1,407,634
Increase in Current Assets		
Membership Fees and Other Receivables	(1,081,719)	(244,263)
Increase/(Decrease) in Current Liabilities		
Payables and Accruals	<u>556,444</u>	<u>(967,547)</u>
	(19,100)	195,824
Interest Received	<u>422,653</u>	<u>453,826</u>
Net Cash Provided by Operating Activities	<u>403,553</u>	<u>649,650</u>
Cash Flows from Investing Activity		
Property and Equipment	<u>(159,726)</u>	<u>-</u>
Net Cash Flows Used in Investing Activity	<u>(159,726)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	243,827	649,650
Cash and Cash Equivalents at Beginning of Year	<u>8,033,096</u>	<u>7,383,446</u>
Cash and Cash Equivalents at End of Year	<u><u>8,276,923</u></u>	<u><u>8,033,096</u></u>

The accompanying notes form an integral part of the financial statements.

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2013

1. Identification:

The Public Accountancy Board was established by Act of Parliament 34 of 1968 for the main purpose of promoting, in the public interest, acceptable standards of professional conduct among registered public accountants in Jamaica. The most recent amendments to the Act were made on March 25, 2004. The registered office is located at 30 National Heroes Circle, Kingston, Jamaica, West Indies.

These financial statements are expressed in Jamaican Dollars, which is the functional and presentation currency of the Board.

2. Adoption of Standards, Interpretations and Amendments:

a) Standards and Interpretations in respect of published standards that are in effect:

The International Accounting Standards Board (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. The Board has assessed the relevance of these new standards, interpretations and amendments and has adopted and applied in these financial statements, those standards which are considered relevant to its operation. The standard which became effective during the year and adopted by the Board is as follows:

IFRS 7 (Amendments) Financial Instruments Disclosures - Transfers of Financial Assets (Effective 1st July 2011),

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. These amendments will have no material effect on the financial statements.

b) Standards and Interpretations in respect of published standards that are not in effect:

At the date of approval of the financial statements, the following new or amended standards and interpretations, which are considered relevant to the Board were issued but not yet effective:

IFRS 9: Financial Instruments Classification and Measurement (Effective 1st January 2013), introduces new requirements for classifying and measuring financial assets.

IFRS 13: Fair Value Measurement (Effective 1st January 2013), establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This standard defines fair value, establishes a framework for measuring fair value, and require disclosures about fair value measurements.

The standard requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities, and to evaluate the nature of and risks associated with, the entity's continuing involvement in these derecognised assets.

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

2. Adoption of Standards, Interpretations and Amendments (cont'd):

b) Standards and Interpretations in respect of published standards that are not in effect (cont'd):

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value and those to be measured subsequently at amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments.

Amendments to IAS 1: Presentation of Items of Other Comprehensive Income (Effective 1st July 2012), retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, additional disclosures are required to be made in the section relating to other comprehensive income, such that items of other comprehensive income are grouped into two categories:

- (a) items that will not be classified subsequently to profit or loss; and
- (b) items that will be classified subsequently to profit or loss when specific conditions are met.

Amendments to IAS 32: Financial Instruments: Presentation (Effective 1st January 2014) - clarifies those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. It requires the entity to prove that there is a legally enforceable right to set off the recognised amounts. Conditions such as whether the set off is contingent on a future event and the nature and right of set-off and laws applicable to the relationships between the parties involved should be examined. Additionally, to meet the criteria, an entity should intend to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The Board is assessing the impact that the amendments may have on its 2015 financial statements.

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

2. Adoption of Standards, Interpretations and Amendments (cont'd):

b) Standards and Interpretations in respect of published standards that are not in effect (cont'd):

Improvements to IFRS 2009-2011 cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after 1st January 2013. The main amendments applicable to the Board are as follows:

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.

IAS 16, *Property, Plant and Equipment*, has been amended to clarify that the definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether spare parts, standby-by equipment and servicing equipment should be accounted for under the standard. If these items do not meet the definition, then they are accounted for using IAS 2, *Inventories*.

The Board is assessing the impact that the amendments may have on its 2014 financial statements.

The aforementioned standards and interpretations will affect financial statements for accounting periods beginning on or after the first day of the months stated. The adoption of these standards and amendments are not expected to have a material impact on the Board's financial statements.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies:

(a) Statement of Compliance and Basis of Preparation -

These financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB).

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies - cont'd:

(b) Use of estimates and judgements -

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates and any adjustments that may be necessary would be reflected in the results of the year in which actual amounts are known.

There were no estimates and judgements that have been made by management in the application of IFRS that would cause any significant risk of material adjustment in the next financial year.

(c) Property and Equipment -

All property and equipment are stated at historical cost less accumulated depreciation and any impairment losses (Note 3(h)).

Depreciation is calculated on the straight line basis by reference to cost at annual rates estimated to write off the relevant assets over their expected useful lives. The rates of depreciation in use are as follows;

Furniture & Fixtures	10%
Computer Equipment	20% & 25%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies - cont'd:

(d) Investments -

Investments are classified as held-to-maturity instruments. Held-to-maturity instruments are recorded on initial recognition at fair value and subsequently measured at amortised cost. The Board determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on a periodic basis.

Held-to-maturity securities are those with fixed or determinable payments and fixed maturity. A positive intent and ability to hold to maturity must be demonstrated. All purchases and sales of investment securities are recognised at settlement date.

(e) Membership fees and other receivables -

Membership fees and other receivables are carried at original invoice amounts less impairment losses (note 3(h)). These fees are accounted for on the accrual basis taking into account fees actually received up to 30th June of the subsequent accounting year. Licences not renewed by that date are not taken into account.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies - cont'd:

(f) Cash and cash equivalents -

Cash and cash equivalents are carried in the Statement of Financial Position at cost which approximates to fair value. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

(g) Payables and accruals -

Payables and accruals, including provisions, are stated at their cost.

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

3. **Statement of Compliance, Basis of Preparation and Significant Accounting Policies - cont'd:**

(h) Impairment of assets -

The carrying amounts of the Board's assets are reviewed at each of the dates of the Statement of Financial Position to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each of the dates of the Statement of Financial Position. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

(i) Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is limited to the carrying amount.

(i) Revenue recognition -

Revenue from practising certificate fees is recognised on the accrual basis taking into account fees actually received up to 30th June of the subsequent accounting year. Licences not renewed by that date are not taken into account. Registration and application fees are recognised on the cash basis. Interest income is recognised on the effective yield basis.

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies - cont'd:

(j) Related party balances and transactions -

A related party is a person or entity that is related to the Board (referred to in IAS 24, *Related Party Disclosures* as the “reporting entity”).

- (a) A person or a close member of that person’s family is related to the Board if that person:
- (i) has control or joint control over the Board;
 - (ii) has significant influence over the Board; or
 - (iii) is a member of the key management personnel of the Board or of a parent of the Board.
- (b) An entity is related to the Board if any of the following conditions applies:
- (i) The entity and the Board are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Board or an entity related to the Board. If the Board is itself such a plan, the sponsoring employers are also related to the Board.
 - (vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

4. Financial Instruments and Financial Instruments Risk Management:

The Board's activities expose it to certain financial risks which require evaluation, acceptance and management of some degree of risks or combination of risks. Operational risks are an inevitable consequence of being in operation.

The Board's management policies are designed to identify and analyse these risks, to set up appropriate controls and to monitor the risks by means of up-to-date information.

The members of the Board are ultimately responsible for the establishment and oversight of the Board's management framework. The Board provides policies for overall risk management, as well as principles and procedures covering the specific areas of risk. The Board manages and monitors those risks. The most important components of risks are credit risk, liquidity risk, market risk and other operational risks.

Market risk includes currency risk, interest rate risk and other price risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Board primarily faces due to the nature of its assets and liabilities are credit risk, liquidity risk and interest rate risk. The Board's overall risk management programme focuses on the collectability of membership fees.

a) Credit Risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Maximum Exposure to Credit Risk

	2013	2012
	\$	\$
Membership fees and other receivables	3,097,421	2,006,007
Cash and cash equivalents	<u>8,276,923</u>	<u>8,033,096</u>
	<u>11,374,344</u>	<u>10,039,103</u>

i) Membership fees and other receivables

The Board faces no credit risk in respect of its receivables from members as amounts accrued are those actually received up to the 30th June following the year-end. There is no concentration of credit risk.

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

4. Financial Instruments and Financial Instruments Risk Management (cont'd):

a) Credit Risk (cont'd)

ii) Cash and cash equivalents

Cash and cash equivalents on which the Board faces credit risks comprise its current and saving accounts and deposits held with financial institutions. The Board limits its exposure to credit risk by placing its cash and cash equivalents with counter-parties that have high credit quality. Accordingly, the Board does not expect any counter-party to fail to meet its obligation.

There has been no change in the Board's exposure to credit risks or the manner in which it measures and manages the risk during the year.

b) Liquidity Risk

Liquidity risk is the risk that the Board is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

The Board manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form. At the date of the Statement of the Financial Position the Board faced no liquidity risk as its current assets exceeded its current liabilities by \$ 7,340,447 (2012 - \$6,561,650).

Liquidity risk management process

The Board's liquidity risk management process includes:

- i) Maintaining an acceptable level of cash and cash equivalents.
- ii) Optimising returns on savings.
- iii) Monitoring the Statement of Financial Position liquidity ratios against internal requirements. The most important of these is to maintain limits on the ratio of net liquid assets to liabilities.

There has been no change in the Board's liquidity risk or the manner in which it measures and manages the risk during the year.

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

4. **Financial Instruments and Financial Instruments Risk Management (cont'd):**

b) Liquidity Risk

The following table summarises the net liquidity gap and the cumulative liquidity gap of the Board by analysing its assets and liabilities into periodical maturity categories:

	0 - 6 months \$	6 - 12 months \$	1 - 5 years \$	No specific maturities \$	Total \$
ASSETS					
Non-current Assets					
Property and Equipment	-	-	-	119,798	119,798
Investments	-	-	1,028,000	-	1,028,000
	<u>-</u>	<u>-</u>	<u>1,028,000</u>	<u>119,798</u>	<u>1,147,798</u>
Current Assets					
Membership fees and other receivables	3,097,421	-	-	-	3,097,421
Cash and cash equivalents	8,276,923	-	-	-	8,276,923
	<u>11,374,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,374,344</u>
TOTAL ASSETS	<u>11,374,344</u>	<u>-</u>	<u>1,028,000</u>	<u>119,798</u>	<u>12,522,142</u>
RESERVES AND LIABILITIES					
Reserves					
Accumulated fund	-	-	-	8,488,245	8,488,245
Current Liabilities					
Payables and accruals	4,033,897	-	-	-	4,033,897
TOTAL RESERVES AND LIABILITIES	<u>4,033,897</u>	<u>-</u>	<u>-</u>	<u>8,488,245</u>	<u>12,522,142</u>
Net liquidity gap	7,340,447	-	1,028,000	(8,368,447)	-
Cumulative liquidity gap	<u>7,340,447</u>	<u>7,340,447</u>	<u>8,368,447</u>	<u>-</u>	<u>-</u>
	<----- 2012 ----->				
Net liquidity gap	6,561,650	-	1,028,000	(7,589,650)	-
Cumulative liquidity gap	<u>6,561,650</u>	<u>6,561,650</u>	<u>7,589,650</u>	<u>-</u>	<u>-</u>

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

4. **Financial Instruments and Financial Instruments Risk Management (cont'd):**

c) **Market Risk**

The Board is exposed 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 currency exchange rates and interest rates. Market risk is monitored by the Board.

The Board previously had no direct exposure to currency risk as it held no foreign assets nor liabilities. This is no longer the position. There has therefore been a change to the Board's exposure to market risks and the manner in which it manages and measures the risk.

i) **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Board is exposed to foreign currency risk with regard to financial asset and financial liabilities maintained in Pound Sterling. The Board endeavours to mitigate its currency risk exposure by maintaining sufficient amounts of foreign currency asset to off-set its foreign currency liabilities.

The Board's exposure to foreign currency risk at the date of the statement of financial position was as follows:

	2013	2012
	£	£
Financial Asset - Savings Account	33,410	-
Financial Liability - Accounts Payable	<u>(16,977)</u>	<u>(28,000)</u>
	<u>16,433</u>	<u>(28,000)</u>

Foreign Currency Sensitivity analysis

Exchange rates in terms of Jamaican Dollars which is the Board's principal intervening currency, were as follows:

	£
18th June 2013	157.91
31st March 2013	148.81
31st March 2012	137.27

Over the twelve months ended 31st March 2013, the exchange rate movement for the Pound Sterling has shown an overall increase of 8.41%.

Between 31st March 2013 and 18th June 2013, the Pound Sterling increased by 6.12%. Should there be a continued weakening of the Jamaican dollar against the Pound Sterling by say, 1% this would result in a net increase in surplus and accumulated fund (2012 a net decrease) as under:

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

4. **Financial Instruments and Financial Instruments Risk Management (cont'd):**

c) **Market Risk (cont'd)**

i) Foreign currency risk (cont'd)

	Movement	2013	2012
	%	\$	\$
Jamaican dollar	1	<u>25,949</u>	<u>(44,215)</u>

A 1% reduction in the value of Pound Sterling vis a vis the Jamaican Dollar would have the reverse effect on surplus and accumulated funds.

The analysis assumes that all other variables, in particular, interest rates, remain constant.

ii) Interest rate risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments due to a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustments within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. The Registrar has overall responsibility for the daily management and monitoring of interest rate risk and reports monthly to the Board on its strategies and position.

At each of the dates of the Statement of Financial Position the Interest Profile of the Board's interest bearing financial instruments was:

	<u>2013</u>		<u>2012</u>	
	Interest Rate	\$	Interest Rate	\$
	%		%	
<u>Financial Assets</u>				
Investment	7.50	1,028,000	12.50	1,028,000
Cash and Cash Equivalents				
Savings Account(s)	0.25	4,983,694	0.25	11,924
Cash on Deposit	1.55 - 5.10	<u>171,379</u>	2.50 - 6.00	<u>7,756,674</u>
		<u>6,183,073</u>		<u>8,796,598</u>

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

4. **Financial Instruments and Financial Instruments Risk Management (cont'd):**

c) **Market Risk - cont'd.**

ii) Interest rate risk - cont'd

Interest rate sensitivity analysis

During the period April 2012 to March 2013, interest rates remained relatively stable. However, the National Debt Exchange (NDX), which occurred in February 2013, resulted in a downward movement on certain securities by approximately 500 basis points. This downward movement in interest rate is expected to continue in the foreseeable future as the government continues on its programme of low single digit interest rates. Any increase is expected to be marginal and sustainable only over a very short period.

A 1% (2012 - 1%) movement in interest rate at the reporting date would have impacted the reported surplus and accumulated fund by the amounts shown below:

	2013	2012
	\$	\$
1% (2012 - 1%) increase in interest rate		
<i>Financial Assets</i>		
Investment	10,280	10,280
Cash and Cash Equivalents		
Savings Account	49,837	119
Cash on Deposit	1,714	77,567
Increase in Surplus	61,831	87,966
1% (2012 - 1%) decrease in interest rate		
Decrease in Surplus	(61,831)	(87,966)

This analysis assumes that all other variables, in particular exchange rates, remain constant.

Financial Assets

The Board invests cash, in excess of its immediate requirements, in savings and deposit accounts that are held with licensed and secure financial institutions. The interest rates paid are affected by fluctuations in market interest rates.

Financial Liability

The Board has no interest-bearing financial liability.

d) **Operational Risk:**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Board's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

4. **Financial Instruments and Financial Instruments Risk Management (cont'd):**

d) Operational Risk (cont'd):

The Board's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Board's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Registrar and Board Members. This responsibility is supported by the development of overall Board standards for the management of operational risk in the following areas:

- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures;
- Training and professional development;
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

Compliance with the Board's standards is supported by a programme of periodic review.

There were no changes to the Board's approach to operational risk management during the year.

e) Capital Management

The Board's objective when managing capital is to safeguard the Board's ability to continue as a going concern in order that it can maintain an adequate capital base to support the carrying out of its objectives as provided for in the Public Accountancy Act 1968.

There were no changes to the Board's approach to capital management during the year.

The Board's capital comprises:

	2013	2012
	\$	\$
Accumulated fund	<u>8,488,245</u>	<u>7,589,653</u>

f) Fair Value

Fair value amounts represent estimates of the arm's length 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 carrying value of each class of financial instrument approximates to its fair value.

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

5. **Property and equipment:**

	Computer Equipment	Furniture & Fixtures	Total
	\$	\$	\$
At Cost:			
1st April 2011	97,058	3,792	100,850
31st March 2012	97,058	3,792	100,850
Additions	159,726	-	159,726
31st March 2013	256,784	3,792	260,576
Accumulated Depreciation:			
1st April 2011	97,056	3,791	100,847
31st March 2012	97,056	3,791	100,847
Charge for the Year	39,931	-	39,931
31st March 2013	136,987	3,791	140,778
Net Book Value:			
31st March 2013	119,797	1	119,798
31st March 2012	2	1	3
31st March 2011	2	1	3

6. **Investments:**

	2013	2012
	\$	\$
<u>Held-to-maturity</u>		
Government of Jamaica Security - FR BN2017	1,028,000	1,028,000

Consequent on the National Debt Exchange (NDX) effective February 2013 this amount is now invested in Government of Jamaica (GOJ) FR 7.5% per annum Benchmark Investment Note due May 10, 2017. In 2012 investment was held in GOJ FR 12.5% BN2014 (See note 13).

7. **Membership fees and other receivables:**

	2013	2012
	\$	\$
Membership Fees	704,000	902,000
Other Receivables	2,393,421	1,104,007
	3,097,421	2,006,007

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

8. **Cash and cash equivalents:**

		2013	2012
		\$	\$
Bank Accounts:	Int. Rates		
Savings Account	0.25% (2012 - .25%)	4,983,694	11,924
Current Account	-	<u>3,121,850</u>	<u>264,498</u>
		8,105,544	276,422
Cash on Deposit	1.55% - 5.10% (2012-2.50% - 5.60%)	<u>171,379</u>	<u>7,756,674</u>
		<u><u>8,276,923</u></u>	<u><u>8,033,096</u></u>

9. **Payables and accruals:**

		2013	2012
		\$	\$
Accruals - Audit fee		300,000	275,000
Monitoring Fees Payable		2,526,397	3,179,692
Other		<u>1,207,500</u>	<u>22,761</u>
		<u><u>4,033,897</u></u>	<u><u>3,477,453</u></u>

10. **Interest and other income:**

		2013	2012
		\$	\$
Interest Income		432,348	463,521
Other Income		<u>3,459</u>	<u>-</u>
		<u><u>435,807</u></u>	<u><u>463,521</u></u>

11. **Administrative and other expenses :**

		2013	2012
		\$	\$
Administrative and other expenses include:			
Board Members' Fees		166,250	203,500
Key Management Personnel - Travelling Expenses		616,628	420,000
Attorney General's fees (i)		<u>-</u>	<u>(810,000)</u>

(i) This represents the write back of an amount expensed in the previous year in respect of charges from the Attorney General's Chamber. The write back resulted from a waiver of the charges by the Deputy Solicitor General.

12. **Staff Cost:**

Staff Costs for the year amounted to \$ 158,400 (2012 - \$158,400)

PUBLIC ACCOUNTANCY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST MARCH 2013

13. The National Debt Exchange Programme:

On the 12th February 2013, the Government of Jamaica (GOJ) announced the National Debt-Exchange Programme (NDX) transaction to reduce the cost and lengthen the maturity profile of its domestic debt portfolio. The key features of the NDX is the voluntary exchange of certain GOJ domestic instruments (Old Notes). Investors are generally allowed to choose New Notes of longer dated GOJ debt instruments (New Notes). Investors are generally allowed to choose New Notes of longer tenure to the Old Notes. Most of the New Notes will have lower coupon rates than the Old Notes.

The Board is directly affected by NDX transaction as at that date it holds instruments that were purchased directly from the Government of Jamaica. Notwithstanding, the Board will be affected by the resultant reduction in interest to be earned on its investment.

The Board which participated in the NDX in February 2013, owns \$1,028,000 in GOJ debt instruments in the Held-to-Maturity classification. As such, any differences in the fair value of the New Notes will be treated as a gain/loss on disposal on the Statement of Comprehensive Income.

The table below summaries the impact on the coupon rates and maturities of the instruments that were exchanged:

	Pre NDX	Post NDX
<u>J\$ Investments</u>		
Total Face Value exchanged	J\$ 1,028,000	J\$ 1,028,000
Weighted average coupon rate	12.50%	7.50%
Weighted average tenure to maturity	365	1460

PUBLIC ACCOUNTANCY BOARD
SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2013

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REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
PUBLIC ACCOUNTANCY BOARD

The supplementary information presented on the following statement has been taken from the accounting records of the Board and has been subjected to the tests and other auditing procedures applied in our examination of the financial statements of the Board for the year ended 31st March 2013.

In our opinion, the said information is fairly presented in all material respects in relation to the financial statements taken as a whole, although it is not necessary for a fair presentation of the state of affairs of the Board at 31st March 2013 and of the results of its operations, its changes in the accumulated fund and cash flows for the year then ended.



**UHY DAWGEN CHARTERED ACCOUNTANTS
(INCORPORATING PAUL GOLDSON & CO.)**

Oxford House
6 Oxford Road
Kingston 5, Jamaica

31st July 2013

PUBLIC ACCOUNTANCY BOARD
SCHEDULE OF EXPENSES
YEAR ENDED 31ST MARCH 2013

	2013	2012
	<u>\$</u>	<u>\$</u>
ADMINISTRATIVE AND OTHER EXPENSES		
Salaries and related expenses	158,400	158,400
Secretarial services	21,350	35,620
Accounting fee	45,375	43,750
Printing & stationery	65,693	92,531
Website management	70,134	92,036
Advertising	-	278,875
Office expenses	89,150	57,600
Meeting expenses	88,091	67,740
Board members' fees	166,250	203,500
Practice monitoring expense	-	33,500
Practising certificates	78,125	71,940
Annual reports	26,446	9,987
Professional fees	-	19,975
Training	447,057	336,649
Travelling expenses	616,628	420,000
Monitoring programme expenses	623,900	572,586
Attorney General's fees	-	(810,000)
Foreign exchange loss	28,230	-
Depreciation charge	39,931	-
	<u>2,564,760</u>	<u>1,684,689</u>
FINANCE COSTS		
Bank charges	<u>8,455</u>	<u>6,677</u>