

Scotiabank Jamaica Foundation

**Financial Statements
31 December 2002**

Scotiabank Jamaica Foundation

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30 January 2003

To the Members of
Scotiabank Jamaica Foundation

Auditors' Report

We have audited the financial statements set out on pages 1 to 9. These financial statements are the responsibility of the directors and management. The directors and management are required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent, follow applicable accounting standards and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business. The directors and management are responsible for keeping proper accounting records, for safeguarding the assets of the company, and for the prevention and detection of fraud and other irregularities. 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 plan and perform the audit to obtain all the information and explanations which we considered necessary to provide us with reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the directors and management, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company as at 31 December 2002 and of the results of operations, changes in equity and cash flows for the year then ended, and have been prepared in accordance with Jamaican generally accepted accounting principles and comply with the provisions of the Jamaican Companies Act.

Chartered Accountants
Kingston, Jamaica

Scotiabank Jamaica Foundation

Income and Expenditure Account

Year ended 31 December 2002

	Note	2002 \$'000	2001 \$'000
Income			
Contributions	2(b)	11,000	5,000
Investment income		47,648	48,885
		<u>58,648</u>	<u>53,885</u>
Expenditure			
Audit fees		-	50
Grants	7	31,588	39,428
Miscellaneous expenses		632	24
		<u>32,220</u>	<u>39,502</u>
Surplus		<u><u>26,428</u></u>	<u><u>14,383</u></u>

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Balance Sheet
31 December 2002

	Note	2002 \$'000	2001 \$'000
NET ASSETS			
Taxation recoverable	3(ii)	6,978	3,755
Investments	5	280,689	258,853
Interest receivable		8,220	7,676
Cash and bank		1,169	402
		<u>297,056</u>	<u>270,686</u>
Payables		-	(58)
		<u>297,056</u>	<u>270,628</u>
REPRESENTED BY			
Accumulated Surplus		31,992	16,564
Endowment Fund	8	265,064	254,064
		<u>297,056</u>	<u>270,628</u>

Approved by the Board of Directors

Marie Powell Director

William E. Clarke Director

Scotiabank Jamaica Foundation

Statement of Changes in Equity

Year ended 31 December 2002

	Note	Endowment Fund	Accumulated Surplus	Total
		\$'000	\$'000	\$'000
Balance at 1 January 2001		214,064	42,181	256,245
Surplus		-	14,383	14,383
Transfer to endowment fund	8	40,000	(40,000)	-
Balance at 31 December 2001		254,064	16,564	270,628
Surplus		-	26,428	26,428
Transfer to endowment fund	8	11,000	(11,000)	-
Balance at 31 December 2002		265,064	31,992	297,056

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Statement of Cash Flows

Year ended 31 December 2002

	2002 \$'000	2001 \$'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
Surplus	26,428	14,383
Change in non-cash working capital components:		
Taxation	(3,223)	(1,308)
Interest receivable	(544)	1,833
Payables	(58)	4
Cash provided by operating activities	<u>22,603</u>	<u>14,912</u>
Investing Activity		
Investments, net	<u>(21,836)</u>	<u>(15,209)</u>
Cash used in investing activity	<u>(21,836)</u>	<u>(15,209)</u>
Increase / (decrease) in cash balance	767	(297)
Cash at beginning of year	<u>402</u>	<u>699</u>
CASH AT END OF THE YEAR	<u><u>1,169</u></u>	<u><u>402</u></u>

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2002

1. Incorporation and Main Objects

The company was incorporated on 13 February 1996 as a company limited by guarantee not having a share capital. The main objects for which it is established are:

- (a) The relief of poverty, deprivation and distress among economically and socially disadvantaged persons resident in Jamaica by whatever means deemed necessary by the company.
- (b) The provision of financial assistance for dependents of economically or socially disadvantaged persons resident in Jamaica.
- (c) To undertake research into the special problems arising from poverty and social deprivation and into methods of alleviating them and publish the results of such.

These financial statements are presented in Jamaican dollars, unless otherwise indicated.

2. Significant Accounting Policies

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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. Actual results could differ from those estimates.

(a) Accounting convention

These financial statements have been prepared in accordance with and comply with Jamaican Accounting Standards, and have been prepared under the historical cost convention.

(b) Contributions, other income and expenses

Contributions received are recorded as income on the cash basis. Other income and expenses are recorded on the accrual basis.

(c) Investments

Investments are stated at cost.

(d) Financial instruments

Financial instruments carried on the balance sheet include investments, interest receivable, cash and bank, and payables.

The fair values of the company's financial instruments are discussed in Note 6.

3. Taxation

- (i) By order of the Minister of Finance the company was declared an approved charitable organisation. Its income is also exempt from income tax under Section 12(h) of the Income Tax Act.
- (ii) Taxation recoverable represents withholding tax receivable on investment income.

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4. Related Party Transactions

- (a) The bank account is held with The Bank of Nova Scotia Jamaica Limited.
- (b) During the year contributions amounting to \$11,000,000 (2001: \$5,000,000) were received from The Bank of Nova Scotia Jamaica Limited.

5. Investments

	Remaining Term to Maturity				Carrying Value	Carrying Value
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years		
	\$'000	\$'000	\$'000	\$'000	2002 \$'000	2001 \$'000
Government of Jamaica Securities:						
GOJ Bond	-	14,475	-	-	14,475	13,328
GOJ Debenture	-	-	-	-	-	4,000
Securities purchased under resale agreements	14,307	13,536	-	-	27,843	60,722
Local registered stock	-	20,000	76,350	142,021	238,371	180,803
	14,307	48,011	76,350	142,021	280,689	258,853

6. Financial Instruments

(a) Fair value

Fair value represents an estimate of the consideration that would currently be 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. Many of the company's financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realizable in an immediate settlement of the instruments. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

Changes in interest rates are the main cause of changes in the fair value of the company's financial instruments. The majority of the company's financial instruments are carried at historical cost as they are held to maturity and are not adjusted to reflect increases or decreases in fair value due to market fluctuations, including those due to interest rate changes.

The table sets out the fair values of financial instruments of the company using the valuation methods and assumptions described below.

6. Financial Instruments (Continued)

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Notes to the Financial Statements

31 December 2002

(a) Fair value (Continued)

The fair values were estimated as follows:

The fair values of interest receivable, cash and bank and payables are assumed to approximate their carrying values, due to their short-term nature.

The fair value of investments is assumed to be equal to the estimated market value of investments provided below. These values are based on quoted market prices, when available; when not available other valuation techniques are used.

	2002		2001	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Investments	280,689	287,844	258,853	261,614
Interest receivable	8,220	8,220	7,676	7,676
Cash and bank	1,169	1,169	402	402
Financial liability				
Payables	-	-	58	58

(b) Credit risk

The company has no significant concentrations of credit risk. A significant level of investments is held in various forms of government instruments.

(c) Interest rate risk

The company's income and operating cash flows are substantially independent of changes in market interest rates as at 31 December 2002. The company has interest-bearing assets as disclosed in Note 5.

(d) Currency risk

The balance sheet at 31 December 2002 includes aggregate net foreign assets of approximately US\$287,900 (2001 – US\$280,000) in respect of transactions arising in the ordinary course of business.

7. Grants

Details of grants made during the year are as follows:

	2002	2001
	\$'000	\$'000
Education		

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Association of Commonwealth Universities	450	-
Bursaries	1,000	1,111
College of Agriculture, Science & Education	123	167
Edith Dalton James Comprehensive High	-	1,800
Grade Six Achievement Test (GSAT)	3,218	2,990
Holy Family Primary and Infant	160	-
Northern Caribbean University	320	320
Other	407	266
Montpelier College	97	-
University of Technology	1,550	1,140
University of the West Indies	837	770
	8,162	8,564
Health Care		
Cornwall Regional Hospital – Haemodialysis unit	7,019	6,875
Jamaica Cancer Society – Mammography unit	512	216
Kingston Public Hospital – Renal unit	1,493	1,312
Port Antonio Hospital – Emergency unit	3,141	6,732
Sickle Cell Trust	-	456
University Hospital of the West Indies – Accident & Emergency unit	1,000	1,000
	13,165	16,591
Other		
Bethlehem Home Project	94	-
Danielle Henry Fund	59	-
Family Life Ministries	1,601	7,399
Golden Age Home	931	832
Bethel Baptist Church – Bakery Project	1,605	-
Bethel Baptist Church Foundation	250	-
Jamaica Christian Boys Home	438	-
KC Welfare Programme	100	-
Ohara Ikebana Chapter	40	-
Wolmers Girls Trust	50	-
Swallowfield Chapel	93	1,042
Urban Development Corporation – Inner City Development Project	5,000	5,000
	10,261	14,273
	<u>31,588</u>	<u>39,428</u>

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8. Endowment Fund

This consists of contributions received by the company. The income generated by investing these contributions is used primarily to build the Endowment Fund and make charitable donations to various organisations.

9. Grant Commitments

	2002	2001
	\$'000	\$'000
Grants authorised and contracted for	<u>500</u>	<u>2,531</u>