

Scotiabank Jamaica Foundation

**Financial Statements
31 December 2003**

Scotiabank Jamaica Foundation

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4 February 2004

To the Members of
Scotiabank Jamaica Foundation

Auditors' Report

We have audited the financial statements set out on pages 1 to 10, and have received all the information and explanations, which we considered necessary. These financial statements are the responsibility of the company's management. 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 misstatement. 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 statement 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 2003 and of the results of operations, changes in equity and cash flows for the year then ended and have been prepared in accordance with International Financial Reporting Standards 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 2003

	Note	2003 \$'000	2002 \$'000
Income			
Contributions	2(b)	5,000	11,000
Investment income		<u>63,614</u>	<u>47,648</u>
		<u>68,614</u>	<u>58,648</u>
Expenditure			
Grants	7	43,000	31,588
Miscellaneous expenses		<u>442</u>	<u>632</u>
		<u>43,442</u>	<u>32,220</u>
Surplus		<u><u>25,172</u></u>	<u><u>26,428</u></u>

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Balance Sheet

31 December 2003

	Note	2003 \$'000	2002 \$'000
ASSETS			
Taxation recoverable	3(ii)	6,739	6,978
Investment securities – originated loans	5	297,077	280,689
Interest receivable		13,869	8,220
Cash and bank		<u>4,543</u>	<u>1,169</u>
		<u><u>322,228</u></u>	<u><u>297,056</u></u>
REPRESENTED BY			
Accumulated Surplus		37,237	31,992
Endowment Fund	8	<u>284,991</u>	<u>265,064</u>
		<u><u>322,228</u></u>	<u><u>297,056</u></u>

Approved for issue by the Board of Directors on February 24, 2004 and signed on its behalf by:

William E. Clarke Director

Marie Powell Director

Scotiabank Jamaica Foundation

Statement of Changes in Equity

Year ended 31 December 2003

	Endowment Fund	Accumulated Surplus	Total
Note	\$'000	\$'000	\$'000
Balance at 1 January 2002	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
Surplus	-	25,172	25,172
Transfer to endowment fund	8 19,927	(19,927)	-
Balance at 31 December 2003	<u>284,991</u>	<u>37,237</u>	<u>322,228</u>

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Statement of Cash Flows

Year ended 31 December 2003

	2003	2002
	\$'000	\$'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
Surplus	25,172	26,428
Change in non-cash working capital components:		
Taxation	239	(3,223)
Interest receivable	(5,649)	(544)
Payables	-	(58)
Cash provided by operating activities	<u>19,762</u>	<u>22,603</u>
Investing Activity		
Investments, net	<u>(16,388)</u>	<u>(21,836)</u>
Cash used in investing activity	<u>(16,388)</u>	<u>(21,836)</u>
Increase in cash balance	3,374	767
Cash at beginning of year	<u>1,169</u>	<u>402</u>
CASH AT END OF THE YEAR	<u><u>4,543</u></u>	<u><u>1,169</u></u>

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2003

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

(a) Accounting convention

Jamaica adopted International Financial Reporting Standards (IFRS) as its national accounting standards effective for accounting periods beginning on or after 1 July 2002. The financial statement for the year ended 31 December 2003 have been therefore prepared in accordance and comply with IFRS and comparative information has been restated to conform with the provisions of IFRS. IFRS 1 – First-time adoption of IFRS has been adopted early.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements, in conformity with IFRS, 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(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) Interest

Interest income is recognised in the income and expenditure account 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 investment and accrued discount and premium on local registered stocks and other discounted instruments.

(d) Deferred taxation

Deferred tax assets and liability are not recognised, as the amounts are not considered material.

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Notes to the Financial Statements

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2. Significant Accounting Policies (Continued)

(e) Investment securities

Investments are classified as originated loans. Management determines the appropriate classification of investments at the time of purchase.

Government or other securities, which are purchased directly from the issuer, are classified as originated loans. They are initially recorded at cost, which is the cash given to originate the debt including any transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

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 assets' carrying amounts 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.

Interest earned while holding securities is reported as interest income.

(f) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and bank balances and deposits.

(g) Comparative information

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

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.

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 \$5,000,000 (2002: \$11,000,000) were received from The Bank of Nova Scotia Jamaica Limited.

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Notes to the Financial Statements

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5. Investment Securities – originated loans

	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	2003 \$'000	2002 \$'000
Government of Jamaica Securities:						
GOJ Bond	-	1,763	481	11,379	13,623	14,475
GOJ Debenture	-	4,116	4,135	-	8,251	-
Securities purchased under resale agreements	11,210	20,871	-	-	32,081	27,843
Local registered stock	31,000	5,000	92,728	114,394	243,122	238,371
	42,210	31,750	97,344	125,773	297,077	280,689

6. Financial Risk Management

(a) Fair value

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. However, market prices are not available for a significant number of the financial assets held by the Company. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

- (i) the fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets;
- (ii) the fair value of variable rate financial instruments is assumed to approximate their carrying amounts;

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Notes to the Financial Statements

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6. Financial Risk Management (Continued)

(a) Fair value (continued)

The table below summarises the fair value of financial instruments based on the following valuation methods and assumptions. It is presented because not all financial instruments are reflected in the financial statements at fair values.

	<u>Carrying</u> <u>Value</u>	<u>Fair</u> <u>Value</u>	<u>Carrying</u> <u>Value</u>	<u>Fair</u> <u>Value</u>
	2003	2003	2002	2002
	\$'000	\$000	\$'000	\$'000
Financial Assets				
Investment securities	<u>297,077</u>	<u>290,717</u>	<u>280,689</u>	<u>296,064</u>

(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 takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The average interest rates of financial instruments are as follows:

	<u>Average rates</u>	
	2003	2002
	%	%
Cash Resources -		
Current accounts	8.1	8.75
Investments -		
Government of Jamaica Securities	<u>13.1</u>	<u>16.70</u>

(d) Currency risk

The balance sheet at 31 December 2003 includes aggregate net foreign assets of approximately US\$188,000 (2002 – US\$287,900) in respect of transactions arising in the ordinary course of business.

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7. Grants

Details of grants made during the year are as follows:

	2003 \$'000	2002 \$'000
Education		
Association of Commonwealth Universities	-	450
Bursaries	970	1,000
College of Agriculture, Science & Education	-	123
Grade Six Achievement Test (GSAT)	5,272	3,218
Helsinki Polytechnic	100	-
Holy Family Primary and Infant	160	160
Hugh Shearer Foundation	2,500	-
Mo-Bay Community College	750	-
Moneague College	30	-
Montpelier College	60	97
Northern Caribbean University	160	320
Other	-	407
Point Hill Primary Diagnostic Centre	2,500	-
University of Technology	1,298	1,550
University of the West Indies	1,459	837
	15,259	8,162
Health Care		
Cornwall Regional Hospital – Haemodialysis Unit	7,019	7,019
Jamaica Cancer Society – Mammography Unit	60	512
Kingston Public Hospital – Renal Unit	2,099	1,493
National Blood Bank Transfusion Services	1,055	-
Port Antonio Hospital – Emergency Unit	3,141	3,141
University Hospital of the West Indies – Accident & Emergency Unit	8,114	1,000
	21,488	13,165
Other		
Bethlehem Home Project	250	94
Danielle Henry Fund	-	59
Family Life Ministries	-	1,601
Golden Age Home	1,003	931
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
Urban Development Corporation – Inner City Development Project	5,000	5,000
	6,253	10,261
	<u>43,000</u>	<u>31,588</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

	2003	2002
	\$'000	\$'000
Grants authorised and contracted for	<u>46,073</u>	<u>500</u>