

Scotiabank Jamaica Foundation

**Financial Statements
31 December 2004**

Scotiabank Jamaica Foundation

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31 December 2004

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March 21, 2005

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 2004 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, 1965.

Chartered Accountants
Kingston, Jamaica

Scotiabank Jamaica Foundation

Income and Expenditure Account

Year ended 31 December 2004

	Note	2004 \$'000	2003 \$'000
Income			
Contributions	2(b)	-	5,000
Investment income		<u>52,782</u>	<u>63,614</u>
		<u>52,782</u>	<u>68,614</u>
Expenditure			
Grants	7	62,897	43,000
Miscellaneous expenses		<u>26</u>	<u>442</u>
		<u>62,923</u>	<u>43,442</u>
(Deficit)/Surplus		<u><u>(10,141)</u></u>	<u><u>25,172</u></u>

Scotiabank Jamaica Foundation

Balance Sheet

31 December 2004

	Note	2004 \$'000	2003 \$'000
ASSETS			
Taxation recoverable	3(ii)	16,822	6,739
Investment securities – originated loans	5	283,906	297,077
Interest receivable		10,149	13,869
Cash and bank		<u>1,210</u>	<u>4,543</u>
		<u><u>312,087</u></u>	<u><u>322,228</u></u>
REPRESENTED BY			
Accumulated Surplus		27,096	37,237
Endowment Fund	8	<u>284,991</u>	<u>284,991</u>
		<u><u>312,087</u></u>	<u><u>322,228</u></u>

Approved for issue by the Board of Directors on January 27, 2005 and signed on its behalf by:

Marie Powell Director

William E. Clarke Director

Scotiabank Jamaica Foundation

Statement of Changes in Equity

Year ended 31 December 2004

	Endowment Fund	Accumulated Surplus	Total
Note	\$'000	\$'000	\$'000
Balance at 1 January 2003	265,064	31,992	297,056
Surplus	-	25,172	25,172
Transfer to endowment fund	19,927	(19,927)	-
Balance at 31 December 2003	284,991	37,237	322,228
Deficit	-	(10,141)	(10,141)
Balance at 31 December 2004	284,991	27,096	312,087

Scotiabank Jamaica Foundation

Statement of Cash Flows

Year ended 31 December 2004

	2004 \$'000	2003 \$'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
(Deficit)/Surplus	(10,141)	25,172
Change in non-cash working capital components:		
Taxation	(10,083)	239
Interest receivable	3,720	(5,649)
Cash provided by operating activities	<u>(16,504)</u>	<u>19,762</u>
Investing Activity		
Investments, net	<u>13,171</u>	<u>(16,388)</u>
Cash provided by/(used in) investing activity	<u>13,171</u>	<u>(16,388)</u>
(Decrease)/increase in cash balance	(3,333)	3,374
Cash at beginning of year	<u>4,543</u>	<u>1,169</u>
CASH AT END OF THE YEAR	<u><u>1,210</u></u>	<u><u>4,543</u></u>

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2004

1. Incorporation and Main Objects

The company was incorporated in Jamaica 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

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and 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 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. 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 investments and accrued discount and premium on local registered stocks and other discounted instruments.

(d) Deferred taxation

Deferred tax assets and liabilities are not recognised, as the amounts are not considered to be material.

Scotiabank Jamaica Foundation

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.

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, no contributions (2003: \$5,000,000) 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	2004 \$'000	2003 \$'000
Government of Jamaica Securities:						
GOJ Bond	-	-	5,358	-	5,358	13,623
GOJ Debenture	4,116	8,583	426	-	13,125	8,251
Securities purchased under resale agreements	2,115	56,647	-	-	58,762	32,081
Local registered stock	-	-	138,416	68,245	206,661	243,122
	6,231	65,230	144,200	68,245	283,906	297,077

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

31 December 2004

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 Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
	<u>\$'000</u>	<u>\$000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial Assets				
Investment securities	283,906	294,415	297,077	290,717

(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>	
	<u>2004</u>	<u>2003</u>
	%	%
Cash Resources -		
Current accounts	7.2	8.1
Investments -		
Government of Jamaica Securities	<u>13.1</u>	<u>13.1</u>

(d) Currency risk

The balance sheet at 31 December 2004 includes aggregate net foreign assets of approximately US\$86,200 (2003– US\$188,000) in respect of transactions arising in the ordinary course of business.

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Notes to the Financial Statements

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7. Grants

Details of grants made during the year are as follows:

	2004 \$'000	2003 \$'000
Education		
Northern Caribbean University	4,564	-
NCU Endowment Fund	5,000	-
NCU Scholarships	713	160
Grade Six Achievement Test (GSAT)	6,696	5,272
University of the West Indies- Scholarships	1,652	1,459
Holy Family Primary and Infant School	162	160
University of Technology- Scholarships	1,290	1,298
Mo-Bay Community College - Scholarships	1,266	750
Moneague College - Scholarships	-	30
College of Agriculture, Science & Education	150	-
Mona School of Business - Scholarships	1,601	-
High School Bursaries	1,000	970
Montpelier College - Scholarships	62	60
Helsinki Polytechnic	-	100
Hillel Academy Building Fund	2,500	-
Point Hill Primary Diagnostic Centre	2,500	2,500
Hugh Shearer Foundation	3,000	2,500
Less refund Bursary Cheques	(20)	-
	32,136	15,259
Health Care		
Cornwall Regional Hospital – Haemodialysis Unit	7,000	7,019
Jamaica Cancer Society – Mammography Unit	764	60
Kingston Public Hospital – Renal Unit	2,439	2,099
National Blood Bank Transfusion Services	117	1,055
Spanish Town Hospital	3,817	3,141
Heart Foundation of Jamaica- ECG Machine	240	-
Bustamante Children's Hospital/Rotary Club of St. Andrew	305	-
University Hospital of the West Indies –		
Accident & Emergency Unit- Maintenance	1,000	-
Accident & Emergency Unit- Expansion	10,535	8,114
	26,217	21,488
Other		
Hands Across Jamaica for Righteousness	1,500	-
Golden Age Home	1,294	1,003
Bethel Baptist Church Foundation	250	250
May Pen Cemetery	1,500	-
Urban Development Corporation –		
Inner City Development Project	-	5,000
	4,544	6,253
	<u>62,897</u>	<u>43,000</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

	2004	2003
	\$'000	\$'000
Grants authorised and contracted for	<u>35,947</u>	<u>46,073</u>