

2006 FINANCIAL STATEMENTS THE BANK OF NOVA SCOTIA - BARBADOS BRANCHES



Balance Sheet

(expressed in Barbados dollars)

As of October 31, 2006	2006 \$	2005 \$ (restated - note 16)
Assets		
Cash resources		
Cash	12,059,680	12,166,474
Deposits with Central Bank of Barbados	93,432,214	35,341,954
Due from other banks	49,169,397	42,958,785
	154,661,291	90,467,213
Securities	168,949,206	198,834,144
Loans	1,205,014,483	1,087,296,849
Other		
Property, plant and equipment	28,029,425	27,767,246
Other assets	3,872,628	3,665,794
Cheques and other items in transit, net	-	5,955,711
	31,902,053	37,388,751
	1,560,527,033	1,413,986,957
Liabilities		
Deposits	1,051,186,169	936,832,444
Other		
Cheques and other items in transit, net	18,210,117	-
Taxation payable	9,330,045	11,350,138
Other liabilities	6,071,451	4,765,728
Due to other banks	69,999,073	49,181,110
Deferred taxation	714,469	846,422
	104,325,155	66,143,398
Head Office account		
Assigned capital	4,000,000	4,000,000
Revaluation surplus	7,283,479	7,283,479
Due to Head Office	286,649,066	309,195,027
General banking reserve	1,407,958	1,407,958
Retained earnings	105,675,206	89,124,651
	405,015,709	411,011,115
	1,560,527,033	1,413,986,957

Approved on January 31, 2007 by

Managing Director
Caribbean East

Assistant General Manager
Business Support

Statement of Cash Flows

(expressed in Barbados dollars)

For the year ended October 31, 2006	2006 \$	2005 \$
Cash flows from operating activities		
Income before taxation	43,407,768	45,495,059
Provision for credit losses	1,678,062	(925,808)
Depreciation	2,223,703	2,137,235
Interest income	(106,391,474)	(85,401,046)
Interest expense	45,101,286	25,705,675
	(13,980,655)	(12,988,885)
Changes in operating assets and liabilities		
Increase in loans, net	(115,822,638)	(278,614,382)
Decrease (increase) in other assets and liabilities, net	18,269,717	(16,827,558)
Increase in deposits	114,353,725	73,176,685
	2,820,149	(235,254,140)
Cash generated from (used in) operations	(11,709,439)	(10,476,405)
Corporation tax paid	96,394,444	83,042,480
Interest received	(45,101,286)	(25,852,938)
Interest paid		
Net cash from (used in) operating activities	42,403,868	(188,541,003)
Cash flows from investing activities		
Purchase of securities, net	(8,632,830)	49,837,109
Purchase of property, plant and equipment	(2,485,882)	(1,509,962)
Net cash (used in) from investing activities	(11,118,712)	48,327,147
Cash flows from financing activities		
Profits remitted to Head Office	(17,299,820)	(45,134,680)
Net financing from (repayments to) Head Office	(22,545,961)	169,730,128
Net cash (used in) from financing activities	(39,845,781)	124,595,448
Net decrease in cash and cash equivalents for the year	(8,560,625)	(15,618,408)
Cash and cash equivalents – beginning of year	60,241,943	75,860,351
Cash and cash equivalents – end of year	51,681,318	60,241,943
Cash and cash equivalents comprise:		
Cash	12,059,680	12,166,474
Deposits with Central Bank of Barbados	93,432,214	35,341,954
Due from other banks	49,169,397	42,958,785
Securities	18,679,100	63,620,840
Due to other banks	(69,999,073)	(49,181,110)
	103,341,318	104,906,943
Mandatory reserve deposits with Central Bank	(51,660,000)	(44,665,000)
	51,681,318	60,241,943

Scotiabank Board of Directors

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Independent Auditors' Report

To the Managing Director of
The Bank of Nova Scotia Barbados Branches

We have audited the accompanying financial statement of The Bank of Nova Scotia Barbados Branches, which comprise the balance sheet as of October 31, 2006, and the statement of income, statement of changes in head office account and cash flow statement 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.

Auditor's 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 depend on the auditor's judgement, 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 auditor considers 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.

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of The Bank of Nova Scotia Barbados Branches as of October 31, 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Bridgetown, Barbados
January 31, 2007

Statement of Income

(expressed in Barbados dollars)

For the year ended October 31, 2006	2006 \$	2005 \$
Interest income		
Loans	96,573,539	75,457,382
Securities	9,706,396	9,326,817
Head Office and other banks	111,539	616,847
	106,391,474	85,401,046
Interest expense	45,101,286	25,705,675
	61,290,188	59,695,371
Other income	32,333,659	31,089,819
Net interest and other income	93,623,847	90,785,190
Non-interest expenses		
Salaries and staff benefits	21,625,953	20,623,423
Premises and equipment expenses, including depreciation	12,875,276	13,294,755
Provision for credit losses	1,678,062	(925,808)
Head Office expenses	1,900,386	1,308,212
Other expenses	12,136,402	10,989,549
	50,216,079	45,290,131
Income before taxation	43,407,768	45,495,059
Taxation	9,557,393	11,589,703
Net income for the year	33,850,375	33,905,356

Statement of Changes in Head Office Account

(expressed in Barbados dollars)

For the year ended October 31, 2006	Assigned capital	Revaluation surplus \$	Due to Head Office \$ (restated - note 16)	General banking reserve \$	Retained earnings \$ (restated - note 16)	Total \$
Balance – October 31, 2004 (as originally stated)	4,000,000	4,173,559	157,449,305	-	83,777,527	249,400,391
Prior period adjustment	-	-	(17,984,406)	-	17,984,406	-
Balance – October 31, 2004 (as restated)	4,000,000	4,173,559	139,464,899	-	101,761,933	249,400,391
Net income for the year	-	-	-	-	33,905,356	33,905,356
Net proceeds from Head Office	-	-	169,730,128	-	-	169,730,128
Profits remitted to Head Office	-	-	-	-	(45,134,680)	(45,134,680)
Transfer from general banking reserve	-	-	-	1,407,958	(1,407,958)	-
Property revaluation	-	3,109,920	-	-	-	3,109,920
Balance – October 31, 2005	4,000,000	7,283,479	309,195,027	1,407,958	89,124,651	411,011,115
Net income for the year	-	-	-	-	33,850,375	33,850,375
Net repayment to Head Office	-	-	(22,545,961)	-	-	(22,545,961)
Profits remitted to Head Office	-	-	-	-	(17,299,820)	(17,299,820)
Balance – October 31, 2006	4,000,000	7,283,479	286,649,066	1,407,958	105,675,206	405,015,709

THE BANK OF NOVA SCOTIA

BROAD STREET, INDEPENDENCE SQUARE, BLACK ROCK, WORTHING, WILDEY, WARRENS, HOLETOWN, HAGGATT HALL

THE ABOVE INFORMATION IS AN EXTRACT FROM THE FULL FINANCIAL STATEMENTS WITHIN THE MEANING OF SECTION 45 OF THE FINANCIAL INSTITUTIONS ACT, 1996. FULL FINANCIAL STATEMENTS MAY BE INSPECTED ON REQUEST.

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