



Castillo Sanchez & Burrell, LLP

40 A Central American Blvd
P.O. Box 1235
Belize City
Belize

Tel: +501 227 3020/5666
Fax: +501 227 5792
www.CSB-LLP.com
info@CSB-LLP.com

Julian Castillo, FCCA
Giacomo Sanchez, CPA
Claude Burrell, CPA

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors and Shareholders of
Scotiabank (Belize) Ltd.:**

Audit & Risk Advisory
Business Solutions
Outsourcing
Real Estate
Corporate
Paralegal

We have audited the accompanying balance sheets of Scotiabank (Belize) Ltd. as of October 31, 2006 and 2005, the statements of operations and retained earnings, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scotiabank (Belize) Ltd. as of October 31, 2006 and 2005, the results of its operations and retained earnings, its shareholders' equity and its cash flows for the years then ended in conformity with International Financial Reporting Standards and the Banks and Financial Institutions Act Chapter 263 of the Laws of Belize (Revised Edition 2000).

Castillo, Sanchez & Burrell, LLP
December 1, 2006
Chartered Accountants

SCOTIABANK (BELIZE) LTD.

BALANCE SHEETS

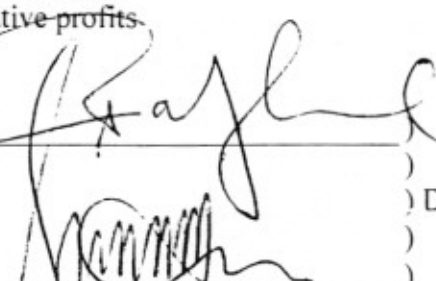
OCTOBER 31, 2006 AND 2005 (IN THOUSANDS OF BELIZE DOLLARS)

<u>ASSETS</u>	<u>Notes</u>	<u>2006</u>	<u>2005</u>
CURRENT ASSETS:			
Cash and due from banks	2	\$ 80,148	\$ 39,758
Government of Belize Treasury Bills	1d, 3	5,952	19,849
Loans – net	1e, 4	279,726	243,068
Interest receivable		1,951	1,567
Accounts receivable and prepayments	5	1,085	147
Total current assets		<u>368,862</u>	<u>304,389</u>
PROPERTY, PLANT AND EQUIPMENT – Net	1b, 6	<u>9,216</u>	<u>9,627</u>
TOTAL		<u>\$378,078</u>	<u>\$314,016</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:			
Demand deposits		\$131,622	\$121,435
Interest bearing time deposits	7	166,738	150,407
Interest payable		4,742	3,582
Accounts payable and accruals	8	3,497	3,305
General loan loss reserve	9	2,717	2,361
Short-term borrowings	11	12,000	5,000
Due to (from) head office	10	<u>12,353</u>	<u>(5,839)</u>
		<u>333,669</u>	<u>280,251</u>
SHAREHOLDERS' EQUITY:			
Share capital	12	12,000	12,000
Statutory reserve fund	13	8,103	5,442
Retained earnings		<u>24,306</u>	<u>16,323</u>
Cumulative profits		<u>44,409</u>	<u>33,765</u>
TOTAL		<u>\$378,078</u>	<u>\$314,016</u>

TOTAL



) Directors

See notes to financial statements.

SCOTIABANK (BELIZE) LTD.**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
YEARS ENDED OCTOBER 31, 2006 AND 2005 (IN THOUSANDS OF BELIZE DOLLARS)**

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
INTEREST INCOME:			
Loans		\$37,508	\$31,978
Investment		<u>699</u>	<u>780</u>
	1c	<u>38,207</u>	<u>32,758</u>
INTEREST EXPENSE:			
Demand deposits		(3,190)	(4,206)
Time deposits		(13,061)	(8,848)
Borrowed funds		<u>(149)</u>	<u>(81)</u>
	1c	<u>(16,400)</u>	<u>(13,135)</u>
Net interest income		21,807	19,623
OTHER OPERATING INCOME	15	<u>12,054</u>	<u>9,499</u>
NET OPERATING INCOME		33,861	29,122
BUSINESS TAX EXPENSE	16	(4,962)	(3,152)
GENERAL AND ADMINISTRATIVE EXPENSES	18	<u>(17,557)</u>	<u>(16,108)</u>
NET PROFIT BEFORE LOAN LOSS - NET		11,342	9,862
LOAN LOSS - NET	1e, 4, 9	<u>(698)</u>	<u>64</u>
NET PROFIT AFTER GENERAL LOAN LOSS EXPENSE		10,644	9,926
STATUTORY RESERVE FUND	13	<u>(2,661)</u>	<u>(2,483)</u>
NET PROFIT		7,983	7,443
RETAINED EARNINGS, BEGINNING OF YEAR		<u>16,323</u>	<u>8,880</u>
RETAINED EARNINGS, END OF YEAR		<u>\$24,306</u>	<u>\$16,323</u>

See notes to financial statements.