

# **Scotiabank Jamaica Foundation**

**Financial Statements  
31 December 2005**

# Scotiabank Jamaica Foundation

Index

31 December 2005

---

	<b>Page</b>
<b>Auditors' Report to the Members</b>	
<b>Financial Statements</b>	
Income and expenditure account	1
Balance sheet	2
Statement of changes in equity	3
Statement of cash flows	4
Notes to the financial statements	5 – 10

27 January 2006

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 2005 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 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005	2004
<b>Income</b>			
Contribution	2(b)	50,000	-
Investment income		<u>43,890</u>	<u>52,782</u>
		<u>93,890</u>	<u>52,782</u>
<b>Expenditure</b>			
Grants	8	61,790	62,897
Miscellaneous expenses		<u>32</u>	<u>26</u>
		<u>61,822</u>	<u>62,923</u>
<b>Surplus/(Deficit)</b>		<u><u>32,068</u></u>	<u><u>(10,141)</u></u>

# Scotiabank Jamaica Foundation

## Balance Sheet

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005	2004
<b>ASSETS</b>			
Taxation recoverable	3(ii)	18,197	16,822
Investment securities – held-to-maturity	5	315,928	283,906
Interest receivable		8,866	10,149
Cash and bank		<u>1,164</u>	<u>1,210</u>
		<u>344,155</u>	<u>312,087</u>
<b>REPRESENTED BY</b>			
Accumulated surplus		59,164	27,096
Endowment fund	9	<u>284,991</u>	<u>284,991</u>
		<u>344,155</u>	<u>312,087</u>

Approved for issue by the Board of Directors on 27 January 2006 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 2005

(expressed in Jamaican dollars unless otherwise indicated)

	<b>Endowment Fund</b>	<b>Accumulated Surplus</b>	<b>Total</b>
<b>Balance at 1 January 2004</b>	284,991	37,237	322,228
Deficit	-	(10,141)	(10,141)
<b>Balance at 31 December 2004</b>	284,991	27,096	312,087
Surplus	-	32,068	32,068
<b>Balance at 31 December 2005</b>	<u>284,991</u>	<u>59,164</u>	<u>344,155</u>

# Scotiabank Jamaica Foundation

## Statement of Cash Flows

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	2005	2004
<b>CASH RESOURCES WERE PROVIDED BY/(USED IN):</b>		
<b>Operating Activities</b>		
Surplus/(Deficit)	32,068	(10,141)
Change in non-cash working capital components:		
Taxation	(1,375)	(10,083)
Interest receivable	1,283	3,720
Cash provided by/(used in) operating activities	<u>31,976</u>	<u>(16,504)</u>
<b>Investing Activity</b>		
Investments, net	<u>(32,022)</u>	13,171
Cash (used in)/provided by investing activity	<u>(32,022)</u>	<u>13,171</u>
Decrease in cash balance	(46)	(3,333)
Cash at beginning of year	<u>1,210</u>	<u>4,543</u>
<b>CASH AT END OF THE YEAR</b>	<u><u>1,164</u></u>	<u><u>1,210</u></u>

# Scotiabank Jamaica Foundation

## Notes to the Financial Statements

**31 December 2005**

(expressed in Jamaican dollars unless otherwise indicated)

---

### 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.

### 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

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

---

## 2. Significant Accounting Policies (Continued)

### (e) Investment securities

Investments are classified as held-to-maturity. 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 held-to-maturity. 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, contributions of \$50,000 (2004 – Nil) were received from The Bank of Nova Scotia Jamaica Limited.

# Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

## 5. Investment Securities – Held-to-Maturity

	Remaining Term to Maturity				Carrying Value	Carrying Value
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years		
					2005	2004
Government of Jamaica Securities:						
GOJ Bond	-	-	32,866	-	32,866	5,358
GOJ Debenture	426	-	-	-	426	13,125
Securities purchased under resale agreements	67,888	21,633	-	-	89,521	58,762
Local registered stock	1,962	-	118,361	72,792	193,115	206,661
	70,276	21,633	151,227	72,792	315,928	283,906

## 6. Fair Values of Financial Instruments

### 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;

# Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

## 6. Fair Values of Financial Instruments (Continued)

### 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>
	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
<b>Financial Assets</b>				
Investment securities	315,928	334,769	283,906	294,415

## 7. Financial Risk Management

The company's activities expose it to a variety of financial risks including the effects of changes in foreign currency exchange rates, interest and liquidity risks. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company.

### (a) Credit risk

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

### (b) 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>	
	<b>2005</b>	<b>2004</b>
	%	%
Cash Resources -		
Current accounts	7.0	7.2
Investments -		
Government of Jamaica Securities	<u>14.2</u>	<u>13.1</u>

### (c) Currency risk

The balance sheet at 31 December 2005 includes aggregate net foreign assets of approximately US\$86 (2004– US\$86) in respect of transactions arising in the ordinary course of business.

# Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

## 8. Grants

Details of grants made during the year are as follows:

	2005	2004
<b>Education</b>		
Northern Caribbean University	-	4,564
NCU Endowment Fund	-	5,000
NCU Scholarships	1,250	713
Grade Six Achievement Test (GSAT)	6,643	6,696
University of the West Indies- Scholarships	1,199	1,652
Holy Family Primary and Infant School	160	162
University of Technology- Scholarships	400	1,290
Mo-Bay Community College – Scholarships	1,500	1,266
Mo-Bay Community College-Lecture Theatre	76	-
College of Agriculture, Science & Education	150	150
Mona School of Business - Scholarships	823	1,601
High School Bursaries	1,000	1,000
Montpelier College - Scholarships	62	62
Caribbean School for the Deaf	383	-
Iris Gelley Primary School	3,500	-
Scholars Club Launch	110	-
Award to Paediatrics	154	-
Hillel Academy Building Fund	2,500	2,500
Point Hill Primary Diagnostic Centre	2,500	2,500
Hugh Shearer Foundation	500	3,000
Less refund Bursary Cheques	(40)	(20)
	22,870	32,136
<b>Health Care</b>		
Cornwall Regional Hospital – Haemodialysis Unit	12,280	7,000
Jamaica Cancer Society – Mammography Unit	708	764
Kingston Public Hospital – Renal Unit	2,067	2,439
National Blood Bank Transfusion Services	-	117
Spanish Town Hospital	1,747	3,817
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	1,000
Accident & Emergency Unit- Expansion	16,366	10,535
	34,168	26,217
<b>Balance carried down</b>	<b>57,038</b>	<b>58,353</b>

# Scotiabank Jamaica Foundation

Notes to the Financial Statements

**31 December 2005**

(expressed in Jamaican dollars unless otherwise indicated)

## 8. Grants (Continued)

	<b>2005</b>	<b>2004</b>
<b>Balance brought forward (page 9)</b>	57,038	58,353
<b>Other</b>		
Hands Across Jamaica for Righteousness	1,500	1,500
Golden Age Home	1,480	1,294
Bethel Baptist Church Foundation	250	250
May Pen Cemetery	-	1,500
Rehab Plus – Kardel Clarke	22	-
Rotary Club of St. Andrew – Centenary Project	1,500	-
	<u>4,752</u>	<u>4,544</u>
	<u>61,790</u>	<u>62,897</u>

## 9. 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.

## 10. Grant Commitments

	<b>2005</b>	<b>2004</b>
Grants authorised and contracted for	<u>68,924</u>	<u>35,947</u>