

Scotiabank Jamaica Foundation

**Financial Statements
31 December 2012**

Scotiabank Jamaica Foundation

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Independent Auditors' Report

To the Members of
Scotiabank Jamaica Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Scotiabank Jamaica Foundation, set out on pages 1 to 16, which comprise the statement of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control relevant as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 selected depend on the auditor's judgment, 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 of financial statements that give a true and fair view 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.

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Scotiabank Jamaica Foundation as at 31 December 2012, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Additional Requirements of the Jamaican Companies Act

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
21 March 2013
Kingston, Jamaica

Scotiabank Jamaica Foundation

Statement of Comprehensive Income

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Income			
Contributions		54,914	50,825
Investment income		28,455	32,868
Other income		200	14
		<u>83,569</u>	<u>83,707</u>
Expenditure			
Grants	7	82,570	94,524
Auditors' remuneration		172	160
Commission expense		400	-
Miscellaneous expenses		72	78
		<u>83,214</u>	<u>94,762</u>
Surplus/(Deficit), being Total Comprehensive Income for the year		<u>355</u>	<u>(11,055)</u>

Scotiabank Jamaica Foundation

Statement of Financial Position

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
NET ASSETS			
Assets			
Investment securities – held-to-maturity	8	306,690	324,462
Unit trust shares		19,260	-
Government securities purchased under resale agreements	9	6,034	3,005
Taxation recoverable	3(ii)	217	1,860
Other receivable		340	-
Cash and bank		<u>2,872</u>	<u>5,719</u>
		335,413	335,046
Liability			
Accrued expense		<u>200</u>	<u>188</u>
		<u>335,213</u>	<u>334,858</u>
REPRESENTED BY			
Accumulated surplus		21,902	21,547
Endowment fund	10	<u>313,311</u>	<u>313,311</u>
		<u>335,213</u>	<u>334,858</u>

Approved for issue by the Board of Directors on 21 March 2013 and signed on its behalf by:

Joylene Griffiths-Irving

Director

Hugh Wayne Powell

Chairman

Scotiabank Jamaica Foundation

Statement of Changes in Equity

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Endowment Fund \$'000	Accumulated Surplus \$'000	Total \$'000
Balance at 31 December 2010	308,311	32,602	340,913
Contribution to Endowment Fund	5,000	-	5,000
Surplus, being Total comprehensive income for the year	-	(11,055)	(11,055)
Balance at 31 December 2011	313,311	21,547	334,858
Deficit, being Total comprehensive income for the year	-	355	355
Balance at 31 December 2012	313,311	21,902	335,213

Scotiabank Jamaica Foundation

Statement of Cash Flows

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	2012 \$'000	2011 \$'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
Surplus/(Deficit)	355	(11,055)
Items not affecting cash:		
Interest income	(28,226)	(32,868)
	(27,871)	(43,923)
Change in non-cash working capital components:		
Taxation recoverable	1,643	1,420
Other receivable	(340)	-
Accrued expense	12	-
	(26,556)	(42,503)
Interest received	27,734	30,782
Cash provided by/(used in) operating activities	1,178	(11,721)
Investing Activities		
Sale of investment securities, net	18,235	1,988
Purchase of unit trust shares	(19,260)	-
Government securities purchased under resale agreements	(3,000)	(3,000)
Cash used in investing activities	(4,025)	(1,012)
Financing Activity		
Contribution to Endowment Fund	-	5,000
Cash provided by financing activity	-	5,000
Decrease in cash balance	(2,847)	(7,733)
Cash at beginning of year	5,719	13,452
CASH AT END OF THE YEAR	2,872	5,719

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2012

(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 company is operated and funded by The Bank of Nova Scotia Jamaica Limited (BNSJ), which is incorporated and domiciled in Jamaica. BNSJ's ultimate holding company is The Bank of Nova Scotia, which is incorporated and domiciled in Canada.

The main objects for which the company 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. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance 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 the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

Interpretations and amendments to published standards effective in the current year

Certain interpretations and amendments to existing standards have been published that became effective during the current year. The company has assessed the relevance of all such interpretations and amendments to existing published standards, and has concluded that they are not relevant to its operations.

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not effective at the year end date, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments, and has determined that the following may be immediately relevant to its operations, and has concluded as follows:

- **IFRS 9, 'Financial instruments'** (effective for annual periods beginning on or after 1 January 2015). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair model option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

Management is currently considering the implications of the standard, the impact on the company and the timing of its adoption.

- **IFRS 13, 'Fair Value Measurement'**, (effective for annual periods beginning on or after 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in *IFRS 7, 'Financial instruments: Disclosures'*, but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. The company is assessing the impact of future adoption of this standard on its financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

(b) Revenue Recognition

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income includes coupons earned on fixed income investments and accrued discount and premium on local registered stocks and other discounted instruments.

Contributions and other income

Contributions received, with the exception of contributions directly to the Endowment Fund, are recorded as income on the cash basis. Other income is recorded on the accrual basis.

(c) Deferred taxation

Deferred tax assets and liabilities are not recognised, as the company's income is exempt from income tax. See Note 3(i) for further details.

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

The company classifies its financial assets as held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. Were the company required to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

Held-to-maturity investments are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

The company assesses at each year end date whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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.

Financial liability

The company's financial liability comprises accrued expense.

(e) Cash and cash equivalents

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

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.

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management

The company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The company's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance.

The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The company's sponsor, The Bank of Nova Scotia Jamaica Limited, monitors all the various risks and has monthly department meetings.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

The disclosures provided in this note are based on the company's investment portfolio as at 31 December 2012. As described in Note 13, the company participated in the National Debt Exchange (NDX) which resulted in significant changes to the company's investment portfolio in February 2013.

(a) Credit risk

The company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the company by failing to discharge their contractual obligations. Credit exposure arises principally in investment activities. The company manages its credit risk by maintaining its investments mainly in various forms of Government of Jamaica securities.

Credit review process

The company has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest payments.

Investments and other receivable

The company limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(a) Credit risk (continued)

The following table summarises the company's credit exposure for debt securities at their carrying amounts:

	2012	2011
	\$'000	\$'000
Government of Jamaica	297,907	316,142
Other	6,000	3,000
	<u>303,907</u>	<u>319,142</u>
Interest receivable	8,817	8,325
	<u>312,724</u>	<u>327,467</u>

(b) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The company's liquidity management process includes:

- (i) An established line of credit with The Bank of Nova Scotia Jamaica Limited;
- (ii) Monitoring future cash flows and liquidity on a daily basis;
- (iii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; and
- (iv) Optimising cash returns on investments.

Undiscounted cash flows of financial liabilities cash flows

The company has no significant outflows in respect of financial liabilities. Accrued expense at year end is due within three months and the company has adequate cash resources to cover these, along with payments in respect of grants authorised and contracted for.

Assets available to meet the liability include cash and bank. The company is also able to meet unexpected net cash outflows by having an established line of credit with its sponsor.

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Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk

The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the company's sponsor.

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs from investment transactions. The company's sponsor monitors its exposure to foreign exchange risk.

Concentrations of currency risk

The table below summarises the company exposure to foreign currency exchange rate risk at 31 December.

	Jamaican\$ J\$'000	US\$ J\$'000	Total J\$'000
	2012		
Financial Assets			
Investment securities – held to maturity	299,181	7,509	306,690
Unit trust shares	19,260	-	19,260
Government securities purchased under resale agreements	6,034	-	6,034
Other receivable	340	-	340
Cash and bank	2,872	-	2,872
Total financial assets	327,687	7,509	335,196
Financial Liability	200	-	200
Net financial position	327,487	7,509	334,996
Credit commitments	33,500	-	33,500

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	Jamaican\$ J\$'000	US\$ J\$'000	Total J\$'000
	2011		
Financial Assets			
Investment securities – held to maturity	317,455	7,007	324,462
Government securities purchased under resale agreements	3,005	-	3,005
Cash and bank	5,719	-	5,719
Total financial assets	326,179	7,007	333,186
Financial Liability	188	-	188
Net financial position	325,991	7,007	332,998
Credit commitments	32,786	-	32,786

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company's exposure to interest rate risk is monitored by its sponsor and is managed by maintaining an appropriate mix of fixed and variable instruments. The policy also requires it to manage the maturities of interest bearing financial assets.

The following table summarises the company's exposure to interest rate risk. It includes the company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

	Within 3 Months \$'000	4 to 12 Months \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
2012						
Financial Assets						
Investment securities held-to-maturity	192,188	-	98,219	7,500	8,783	306,690
Unit trust shares	-	-	-	-	19,260	19,260
Government securities purchased under resale agreements	6,000	-	-	-	34	6,034
Other receivable	-	-	-	-	340	340
Cash and bank	2,872	-	-	-	-	2,872
Total financial assets	201,060	-	98,219	7,500	28,417	335,196
Financial Liability	-	-	-	-	200	200
Total interest repricing gap	201,060	-	98,219	7,500	28,217	334,996
2011						
Financial Assets						
Investment securities held-to-maturity	206,509	-	102,133	7,500	8,320	324,462
Government securities purchased under resale agreements	3,000	-	-	-	5	3,005
Cash and bank	5,719	-	-	-	-	5,719
Total financial assets	215,228	-	102,133	7,500	8,325	333,186
Financial Liability	-	-	-	-	188	188
Total interest repricing gap	215,228	-	102,133	7,500	8,137	332,998

Interest rate sensitivity

Interest rate sensitivity aims to analyse the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the company's income and expenditure account and accumulated surplus.

The sensitivity of the surplus or deficit is the effect of the assumed changes in interest rates on net income based on the floating rate non-trading financial assets and financial liabilities. The correlation of variables will not have a significant effect in determining the ultimate impact on market risk.

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

5. Fair Value Estimation

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. The fair value of financial instruments traded in active markets is based on quoted market prices at the year end date. 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 year end 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;

The table below summarises the carrying value and fair value of financial assets not presented on the company's statement of financial position at their value:

	Carrying Value	Fair Value	Carrying Value	Fair Value
	2012 \$'000	2012 \$'000	2011 \$'000	2011 \$'000
Financial assets				
Investment securities – held-to-maturity	306,690	316,966	324,462	335,890
Unit trust shares	19,260	20,080	-	-

6. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the company's accounting policies

In the process of applying the company's accounting policies, management has made the following judgement that has the most significant impact on the amounts recognised in the financial statements.

Held-to-maturity financial assets

The company follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity financial assets. This classification requires judgement. In making this judgement, the company evaluates its intention and ability to hold such investments to maturity. If the company fails to keep these investments to maturity other than for the specific circumstances – for example, selling other than an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investment securities would therefore be measured at fair value, not amortised cost. If the entire class of held-to-maturity investment securities is compromised, the carrying amount of investment securities would increase by \$11,096,000 (2011 – \$11,428,000) with a corresponding entry in other comprehensive income.

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Notes to the Financial Statements

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

7. Grants

Details of grants made during the year are as follows:

	2012 \$'000	2011 \$'000
Education		
Grade Six Achievement Test (GSAT) Scholarships	9,386	11,049
High School Bursaries	442	964
Scholarships for Tertiary Education	2,868	4,629
Jamaica 50th Anniversary Scholarships	5,000	-
Northern Caribbean University – Agriculture Unit	3,009	6,368
Scotiabank Chair in Entrepreneurship & Development	6,500	6,500
University of the West Indies – International Centre for Nuclear Sciences	6,000	-
Breakfast Feeding Programme	768	1,995
	<u>33,973</u>	<u>31,505</u>
Health Care		
Cornwall Regional Hospital – Haemodialysis Unit	4,876	7,437
Jamaica Cancer Society – Mammography Unit	500	1,549
Scoliosis and Spine Care - Surgeries	2,587	3,407
Mandeville Hospital	1,000	-
University Hospital of the West Indies – Accident & Emergency Unit - Maintenance	572	1,399
Kingston Public Hospital – Orthopaedic Theatre	873	945
Other	-	480
	<u>10,408</u>	<u>15,217</u>
Community Outreach		
Golden Age Home	3,376	3,252
Family Life Ministries	-	1,000
International Police Officers	-	5,000
Other	150	-
	<u>3,526</u>	<u>9,252</u>
Other	<u>34,663</u>	<u>38,550</u>
	<u>82,570</u>	<u>94,524</u>

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

8. Investment Securities – held-to-maturity

	Remaining Term to Maturity				Carrying Value 2012 \$'000	Carrying Value 2011 \$'000
	Within 3 Months \$'000	4 to 12 Months \$'000	2 to 5 Years \$'000	Over 5 Years \$'000		
Government of Jamaica bonds	6,864	9,598	114,730	166,715	297,907	316,142
Interest receivable	8,783	-	-	-	8,783	8,320
	15,647	9,598	114,730	166,715	306,690	324,462

9. Government Securities Purchased under Resale Agreements

	2012 \$'000	2011 \$'000
Principal	6,000	3,000
Interest receivable	34	5
	<u>6,034</u>	<u>3,005</u>

10. 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.

11. Related Party Transactions

A related party is one which controls or exercises significant influence over, or is controlled or significantly influenced by, the company in making financial and operating decisions or, along with the company, is subject to common control or significant influence.

(a) The company's bank account is held with The Bank of Nova Scotia Jamaica Limited.

(b) During the year, contributions to the endowment fund of \$Nil (2011 - \$5,000,000) was received from The Bank of Nova Scotia Jamaica Limited.

12. Grant Commitments

	2012 \$'000	2011 \$'000
Grants authorised and contracted for	<u>33,500</u>	<u>32,786</u>

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

13. Subsequent Event

In February 2013, the company participated in the National Debt Exchange (NDX) transaction under which it exchanged its holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments with lower coupon interest rates.

The key features of the NDX are as follows:

- Jamaican-resident holders of certain domestic debt instruments (collectively referred to as the "Old Notes") were invited to exchange those Old Notes for new, longer-dated debt instruments (collectively referred to as the "New Notes"). Participation in the NDX was voluntary.
- The New Notes offered have a variety of payment terms, including but not limited to fixed and variable rates in J\$, CPI-indexed in J\$, and fixed rates in USD.
- Eligible investors had the option to choose New Notes based on the type and maturity of the Old Notes which are offered for exchange based on certain election options. The election options only allow investors to choose New Notes of longer tenor relative to Old Notes. Most New Notes have lower coupon interest rates than Old Notes.
- Introduction of new Fixed Rate Accreting Notes ("FRANs") which were issued with J\$80 of principal value for every J\$100 of principal value of Old Notes, whereby such principal will accrete to J\$100 of principal value by the maturity date in 2028. The company elected not to receive any FRANs.
- Eligible investors who made offers to the Government of Jamaica to exchange Old Notes received an equivalent principal value (par-for-par value) of New Notes and the payment in cash of accrued interest, net of applicable withholding taxes, on the Old Notes up to but excluding 22 February 2013 (the Settlement Date).

The NDX has had a significant impact on the expected future cash flows from the company's investment portfolio. The table below summarises the impact on coupon rates and maturities of the instruments that were exchanged.

	Pre JDX	Post JDX
Jamaican dollar denominated instruments:		
Total face value exchanged J\$'000	289,933	289,933
Weighted average coupon rate	9.25%	6.26%
Weighted average tenor to maturity	6.86 years	14.31 years
US dollar denominated instruments:		
Total face value exchanged US\$'000	79	79
Weighted average coupon rate	7.50%	5.25%
Weighted average tenor to maturity	<u>3.1 years</u>	<u>7.2 years</u>