



Scotiabank Jamaica Foundation

**Financial Statements
31 December 2017**

Scotiabank Jamaica Foundation

Index

31 December 2017

	Page
Independent Auditor's Report to the Members	
Financial Statements	
Statement of comprehensive income	1
Statement of financial position	2
Statement of changes in equity	3
Statement of cash flows	4
Notes to the financial statements	5 – 16



Independent Auditor's Report

To the Members of Scotiabank Jamaica Foundation

Report on the audit of the financial statement

Our opinion

In our opinion, the financial statements give a true and fair view of, the financial position of Scotiabank Jamaica Foundation (the Company) as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
 - the statement of comprehensive income for the year then ended;
 - the statement of changes in equity for the year then ended;
 - the statement of cash flows for the year then end; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
-

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management for the financial statements

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

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams A.K. Jain B.L. Scott, B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K. Moore



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees and management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on Other Legal and Regulatory Requirements

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.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', is written over the printed name of the firm.

Chartered Accountants
6 February 2018
Kingston, Jamaica

Scotiabank Jamaica Foundation

Statement of Comprehensive Income

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
Income			
Contributions		9,156	20,590
Investment income		17,941	18,622
Other income		<u>(4,278)</u>	<u>3,535</u>
		<u>22,819</u>	<u>42,747</u>
Expenditure			
Grants	7	23,079	39,289
Auditor's remuneration		524	432
Commission expense		516	146
Miscellaneous expenses		<u>1,779</u>	<u>583</u>
		<u>25,898</u>	<u>40,450</u>
(Deficit)/Surplus		(3,079)	2,297
Adjustment to fair value of available for sale investments		<u>26,058</u>	<u>8,812</u>
Total Comprehensive Income		<u><u>22,979</u></u>	<u><u>11,109</u></u>

Scotiabank Jamaica Foundation

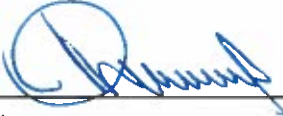
Statement of Financial Position

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
NET ASSETS			
Assets			
Investment securities	8	301,691	300,152
Unit Trust Shares		91,016	46,345
Taxation recoverable	3(ii)	592	203
Cash and bank		<u>13,608</u>	<u>37,141</u>
		406,907	383,841
Liability			
Accrued expense		<u>416</u>	<u>329</u>
		<u>406,491</u>	<u>383,512</u>
REPRESENTED BY			
Accumulated surplus		7,577	10,656
Endowment fund	9	350,000	350,000
Fair value reserve	10	<u>48,914</u>	<u>22,856</u>
		<u>406,491</u>	<u>383,512</u>

Approved for issue by the Board of Directors on 6 February 2018 and signed on its behalf by:



 David Noel Chairman



 Joylene Griffiths Director

Scotiabank Jamaica Foundation

Statement of Changes in Equity

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Endowment Fund \$'000	Accumulated Surplus \$'000	Fair Value Reserve \$'000	Total \$'000
Balance at 31 December 2015	333,311	25,048	14,044	372,403
Total Comprehensive Income				
Net Surplus	-	2,297	-	2,297
Realized gains on available for sale securities	-	-	(90)	(90)
Unrealised fair value gain	-	-	8,902	8,902
	333,311	27,345	22,856	383,512
Transfer to endowment fund	16,689	(16,689)	-	-
Balance at 31 December 2016	350,000	10,656	22,856	383,512
Total Comprehensive Income				
Net Surplus	-	(3,079)	-	(3,079)
Realized gains on available for sale securities	-	-	(3)	(3)
Unrealised fair value gain	-	-	26,061	26,061
Balance at 31 December 2017	350,000	7,577	48,914	406,491

Scotiabank Jamaica Foundation

Statement of Cash Flows

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	2017 \$'000	2016 \$'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
(Deficit)/surplus	(3,079)	2,297
Item not affecting cash resources:		
Investment income	(17,941)	(18,622)
Unrealised foreign exchange gains	5,690	(1,539)
	<u>(15,330)</u>	<u>(17,864)</u>
Change in non-cash working capital components:		
Taxation recoverable	(390)	-
Accrued expense	87	60
	<u>(15,633)</u>	<u>(17,804)</u>
Interest received	<u>12,538</u>	<u>17,295</u>
Cash used in operating activities	<u>(3,095)</u>	<u>(509)</u>
Investing Activities		
(Purchase)/sale of investment securities, net	<u>(20,438)</u>	<u>20,613</u>
Cash (used in)/provided by investing activities	<u>(20,438)</u>	<u>20,613</u>
Net (decrease)/increase in cash resources	<u>(23,533)</u>	<u>20,104</u>
Cash at beginning of the year	<u>37,141</u>	<u>17,037</u>
CASH AT END OF THE YEAR	<u><u>13,608</u></u>	<u><u>37,141</u></u>

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2017

(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.

There has been a change in intent by the company as it relates to investments held. In August 2016, the company has taken the decision not to hold investments until maturity which resulted in the entire investment portfolio being reclassified to available for sale and all fair value changes reflected in other comprehensive income.

Based on the reclassification of securities the company is prohibited from classifying instruments as held-to-maturity for two years from the date of the change.

(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.

Standards, interpretations and amendments to published standards effective in the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following are relevant to its operations.

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2017

(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 effective in the current year (continued)

Amendments to IAS 7, 'Statement of Cash Flows', (effective for annual periods beginning on or after 1 January 2017). The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. An entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings; and non-cash changes, such as acquisitions, disposals and unrealised exchange differences. Future adoption of these amendments will result in additional disclosure in the financial statements.

There are no other new and amended standards and interpretations effective in the current year, which are expected to have a significant impact on the accounting policies or financial disclosures of the company.

Standards, Interpretations and amendments to published standards not yet effective

IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018). This standard specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value 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. There has been no significant change in the recognition and measurement of financial liabilities carried at amortised cost from what obtained under IAS 39. The amendment is not expected to have a significant impact on the company's financial statements.

IFRS 15, 'Revenue from Contracts with Customers', (effective for annual periods beginning on or after 1 January 2018). The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The amendment is not expected to have a significant impact on the company's financial statements.

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

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(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) 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 available for sale. 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.

Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. Purchases and sales of investments are recognised on settlement date – the date on which an asset is delivered to or by the company. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement.

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. 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.

Financial liability

The company's financial liability comprises accrued expense.

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) 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.

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. 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.

(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 2017

(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:

	2017	2016
	\$'000	\$'000
Government of Jamaica	258,186	262,477
Sovereign Debt	20,464	20,037
Interest receivable	23,041	17,638
	<u>301,691</u>	<u>300,152</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.

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2017

(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.

(i) 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
	2017		
Financial Assets			
Investment securities	142,829	158,862	301,691
Unit trust shares	91,016	-	91,016
Cash and bank	13,608	-	13,608
Total financial assets	247,453	158,862	406,315
Financial Liability	416	-	416
Net financial position	247,037	158,862	405,899
Credit commitments	33,430	-	33,430

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk (continued)

	Jamaican\$ J\$'000	US\$ J\$'000	Total J\$'000
	2016		
Financial Assets			
Investment securities	244,853	55,299	300,152
Unit trust shares	46,345	-	46,345
Cash and bank	37,141	-	37,141
Total financial assets	328,339	55,299	383,638
Financial Liability	329	-	329
Net financial position	328,010	55,299	383,309
Credit commitments	18,300	-	18,300

(ii) 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 2017

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	Within 3 Months \$'000	4 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
2017						
Financial Assets						
Investment securities	31,127	2,047	15,076	230,400	23,041	301,691
Unit trust shares	-	-	-	-	91,016	91,016
Cash and bank	13,608	-	-	-	-	13,608
Total financial assets	44,735	2,047	15,076	230,400	114,057	406,315
Financial Liability	-	-	-	-	416	416
Total interest repricing gap	44,735	2,047	15,076	230,400	113,641	405,899
2016						
Financial Assets						
Investment securities	137,282	1,007	27,350	116,875	17,638	300,152
Unit trust shares	-	-	-	-	46,345	46,345
Cash and bank	37,141	-	-	-	-	37,141
Total financial assets	174,423	1,007	27,350	116,875	63,983	383,638
Financial Liability	-	-	-	-	329	329
Total interest repricing gap	174,423	1,007	27,350	116,875	63,654	383,309

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 2017

(expressed in Jamaican dollars unless otherwise indicated)

5. Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table provides an analysis of financial instruments held as at the statement of the financial position date that, subsequent to initial recognition, are measured at fair value. Financial instruments are grouped into levels 1 to 3 based on the degree to which the fair values are observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments. The quoted market price used for financial assets is the current bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2017				
Financial assets				
Government Bonds	-	258,186	-	258,186
Sovereign Debt	-	20,464	-	20,464
Unit Trust Shares	-	91,016	-	91,016
	-	369,666	-	369,666
2016				
Financial assets				
Government Bonds	-	262,477	-	262,477
Sovereign Debt	-	20,037	-	20,037
Unit Trust Shares	-	46,345	-	46,345
	-	328,859	-	328,859

There are no transfers between any levels during the year.

Financial instrument in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regular occurring market transactions on an arm's length basis. The quoted market price used for financial assets is current bid price. These instruments are grouped in level 1.

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

5. Fair Value Estimation (Continued)

Financial instrument in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following method and assumption have been used in determining fair values for instruments not measured at fair value after initial recognition.

The fair value of financial assets and liabilities maturing within one year is estimated to approximate their carrying amount. These financial assets and liabilities include cash and bank and accrued expense.

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.

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

7. Grants

Details of grants made during the year are as follows:

	2017 \$'000	2016 \$'000
Education		
Grade Six Achievement Test (GSAT) Scholarships	8,235	10,013
Scholarships for Tertiary Education	1,469	2,643
Nutrition for Learning/Breakfast Feeding Programme	960	1,400
Scotiabank Chair in Entrepreneurship & Development - UTECH	-	7,000
Other	4,279	-
	<u>14,943</u>	<u>21,056</u>
Health Care		
Scoliosis and Spine Care – Surgeries	3,036	4,000
Other	164	644
	<u>3,200</u>	<u>4,644</u>
Other	4,936	13,589
	<u>23,079</u>	<u>39,289</u>

Scotiabank Jamaica Foundation

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

8. Investment Securities – Available for Sale

	Within 3 Months \$'000	4 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Carrying Value 2017 \$'000	Carrying Value 2016 \$'000
Government of Jamaica bonds	-	3,145	20,077	234,964	258,186	262,477
Sovereign bonds	-	-	-	20,464	20,464	20,037
Interest receivable	-	25	649	22,367	23,041	17,638
	-	3,170	20,726	277,795	301,691	300,152

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. Fair Value Reserve

This represents the unrealised gains and losses on the revaluation of available-for-sale investments.

11. Related Party Transactions

A related party is one which controls or exercises significant influence over, or are 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.

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

12. Grant Commitments

	2017 \$'000	2016 \$'000
Grants authorised and contracted for	33,430	18,300