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INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA DBG INVESTMENTS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Scotia DBG Investments Limited ("the company"), set out on pages 3 to 79, which comprise the group and the company balance sheets as at October 31, 2008, the group and the company statements of income, changes in equity and cash flows 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 the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and consistently applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal controls relevant to the company'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 company's internal controls. 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.

To the Members of
SCOTIA DBG INVESTMENTS LIMITED

Report on the Financial Statements (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the group and the company as at October 31, 2008, and of the group's and the company's financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards, and comply with the Jamaican Companies Act, so far as concerns members of the company.

Report on additional requirements of 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 maintained, proper returns have been received for branches not visited by us and the financial statements are in agreement with the accounting records and returns, and give the information required by the Jamaican Companies Act in the manner so required.

KPMG

November 25, 2008

SCOTIA DBG INVESTMENTS LIMITED

Statement of Consolidated Revenue and Expenses
Year ended 31 October 2008
(With comparative figures for the seven months ended 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2008	2007
Net interest income and other revenue			
Interest from loans and deposits with banks		1,916,173	376,098
Interest from securities		5,065,796	2,682,701
Total interest income	6	6,981,969	3,058,799
Interest expense	6	(5,021,955)	(2,334,166)
Net interest income		1,960,014	724,633
Impairment adjustments on loans	22	(2,536)	(11,892)
Net interest income after impairment adjustments on loans		1,957,478	712,741
Fee and commission income	7	281,120	160,108*
Net foreign exchange trading income	8	169,556	105,377
Gains less losses on securities trading		187,225	66,413
Other revenue		4,316	8,455*
		642,217	340,353
		2,599,695	1,053,094
Expenses			
Salaries, pension contributions and other staff benefits	9	596,388	322,069
Property expenses, including depreciation & amortization		202,846	89,049
Other operating expenses		262,825	184,489
	10	1,062,059	595,607
Profit before taxation	11	1,537,636	457,487
Taxation	12	(298,156)	228,808
Profit for the year/period	13	1,239,480	686,295
EARNINGS PER STOCK UNIT (expressed in $ per share)	14	2.93	1.83

* Reclassified to conform to 2008 presentation.
The accompanying notes form an integral part of the financial statements.

SCOTIA DBG INVESTMENTS LIMITED

Consolidated Balance Sheet
October 31, 2008
(With comparative figures as at 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2008	2007
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call at, Bank of Jamaica	15	242,591	179,724
Government and bank notes other than Jamaica	16	40,947	1,920
Amounts due from other financial institutions	16	344,431	509,536
Accounts with parent and fellow subsidiaries	16, 17	480,294	292,911
		1,108,263	984,091
Financial assets at fair value through statements of revenue and expenses	18	116,951	1,045,225
Pledged assets	19	44,187,071	33,560,537
Loans, after allowance for impairment losses	21	3,406,966	3,466,685
Leases and hire purchase contracts, receivable	23	137,730	94,209
Investment securities			
Available-for-sale	24	619,939	2,225,840
Capital management fund & government securities fund	25	14,992,638	14,059,606
Other assets			
Customers' liabilities under guarantees		691,078	474,174
Taxation recoverable		119,266	40,420
Sundry assets	26	182,176	148,588
Property, plant and equipment	27	102,934	148,606
Intangible assets	28	27,992	42,899
Deferred tax assets	29	241,791	-
Goodwill on consolidation		61,723	61,723
		1,426,960	916,410
		65,996,518	56,352,603

The accompanying notes form an integral part of the financial statements.

SCOTIA DBG INVESTMENTS LIMITED

Consolidated Balance Sheet (continued)
October 31, 2008
(With comparative figures as at 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2008	2007
LIABILITIES			
Deposits			
Deposits by the public	30	3,647,923	3,048,121
Amounts due to other financial institutions	31	107,431	95,106
		3,755,354	3,143,227
Capital management fund & government securities fund	25	14,991,522	14,059,606
Other liabilities			
Promissory notes	32	380,312	607,182
Guarantees issued		691,078	474,174
Securities sold under repurchase agreements	19	40,012,879	31,858,054
Other liabilities	33	238,257	128,151
Taxation payable		70,004	22,713
Deferred tax liabilities	29	13,270	26,758
Assets held in trust on behalf of participants	39	71,938	82,300
		41,477,738	33,199,332
STOCKHOLDERS' EQUITY			
Share capital	34	1,911,903	1,911,903
Reserve fund	35(a)	93,976	75,213
Retained earnings reserve	35(b)	346,551	240,223
Cumulative remeasurement result from available-for-sale financial assets	36	(408,666)	577,221
Loan loss reserve	37	21,967	57,266
Capital reserves	38	22,075	22,075
Reserves for own shares-ESOP	39	(78,635)	(88,746)
Unappropriated profits		3,862,733	3,155,283
		5,771,904	5,950,438
		65,996,518	56,352,603

The financial statements on pages 3 to 79 were approved for issue by the Board of Directors on November 25, 2008 and signed on its behalf by:

____________ Director
Professor Stephen Vasciannie

____________ Director
Stacie-Ann Wright

____________ Director
Anya Schnoor

____________ Secretary
Keri-Gaye Brown

The accompanying notes form an integral part of the financial statements.

SCOTIA DBG INVESTMENTS LIMITED

Statement of Consolidated Changes in Stockholders' Equity
Year ended October 31, 2008
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Note	Share capital	Reserve fund	Retained earnings reserve	Cumulative remeasurement result from available-for-sale financial assets	Loan loss reserve	Capital reserve	Reserve for own Shares	Un-appropriated profits	Total
Balances at March 31, 2007		224,457	64,561	173,160	1,051,318	26,079	22,075	(43,948)	2,890,404	4,408,106
Shares issued	34	1,687,446	-	-	-	-	-	-	-	1,687,446
Unrealised losses on available-for-sale securities, net of taxes		-	-	-	(469,045)	-	-	-	-	(469,045)*
Realised gains on available-for-sale securities, transferred to statement of revenue & expenses		-	-	-	(5,052)	-	-	-	-	(5,052)*
Profit for the period	13	-	-	-	-	-	-	-	686,295	686,295 *
Transfer to reserve fund	35(a)	-	10,652	-	-	-	-	-	(10,652)	-
Transfer to retained earnings reserve	35(b)	-	-	67,063	-	-	-	-	(67,063)	-
Loan loss reserve transfer	37	-	-	-	-	31,187	-	-	(31,187)	-
Dividends paid	47	-	-	-	-	-	-	-	(312,514)	(312,514)
Own shares acquired by ESOP	39	-	-	-	-	-	-	(44,798)	-	(44,798)*
Movement for the period		1,687,446	10,652	67,063	(474,097)	31,187	-	(44,798)	264,879	1,542,332
Balances at October 31, 2007		1,911,903	75,213	240,223	577,221	57,266	22,075	(88,746)	3,155,283	5,950,438
Unrealised losses on available-for-sale securities, net of taxes		-	-	-	(948,610)	-	-	-	-	(948,610)*
Realised gains on available-for-sale securities, transferred to statement of revenue & expenses		-	-	-	(37,277)	-	-	-	-	(37,277)*
Profit for the year	13	-	-	-	-	-	-	-	1,239,480	1,239,480 *
Transfer to reserve fund	35(a)	-	18,763	-	-	-	-	-	(18,763)	-
Transfer to retained earnings reserve	35(b)	-	-	106,328	-	-	-	-	(106,328)	-
Loan loss reserve transfer	37	-	-	-	-	(35,299)	-	-	35,299	-
Dividends paid	47	-	-	-	-	-	-	-	(442,238)	(442,238)
Own shares sold by ESOP	39	-	-	-	-	-	-	10,111	-	10,111 *
Movement for the year		-	18,763	106,328	(985,887)	(35,299)	-	10,111	707,450	(178,534)
Balances at October 31, 2008		1,911,903	93,976	346,551	(408,666)	21,967	22,075	(78,635)	3,862,733	5,771,904

* Total recognised revenue and expenses for the year/period $263,704 (2007: $167,400).
The accompanying notes form an integral part of the financial statements.

SCOTIA DBG INVESTMENTS LIMITED

Statement of Consolidated Cash Flows
Year ended 31 October 2008
(With comparative figures for the seven months ended 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2008	2007
Cash flows from operating activities			
Profit for the year/period		1,239,480	686,295
Items not affecting cash:			
Interest income	6	(6,981,969)	(3,058,799)
Interest expense	6	5,021,955	2,334,166
Depreciation & amortisation		65,342	68,052
Impairment losses on loans	22	2,536	11,892
Loss on disposal of property, plant and equipment	27,28	8,821	-
Deferred taxation expense	12	237,634	(254,915)
Current income tax expense	12	60,522	26,107
		(345,679)	(187,202)
Changes in operating assets and liabilities			
Loans and leases		14,169	273,412
Capital management and government securities fund		322,689	-
Deposits by the public		529,654	440,687
Pledged assets		(5,426,277)	(12,778,970)
Other assets		(250,492)	(43,406)
Securities sold under repurchase agreements		7,863,314	13,491,085
Other liabilities		316,650	49,737
Amounts due from other banks		(59,711)	(30,257)
Financial assets at fair value through statement of revenue and expenses		928,274	(75,083)
Taxation recoverable		(78,846)	(18,613)
Promissory notes		(216,987)	(3,305)
Statutory reserves at Bank of Jamaica		172	(11,738)
		3,596,930	1,106,347
Interest received		5,432,583	3,060,244
Interest paid		(4,668,188)	(1,787,653)
Income tax paid		(13,230)	(7,033)
Net cash provided by operating activities		4,348,095	2,371,905

SCOTIA DBG INVESTMENTS LIMITED

Statement of Consolidated Cash Flows
Year ended 31 October 2008
(With comparative figures for the seven months ended 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2008	2007
Net cash provided by operating activities (page 7)		4,348,095	2,371,905
Cash flows from investing activities			
Investment securities		149,076	(1,182,107)
Shares required for ESOP		10,111	-
Proceeds from the sale of property, plant and equipment		5,897	-
Purchase of property, plant and equipment and intangible assets	27,28	(19,481)	(54,504)
Net cash provided/(used) by investing activities		145,603	(1,236,611)
Cash flows from operating and investing activities		4,493,698	1,135,294
Cash flows from financing activities			
Shares issued	34	-	1,687,446
Dividends paid	47	(442,238)	(312,514)
Cash (used)/provided by financing activities		(442,238)	1,374,932
Effect of exchange changes on cash and cash equivalents		59,711	30,257
Net increase in cash and cash equivalents		4,111,171	2,540,483
Cash and cash equivalents at beginning of year/period		4,062,375	1,521,892
Cash and cash equivalent at end of year/period	16	8,173,546	4,062,375

The accompanying notes form an integral part of the financial statements.

SCOTIA DBG INVESTMENTS LIMITED

Statement of Revenue and Expenses
Year ended 31 October 2008
(With comparative figures for the seven months ended 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2008	2007
Net interest income and other revenue			
Interest from loans and deposits with banks		1,699,754	88,456
Interest from securities		4,882,513	2,301,910
Total interest income	6	6,582,267	2,390,366
Interest expense	6	(4,858,977)	(1,873,045)
Net interest income		1,723,290	517,321
Impairment adjustments on loans	22	(4,237)	(5,286)
Net interest income after impairment adjustments on loans		1,719,053	512,035
Fee and commission income	7	143,194	24,183
Net foreign exchange trading income	8	172,495	103,175
Gains less losses on securities trading		177,470	60,942
Dividends		3,838	4,022
		496,997	192,322
		2,216,050	704,357
Expenses			
Salaries, pension contributions and other staff benefits	9	520,773	241,207
Property expenses, including depreciation & amortisation		84,224	33,031
Other operating expenses		177,828	126,005
	10	782,825	400,243
Profit before taxation	11	1,433,225	304,114
Taxation	12	(296,017)	243,226
Profit for the year/period	13	1,137,208	547,340

The accompanying notes form an integral part of the financial statements.

SCOTIA DBG INVESTMENTS LIMITED

Balance Sheet
October 31, 2008
(With comparative figures as at 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2008	2007
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call at, Bank of Jamaica	15	46,885	1,813
Government and bank notes other than Jamaica	16	39,715	-
Amounts due from other banks	16	289,473	388,426
Accounts with parent and fellow subsidiaries	16, 17	742,347	1,579,894
		1,118,420	1,970,133
Financial assets at fair value through statement of revenue and expenses	18	19,839	957,763
Pledged assets	19	44,187,071	33,560,537
Loans, after allowance for impairment losses	21	562,596	603,696
Investment securities			
Available-for-sale	24	21,289	1,456,216
Investment in subsidiaries		2,256,230	2,256,230
Capital management fund & government securities fund	25	15,949,213	14,059,606
Other assets			
Customers' liabilities under guarantees		605,676	285,314
Taxation recoverable		117,751	40,619
Sundry assets	26	90,494	69,000
Property, plant and equipment	27	43,840	56,901
Intangible assets	28	23,839	36,244
Deferred tax asset	29	211,412	-
		1,093,012	488,078
		65,207,670	55,352,259

The accompanying notes form an integral part of the financial statements.

SCOTIA DBG INVESTMENTS LIMITED

Balance Sheet (continued)
October 31, 2008
(With comparative figures as at 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2008	2007
LIABILITIES			
Capital management & government securities fund	25	14,992,096	14,059,606
Other liabilities			
Amounts due to subsidiaries		2,068,187	2,064,629
Promissory notes	32	338,583	557,009
Guarantees issued		605,676	285,314
Securities sold under repurchase agreements	19	41,766,335	32,883,150
Other liabilities	33	210,190	90,599
Taxation payable		62,830	3,638
Deferred tax liabilities	29	-	14,325
		45,051,801	35,898,664
STOCKHOLDERS' EQUITY			
Share capital	34	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	36	(410,083)	515,103
Loan loss reserve	37	-	34,141
Capital reserves	38	24,615	24,615
Unappropriated profits		3,637,338	2,908,227
		5,163,773	5,393,989
		65,207,670	55,352,259

The financial statements on pages 3 to 79 were approved for issue by the Board of Directors on November 25, 2008 and signed on its behalf by:

____________ Director
Professor Stephen Vasciannie

____________ Director
Stacie-Ann Wright

____________ Director
Anya Schnoor

____________ Secretary
Keri-Gaye Brown

The accompanying notes form an integral part of the financial statements.

SCOTIA DBG INVESTMENTS LIMITED

Statement of Changes in Stockholders' Equity
Year ended October 31, 2008
(With comparative figures as at 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	Share capital	Cumulative remeasurement result from available for sale financial assets	Loan loss reserve	Capital reserve	Unappropriated profits	Total
Balances at March 31, 2007		224,457	957,642	-	24,615	2,707,542	3,914,256
Shares issued	34	1,687,446	-	-	-	-	1,687,446
Realised gains on available-for-sale securities transferred to statement of revenue & expenses		-	(442,539)	-	-	-	(442,539)*
Loan loss reserve transfer	37	-	-	34,141	-	(34,141)	-
Dividends paid	47	-	-	-	-	(312,514)	(312,514)
Profit for the period		-	-	-	-	547,340	547,340*
Movement for the period		1,687,446	(442,539)	34,141	-	200,685	1,479,733
Balances at October 31, 2007		1,911,903	515,103	34,141	24,615	2,908,227	5,393,989
Unrealised losses on available-for-sale investments transferred to statement of revenue & expenses	34	-	(890,455)	-	-	-	(890,455)*
Realised gains on available-for-sale-securities transferred to statement of revenue & expenses		-	(34,731)	-	-	-	(34,731)*
Loan loss reserve transfer	37	-	-	(34,141)	-	34,141	-
Dividends paid	47	-	-	-	-	(442,238)	(442,238)
Profit for the period		-	-	-	-	1,137,208	1,137,208*
Movement for the year		-	(925,186)	(34,141)	-	729,111	(230,216)
Balances at October 31, 2008		1,911,903	(410,083)	-	24,615	3,637,338	5,163,773

* Total recognised income and expenses for the year/period $212,022 (2007: $104,801).
The accompanying notes form an integral part of the financial statements.

SCOTIA DBG INVESTMENTS LIMITED

Statement of Cash Flows
Year ended 31 October 2008
(With comparative figures for the seven months ended 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2008	2007
Cash flows from operating activities			
Profit for the year/period		1,137,208	547,340
Items not affecting cash:			
Interest income	6	(6,582,267)	(2,390,366)
Interest expense	6	4,858,977	1,873,045
Deferred taxation expense	12	236,825	(243,226)
Depreciation & amortisation		36,055	22,134
Current income tax expense		59,192	-
Impairment adjustments on loans	22	4,237	5,286
		(249,773)	(185,787)
Changes in operating assets and liabilities:			
Loans and leases		37,318	(44,419)
Pledged assets		(5,426,277)	(12,479,445)
Other assets		(341,854)	(42,307)
Capital management and government securities fund		(627,783)	-
Securities sold under repurchase agreements		8,541,259	14,420,410
Other liabilities		439,950	43,109
Amounts due from other banks		(51,614)	(20,366)
Amounts due to subsidiaries		3,558	1,729,562
Financial assets at fair value through statement of revenue and expenses		937,924	(69,612)
Taxation recoverable		(77,133)	(20,740)
Promissory notes		(208,541)	1,911
		2,997,035	3,332,316
Interest received		5,081,868	2,016,442
Income tax paid		(1)	-
Interest paid		(4,537,267)	(1,589,456)
Net cash provided by operating activities		3,521,635	3,759,302

The accompanying notes form an integral part of the financial statements.

SCOTIA DBG INVESTMENTS LIMITED

Statement of Cash Flows (continued)
Year ended 31 October 2008
(With comparative figures for the seven months ended 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2008	2007
Cash provided by operating activities (page 13)		3,521,635	3,759,302
Cash flows from investing activities			
Investment in subsidiaries		-	(1,687,446)
Investment securities		15,300	(1,111,219)
Purchase of property, plant and equipment and intangible assets	27,28	(10,589)	(14,852)
Net cash provided/(used) by investing activities		4,711	(2,813,517)
Cash flows from operating and investing activities		3,526,346	945,785
Cash flows from financing activities			
Shares issued	34	-	1,687,446
Dividends paid	47	(442,239)	(312,514)
Cash (used)/provided in financing activities		(442,239)	1,374,932
Effect of exchange rate on cash and cash equivalents		51,615	20,366
Net increase in cash and cash equivalents		3,135,722	2,341,083
Cash and cash equivalents at beginning of year/period		5,225,521	2,884,438
Cash and cash equivalent at end of year/period	16	8,361,243	5,225,521

The accompanying notes form an integral part of the financial statements.

SCOTIA DBG INVESTMENTS LIMITED

Notes to the Financial Statements
Year ended 31 October 2008
(With comparative figures for seven months ended 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence

(a) Scotia DBG Investments Limited ("the company") is incorporated and domiciled in Jamaica. It is a 77.01% subsidiary of Scotia Group Jamaica Limited ("Scotia Group") which is incorporated and domiciled in Jamaica. The Bank of Nova Scotia, which is incorporated and domiciled in Canada, is the ultimate parent company. The registered office of the company is located at 7 Holborn Road, Kingston 10.

The company's principal activities comprise the provision of corporate finance, investment, operating foreign currency cambios, brokerage, and advisory services in accordance with licences issued by the Financial Services Commission, Bank of Jamaica and the Jamaica Stock Exchange, including the making of investments and the managing of funds on a non-recourse basis [see note 25(b)]. During the year, the company disposed of its branch operation in Trinidad & Tobago.

(b) The company's subsidiaries, which together with the company are referred to as "the Group", are as follows:

Subsidiaries	Principal Activities	Holding	Country of Incorporation
Scotia DBG Merchant Bank Limited	Merchant banking	100%	Jamaica
Scotia DBG Fund Managers Limited (note 49)	Unit Trust and Fund Management	100%	Jamaica
Billy Craig Investments Limited	Non-trading	100%	Jamaica
Scotia Jamaica Investment Limited	Non-trading	100%	Jamaica
Asset Management Company Limited	Hire purchase financing	100%	Jamaica
Interlink Investments Limited	Non-trading	100%	Grand Cayman
DB&G Corporate Services Limited	Administration and management services	100%	Jamaica

The shares in Interlink Investments Limited may be redeemed by that company at any time at its option, *en bloc* or individually, by repayment of the capital sum subscribed in respect of such shares, in the currency in which such subscription was paid.

The company has indicated that it will provide the financial support necessary for one of its subsidiaries to meet its future financial and operating obligations. As at the year-end/period, that subsidiary had a working capital deficit of $110,668 (2007: $95,743). This is stated after taking account of a liability of $120,170 (2007: $100,933) due to the parent company.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied by the Group entities for all the periods presented, unless otherwise stated.

(a) Statement of compliance and basis of preparation:

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act and the Financial Institutions Act.

Standards and interpretations adopted during the year

During the year, the company and the group adopted the following standards which became effective:

Amendments to *IAS 39 Financial Instruments: Recognition and Measurement* and IFRS 7: *Financial Instruments Disclosure.*

The amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category, in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future.

The adoption of this amendment resulted in the reclassification of certain investments from available-for-sale to loans and receivable. The impact on the financial results and the financial position of the company and group is disclosed at note 20. The additional disclosures required by IFRS 7 in respect of these investments are disclosed at note 20.

Standards and interpretations of and amendments to existing standards that are not yet effective:

At the date of authorization of these financial statements, certain new standards, and amendments to and interpretations of existing standards, have been issued which are not yet effective at balance sheet date and which the company has not early-adopted. The company has assessed the relevance of all such standards, amendments and interpretations with respect to the company's operations and has determined that the following may be relevant to its operations:

2. Summary of significant accounting policies (cont'd)

(a) Statement of compliance and basis of preparation (cont'd):

(i) Statement of compliance (cont'd)

Standards and interpretations of and amendments to existing standards that are not yet effective:

IFRS 8, Operating Segments, which becomes effective for annual periods beginning on or after 1 January 2009, replaces IAS 14 and sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. This is not expected to have a material impact on the disclosures in the financial statements.

IFRIC 13 Accounting for Customer Loyalty Programmes, which is effective for annual periods beginning on or after July 1, 2008, creates consistency in accounting for customer loyalty plans. The interpretation is applicable to all entities that grant awards as part of a sales transaction (including awards that can be redeemed for goods or services not supplied by the entity). This is not expected to have any impact on the financial statements.

IFRIC 14, IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, which is effective for annual periods beginning on or after January 1, 2008, provides guidance on assessing the limit set in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This is not expected to have a material impact on the financial statements.

IAS 1 (Revised 2007) Presentation of Financial Statements which becomes effective for annual periods beginning on or after January 1, 2009 requires the presentation of all non-owners changes in equity either in one statement of comprehensive income or in two statements, an income statement and a statement of comprehensive income. The company is evaluating the impact that the revised standard will have on the financial statements.

IAS 23 (Revised) - Borrowing Costs which becomes effective for annual periods beginning on or after January 1, 2009 removes the option of expensing all borrowing costs, and requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. The company is evaluating the impact IAS 23 (Revised) will have on the financial statements.

2. Summary of significant accounting policies (cont'd)

(a) Statement of compliance and basis of preparation (cont'd):

(i) Statement of compliance (cont'd)

New standards, and interpretations of and amendments to existing standards that are not yet effective (cont'd):

Amendments to *IAS 32 Financial Instruments: Presentation* and *IAS 1, Presentation of Financial Statements* is effective for annual reporting periods beginning on or after January 1, 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. The standard is not expected to have any significant impact on the financial statements.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis as modified for the revaluation of available-for-sale financial assets and financial assets at fair value through statement of revenue and expenses.

(iii) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS and the Companies Act 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. 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 3.

(iv) Functional and presentation currency

These financial statements are presented in Jamaican dollars, which is the company's functional currency. Except where indicated to be otherwise, financial information presented are shown in thousands of Jamaican dollars.

(v) Comparative information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

(vi) Accounting policies

Accounting policies have been changed where necessary to ensure consistency with the policies adopted by Scotia Group. The effects of the changes were not considered material.

2. Summary of significant accounting policies (cont'd)

(b) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the company and its subsidiaries presented as a single economic entity. Intra-group transactions, balances and unrealised gains or lossess on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more that one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are no longer consolidated from the date that control ceases. A special purpose entity (SPE) is consolidated if, based on an evaluation of the substance of its relationship with the Company and the SPE's risks and rewards, the Company concludes that it controls the SPE.

The Group's financial statements include the Group's share of the operations of its subsidiaries for the year ended October 31, 2008. The consolidated financial statements also include the audited results of the operations of the company's Employee Share Ownership Plan (ESOP), classified as a special purpose entity, for the year ended October 31, 2008. The results of the ESOP are not material to the group.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

(d) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the exchange rates prevailing at the balance sheet date, being the mid-point between the Bank of Jamaica's weighted average buying and selling rates at that date.

Gains and losses arising from translating profit and loss items are included in the group revenue and expenses.

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of those transactions.

2. Summary of significant accounting policies (cont'd)

(e) Revenue recognition

(i) Interest income

Interest income is recognised in the statement of revenue and expenses for all interest bearing instruments on the accrual basis using the effective interest method based on the actual purchase price. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently. Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments.

Where collection of interest income on loans is considered doubtful, or payment is outstanding for more than 90 days or more, the regulations stipulate that interest should be taken into account on the cash basis. Accrued interest on loans that are in arrears for 90 days and over is excluded from income, in accordance with the Financial Institutions Act.

IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. However, such amounts as would have been determined under IFRS are considered to be immaterial.

Income from foreign exchange cambio trading is determined on a trade-date basis.

(ii) Fees and commission

Fee and commission income are recognised on the accrual basis when service has been provided. Origination fees, for loans which are probable of being drawn down, are recognised in the statement of revenue and expenses immediately, as they are not considered material for deferral.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees are apportioned over the period the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies (cont'd)

(f) Interest expense

Interest expense is recognised in the statement of revenue and expenses on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

(g) Taxation

Taxation on the profit or loss for the year comprises current and deferred taxes. Current and deferred taxes are recognised as tax expense or benefit in the statement of revenue and expenses except where they relate to items recorded in stockholders' equity, in which case they are charged or credited to stockholders' equity.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable and tax losses in respect of previous years and items that are never taxable or deductible.

(ii) Deferred tax

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when the legal right of set-off exist and when they relate to income taxes levied by the same Tax Authority on either the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

2. Summary of significant accounting policies (cont'd)

(h) Impairment

The carrying amounts of the company's and Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the group statement of revenue and expenses.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value less any impairment loss on that financial asset previously recognised in profit or loss.

Management's assessment of the group's assets revealed no negative material changes and, hence, it was not necessary to account for impairment losses in the group's financial statements.

(i) Calculation of recoverable amount:

The recoverable amount of the company's and the group's investments in loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of loans and other receivables is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

2. Summary of significant accounting policies (cont'd)

(h) Impairment (cont'd)

(ii) Reversals of impairment (cont'd):

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(i) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances and deposits on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the settlement date, at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

2. Summary of significant accounting policies (cont'd)

(j) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through statement of revenue and expenses; loans and receivables; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through the statement of revenue and expenses

This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable.

(iii) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets at fair value through profit or loss, and available-for-sale are recognised at the settlement date - the date on which an asset is delivered to or by the Group. Loans are recognised when cash is advanced to the borrowers. Financial assets 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 and financial assets at fair value through statement of revenue and expenses are carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of revenue and expenses in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial assets are derecognised or impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in profit or loss. However, interest, which is calculated using the effective interest method, is recognised in the statement of revenue and expenses.

2. Summary of significant accounting policies (cont'd)

(j) Financial assets (cont'd)

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of revenue and expenses. The amount of the impairment loss for an asset carried at amortised cost is calculated as the difference between the asset's carrying amount 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. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Consequent on the adoption of the Amendment to IAS 39 and IFRS 7 [see note 2 (a) (i)], the company and the Group have reclassified certain investments from available-for-sale to loans and receivables. Management has determined that the criteria for reclassification has been met; in particular, these investments meet the definition of loans and receivables as they are not quoted in an active market and management has the intention and ability to hold these assets for the foreseeable future or until maturity.

These reclassified investments are measured at amortised cost, determined as being the fair value at the date of the reclassification. The cumulative gains or losses, previously recognised in equity, are recognised in profit or loss over the remaining life of the instruments using the effective interest rate method.

(k) Investment in subsidiaries

Investments by the company in subsidiaries are stated at cost less impairment losses.

(l) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralized financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

Securities sold subject to repurchase agreements are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral.

(m) Loans and allowance for impairment losses

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

2. Summary of significant accounting policies (cont'd)

(m) Loans and allowance for impairment losses (cont'd)

Loans are stated net of unearned income and allowance for credit losses.

Loans are recognised when cash is advanced to borrowers. They are initially recorded at fair value of the consideration given, which is the cash disbursed to originate the loan, including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the impaired loans.

A loan is classified as impaired when in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan is classified as impaired.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. Interest income on impaired loans has not been recognized, as it is not considered material.

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS are dealt with in a non-distributable loan loss reserve as an appropriation of profits.

(n) Guarantees

The Group's potential liability under guarantees is reported as a liability in the balance sheet. The Group has equal and offsetting claims against its customers in the event of a call on these commitments, which are reported as an asset.

(o) Intangible assets

(i) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Goodwill is assessed annually for impairment.

2. Summary of significant accounting policies (cont'd)

(o) Intangible assets (cont'd)

(i) Goodwill (cont'd)

Negative goodwill is the excess of the fair value of net identifiable assets acquired over the cost of an acquisition. Negative goodwill, which does not relate to an expectation of future losses and expenses and is in excess of the fair value of non-monetary assets acquired, is recognised immediately in the group statement of revenue and expenses.

(ii) Computer software

Expenditure relating to the acquisition of computer software is stated at cost, less accumulated amortisation and impairment losses. Amortisation is charged to the group statement of revenue and expenses on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful life of computer software is 4-5 years.

(p) Leases

(i) As lessee

Leases of property where the Group has substantially all the risks and rewards of ownership are classified as finance leases. The lease payment is charged as an expense and included in the statement of revenue and expenses.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of revenue and expenses on the straight-line basis over the period of the lease.

(ii) As lessor

When assets are leased under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

(q) Hire purchase financing

Finance income is recognised over the hire purchase term to produce a constant rate of return on the net investment in the hire purchase receivable, using the effective interest rate method. For this purpose, the net investment in the hire purchase receivable is defined as the minimum payments receivable, less unearned income.

2. Summary of significant accounting policies (cont'd)

(r) Property, plant and equipment

Land is stated at historical cost. All property, plant and equipment are stated at historical cost less accumulated depreciation and, if any, impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is classified as repairs and renewals and charged as expenses in the statement of revenue and expenses during the financial period in which it is incurred.

Depreciation and amortisation are calculated on the straight-line method at rates that will write off the depreciable amount of the assets over their expected useful lives, as follows:

Buildings	40 years
Furniture, fixtures and equipment	10 years
Computer equipment	4 years
Motor vehicles	5 years
Leasehold improvements	Period of lease

The depreciation methods, useful lives and residual values are reassessed at the reporting date.

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the profit for the year.

(s) Employee benefits

Employee benefits are all forms of consideration given by the company and the group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and loans and post-employment benefits such as pensions.

(i) Pension obligations

The company participates in a defined-contribution pension scheme (see note 10), the assets of which are held separately from those of the company and the group. Contributions to the scheme, made on the basis provided for in the rules, are charged to the group statement of revenue and expenses when due.

2. Summary of significant accounting policies (cont'd)

(s) Employee benefits (cont'd)

(i) Pension obligations (cont'd)

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(ii) Equity compensation benefits

The company has an Employee Share Ownership Plan (ESOP) for eligible employees. The amount contributed to the ESOP trust (note 48) by the Group for acquiring shares and allocating them to employees is recognised as an employee expense at the time of making the contribution. The special purpose entity that operates the Plan has been consolidated.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(u) Share capital

(i) Classification

Shares are classified as equity when there is no obligation to transfer cash or other assets

(ii) Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the Board of Directors.

(v) Financial instruments

Financial instruments carried on the balance sheet include cash resources, investments, securities purchased under resale agreements, pledged assets, loans and leases and other assets, deposits and other liabilities.

The fair values of the Group's and The Company's financial instruments are discussed in note 41.

2. Summary of significant accounting policies (cont'd)

(w) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bank of Jamaica, amounts due from other banks, and highly liquid financial assets with original maturities of less than three months, which are readily convertible to known amounts of cash, and subject to insignificant risk of changes in their fair value.

3. Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments 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.

(i) Impairment losses on loans and advances:

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of revenue and expenses, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5 percent, the allowance would be an estimated $23,164 higher or $25,247 lower.

(ii) Impairment of goodwill:

Impairment of goodwill is dependent upon management's internal assessment of future cash flows from cash-generating units that gave rise to the goodwill. That internal assessment determines the amount recoverable from future use of those units. In addition, the estimate of the amount recoverable from future use of those units is sensitive to the discount rates used.

3. Critical accounting estimates, and judgements in applying accounting policies (cont'd)

(iii) Income taxes:

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Were the actual final outcome (on the judgements areas), to differ by +/-10% from management's estimates, the Group would need to make no adjustments to the income tax liability and the deferred tax liability would decrease by up to $364.

It is possible, based on existing knowledge, that outcomes that are different from these assumptions could require a material adjustment to the carrying amount reflected in future financial statements.

4. Responsibilities of the appointed external auditors

The shareholders, pursuant to the Companies Act, appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders.

5. Segmental financial information

Segment information is presented in respect of the Group's business segment. The primary business segments are based on the company's management and internal reporting structure.

The Group's operations are located mainly in Jamaica, based on the geographical location of its clients. The subsidiary located overseas represents less than 10% of the Group's gross external revenue and assets.

At this time there are no material segments into which the Group's business may be broken down.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

6. Net interest income

	The Group		The Company	
	2008	2007	2008	2007
Interest income:				
Deposit with banks and other financial institutions	1,310,466	19,791	1,477,221	-
Investment securities	4,172,585	2,056,712	4,102,911	2,020,446
Income on financial assets at fair value through the statement of revenue and expenses	91,663	109,462	91,663	109,462
Reverse repurchase agreements	798,070	516,527	687,939	172,002
Loans	605,707	320,637	222,533	70,900
Other	3,478	35,670	-	17,556
	6,981,969	3,058,799	6,582,267	2,390,366
Interest expense:				
Deposits and savings	162,978	195,584	-	-
Repurchase agreements	3,771,941	1,590,577	3,771,941	1,325,040
Banks and customers	1,062,679	-	1,062,679	-
Other	24,357	548,005	24,357	548,005
	5,021,955	2,334,166	4,858,977	1,873,045
Net interest income	1,960,014	724,633	1,723,290	517,321

Interest income does not include accruals for impaired financial assets.

7. Fee and commission income

	The Group		The Company	
	2008	2007	2008	2007
Fee and commission income:				
Credit related fees	17,396	18,870	-	-
Trust and other fiduciary fees	191,186	80,741*	-	-
Asset management & other related fees	75,057	60,497*	143,194	24,183*
	283,639	160,108	143,194	24,183
Fee and commission expenses	(2,519)	-	-	-
	281,120	160,108	143,194	24,183

8. Net foreign exchange trading income

Net foreign exchange trading income includes gains and losses arising from foreign currency trading activities.

*Restated to conform to 2008 presentation.

SCOTIA DBG INVESTMENTS LIMITED

Notes to the Financial Statements
Year ended 31 October 2008
(With comparative figures for seven months ended 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

9. Salaries, pension contributions and other staff benefits

	The Group		The Company	
	2008	2007	2008	2007
Wages and salaries	458,337	239,603	408,593	171,446
Payroll taxes	41,629	19,324	35,120	15,715
Pension contributions	18,183	9,942	15,678	8,296
Other staff benefits	78,239	53,200	61,382	45,750
	596,388	322,069	520,773	241,207

10. Expenses by nature

	The Group		The Company	
	2008	2007	2008	2007
Salaries, pension contributions and other staff benefits (note 9)	596,388	322,069	520,712	241,207
Property expenses, including depreciation	202,846	89,049	84,224	33,031
Transportation and communication	39,963	38,265	17,991	24,418
Marketing and advertising	67,995	27,104	39,356	18,777
Management and consultancy fees	31,170	49,848	31,170	488
Deposit insurance	5,989	2,349	-	-
Stationery	25,926	6,891	14,263	1,101
Other operating expenses	91,782	60,032	75,048	81,221
	1,062,059	595,607	782,764	400,243

11. Profit before taxation

In arriving at the profit before taxation, the following are among the items that have been charged:

	The Group		The Company	
	2008	2007	2008	2007
Auditors' remuneration	7,218	6,685	3,845	2,500
Depreciation	65,342	39,715	36,055	22,134
Directors' emoluments-				
Fees	9,388	6,408	5,161	4,032
Other	10,331	20,724	10,331	20,724
Loss on sale of property, plant & equipment	8,821	-	-	-
Operating lease rentals	23,327	-	2,790	-

(Expressed in thousands of Jamaican dollars unless otherwise stated)

12. Taxation

(a) Taxation charge

Income tax is computed on the profit for the year as adjusted for tax purposes; other taxes are computed at rates and on items shown below:

	The Group		The Company	
	2008	2007	2008	2007
Current income tax:				
Income tax at 33⅓%	60,522	26,107	59,192	-
Deferred income tax (note 29)	237,634	(254,915)	236,825	(243,226)
	298,156	(228,808)	296,017	(243,226)

(b) Taxation losses, subject to agreement by the Commissioner of Taxpayer Audit and Assessment, available for set-off against future taxable profits, amounted to nil (2007: $718,897) for the company and $90,142 (2007: $807,935) for the Group. In his April 2005 budget presentation, the Minister of Finance and Planning announced that instead of indefinitely, the carry forward of tax losses would be restricted to five years, with effect for January 1, 2006. Up to November 25, 2008, enabling legislation has not been passed into law.

(c) Reconciliation of applicable tax charge to effective tax charge:

	The Group		The Company	
	2008	2007	2008	2007
Profit before taxation	1,537,636	457,487	1,433,225	304,114
Tax calculated at 33⅓%	512,545	152,496	477,742	101,371
Adjusted for the effects of:				
Tax free investments	(191,377)	(229,538)	(153,410)	(165,354)
Expenses not deductible for tax purposes	707,693	64,626	691,265	41,283
Other charges and allowances	4,453	(173,815)	2,776	(200,996)
Tax losses utilised	(735,158)	(42,577)	(722,356)	(19,530)
Taxation expense	298,156	(228,808)	296,017	(243,226)

(Expressed in thousands of Jamaican dollars unless otherwise stated)

13. Profit and unappropriated profits attributable to stockholders

	2008	2007
(a) The net profit is dealt with in the financial statements of Group entities as follows:		
The Company	1,137,208	547,340
The Subsidiaries	102,272	138,955
	1,239,480	686,295
(b) The unappropriated profits are dealt with in the financial statements of Group entities as follows:		
The Company	3,637,338	2,908,227
The Subsidiaries	225,395	247,056
	3,862,733	3,155,283

14. Earnings per stock unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

	2008	2007
Net profit attributable to stockholders	1,239,480	686,295
Weighted average number of ordinary stock units in issue ('000)	423,195	374,365
Basic earnings per stock unit (expressed in $ per share)	2.93	1.83
Weighted average number of ordinary stock units:		
Issued ordinary stock units at October 31	423,195	374,365
Effect of owned shares held by ESOP during the period	(2,829)	(3,855)
Weighted average number of ordinary stock units held during the period	420,366	370,510
Earnings per ordinary shares in issue excluding ESOP holdings	2.95	1.85

(Expressed in thousands of Jamaican dollars unless otherwise stated)

15. Cash and balances with Bank of Jamaica

	The Group		The Company	
	2008	2007	2008	2007
Statutory reserves with Bank of Jamaica - interest bearing	76,469	67,232*	-	-
Statutory reserves with Central Bank – non interest bearing	59,046	48,453*	-	-*
Total statutory reserve	135,515	115,685	-	-
Cash in hand and at bank (note 16)	107,076	64,039	46,885	1,813
	242,591	179,724	46,885	1,813

A minimum of 23% (2007: 23%) of prescribed liabilities is required to be maintained in liquid assets by a subsidiary. This includes a cash reserve deposit of 9% (2007: 9%) of the amount of the prescribed liabilities, which is required to be maintained with the Bank of Jamaica at an interest rate of Nil% per annum and an additional 1% up to April 30, 2006 and Nil% thereafter special deposit reserve, introduced on January 10, 2003, earning interest at 6% per annum.

16. Cash and cash equivalents

	The Group		The Company	
	2008	2007	2008	2007
Cash and balances with central Bank (note 15)	242,591	179,724	46,885	1,813
Less: statutory reserves	(135,516)	(115,685)	-	-
	107,075	64,039	46,885	1,813
Cash and balances at bank greater than 90 days	(40,024)	(60,028)	-	-
Government and bank notes other than Jamaica	40,947	1,920	39,715	-
Amounts due from other banks	344,431	509,536	289,473	388,426
Accounts with parent and fellow subsidiaries	480,294	292,911	742,347	1,579,894
Government of Jamaica treasury bills and bonds	7,242,823	3,255,388	7,242,823	3,255,388
	8,175,546	4,063,766	8,361,243	5,225,521
Less accrued interest receivable on Bank of Jamaica Certificates of deposit	(2,000)	(1,391)*	-	-
	8,173,546	4,062,375	8,361,243	5,225,521

* Restated to conform with 2008 presentation.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

17. Accounts with parent and fellow subsidiaries

These represent inter-company accounts held with the parent company and fellow subsidiaries in the ordinary course of business.

18. Financial assets at fair value through statement of revenue and expenses

	The Group		The Company	
	2008	2007	2008	2007
Government of Jamaica securities	-	221,352*	-	221,352*
Quoted shares	116,951	192,012	19,839	192,012
Units in unit trusts	-	541,766*	-	454,304*
Corporate securities	-	84,909*	-	84,909*
	116,951	1,040,039	19,839	952,577
Accrued interest	-	5,186*	-	5,186*
	116,951	1,045,225	19,839	957,763

19. Pledged assets

Assets pledged as collateral under repurchase agreements with counterparties are government bonds. All repurchase agreements mature within twelve (12) months. Mandatory reserve deposits are also held with Bank of Jamaica under Section 14 (i) of The Banking Act, 1992, viz:

	The Group			
	Asset		Related Liability	
	2008	2007	2008	2007
Securities with Bank of Jamaica	324,612	810,671	-	-
Securities sold under repurchase agreements	37,301,189	30,107,707	35,177,900	29,544,882*
Securities with other financial institutions	6,561,270	2,642,159	4,834,989	2,313,172*
	44,187,071	33,560,537	40,012,879	31,858,054

	The Company			
	Asset		Related Liability	
	2008	2007	2008	2007
Securities with Bank of Jamaica	324,612	810,671	-	-
Securities sold under repurchase agreements	37,301,189	30,107,707	37,046,762	30,569,978
Securities with other financial institutions	6,561,270	2,642,159	4,719,573	2,313,172
	44,187,071	33,560,537	41,766,335	32,883,150

* Restated to conform with 2008 presentation.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

19. Pledged assets (cont'd)

The Bank of Jamaica holds as security, Government of Jamaica Local Registered Stocks and Investment Bonds valued at $310,671 (2007: $810,671) for the Group and the company against possible shortfalls in the operating account.

These transactions are conducted under terms that are usual and customary to standard securities borrowing and reverse repurchase agreements.

Included in pledged assets are the following amounts which are regarded as cash equivalents for the purposes of the statement of cashflows:

	The Company and Group	
	2008	2007
Debt securities with an original maturity of less than 90 days	7,242,823	3,255,388

20. Reclassification of financial assets

Consequent on the adverse market conditions in the financial sector worldwide and the demise of certain broker dealers which were significantly involved in the marketing of Global Bonds issued by The Government of Jamaica (GOJ), certain investments that are included in pledged and CMA/GSF assets have been reclassified from available-for-sale to loans and receivable in accordance with paragraph 50E of IAS 39 see note 2(a)(i). The standard requires that such reclassification be made at the fair value of the instruments at the date of reclassification. The prices of GOJ Global Bonds as at September 30, 2008 were used to determine the fair value used for the reclassification.

	The Company and Group			
	Carrying value 2008	Fair value 2008	Carrying value 2007	Fair 2007
Securities:				
US$ denominated GOJ Global Bonds	11,907,367	10,184,253	9,955,511	9,955,511
EURO denominated GOJ Global Bonds	927,539	825,893	984,966	984,966

(a) Fair value gains/(losses) excluding deferred taxation of ($266,886) (2007: $847,350) were recognized in equity in relation to the above investments reclassified during the year.

(b) Fair value losses of $2,091,655 excluding deferred taxation would have been included in equity for the year had the investments not been reclassified. This amount was estimated on the basis of the mid price of the securities as at October 31, 2008. Management does believes that this price is not necessarily indicative of the amount that would have been valued if an active market for the securities actually existed at that date.

(c) The weighted average effective interest rate of the investments at the date of reclassification was 8.42%. The undiscounted cash flows to be recovered from the investment reclassified is $21,680,044.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

21. Loans, after allowance for impairment losses

	The Group		The Company	
	2008	2007	2008	2007
Business and Government	2,707,884	2,982,667	734,955	819,270
Personal	952,125	783,133	82,726	96,299
Interest receivable	22,505	25,805	1,760	1,303
Total	3,682,514	3,791,605	819,441	916,872
Less: allowance for impairment losses (note 22)	(275,548)	(324,920)	(256,845)	(313,176)
	3,406,966	3,466,685	562,596	603,696

(a) Loans which exceeded 10% of the total loans owing to the company and the Group, and also exceeded 10% of the total deposits due by the company and the group, totalled $761,253 (2007: $710,493) in both instances.

(b) Loans on which interest is suspended amounted to $708,731 (2007: $362,843) for the company and $772,739 (2007: $381,012) for the group. These loans are included in the financial statements at their estimated net realisable value of $ 453,862 (2007: $49,667) for the company and $506,902 (2007: $56,220) for the group.

(c) Loans receivable include loans to the company's employees to acquire shares in the company under the Employee Share Ownership Plan (ESOP) amounting to $370 (2007: $3,368) for the company and the group. The number of shares held by the ESOP at October 31, 2008 was 2,829,481 (2007: $3,855,191) for the company and the group (see note 39).

(d) Loans receivable include loans to Runaway Bay Developments Limited amounting to US$8,096 and J$5,015 (2007: US$8,158 and J$5,015) for the company and the group. The loans are secured by certain land and buildings. US$5.7 million is repayable in equal monthly payments amortised over 30 years with a balloon payment due in 2020. The Jamaican dollar loan of J$5,015 as well as US$15, has no set repayment agreement. The company has subordinated the servicing of US$2,351 (2007: US$2,351) in favour of other creditors. Interest will accrue at 8% (2007: 8%) per annum but payment will be deferred together with principal based on certain stipulated conditions.

At the balance sheet date, provision for probable loan losses in respect of these loans amounted to US$2,621 and J$5,015 (2007: US$ 2,621 and J$5,015) for the company and the group.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

21. Loans, after allowance for impairment losses (cont'd)

(d) (cont'd)

(i) The aging of the loans at the reporting date was:

	The Group	
	2008	2007
Neither past due nor impaired	2,716,204	2,669,487
Past due but not impaired loans:		
Past due 0-30 days	128,845	281,270
Past due 30-60 days	31,246	1,108
Past due 60-90 days	10,975	21,389
	2,889,331	2,973,254
Impaired loans more than 90 days	772,739	792,546
Interest receivable	22,505	25,805
Gross loan portfolio	3,682,514	3,791,605
Less: Allowance for impairment losses	(275,548)	(324,920)
	3,406,966	3,466,685

	The Company	
	2008	2007
Neither past due nor impaired	108,951	114,295
Past due but not impaired loans		
Past due 0-30 days	-	24,341
Past due 30-60 days	-	1,086
Past due 60-90 days	-	1,470
	108,951	141,192
Impaired loans more than 90 days	708,730	774,377
Interest receivable	1,760	1,303
Gross loan portfolio	819,441	916,872
Less: Allowance for impairment losses	(256,845)	(313,176)
	562,596	603,696

Based on historic default rates, the group believes that no impairment allowance is necessary in respect of loans not past due by and up to 90 days.

21. Loans, after allowance for impairment losses (cont'd)

(ii) Renegotiated loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account may be reset to a normal status and managed together with other similar accounts after careful analysis and the demonstration to maintain the scheduled payments over a prolonged period.

Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

During the year, the Group renegotiated the terms of loan amounts to nil (2007: nil).

(iii) Repossessed collateral

During the year, the Group obtained financial assets by taking possession of collateral it held as security as follows:

	2008	2007
Quoted shares	6,289	-

In general, the Group does not obtain financial or non financial assets by taking possession of collateral. In the normal course of business, the security documentation which governs the collateral charged in favour of the Group to secure the debt, gives the Group express authority to repossess the collateral in the event of default. Repossessed collateral are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

(iv) Collateral accepted as security for assets

The fair value of assets accepted as collateral that the Group is permitted to sell or repledge in the absence of default is nil (2007: nil). The fair value of any such collateral that has been sold or repledged was nil (2007: nil).

SCOTIA DBG INVESTMENTS LIMITED

Notes to the Financial Statements
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22. Impairment adjustments on loans

	The Group		The Company	
	2008	2007	2008	2007
Total non-performing loans	772,739	792,546	708,731	774,377
Provision at beginning of year	326,174	311,022	313,176	307,638
Charged against revenue during the year	2,536	11,892	4,237	5,286
Bad debts written off	(69,994)	-	(69,619)	-
Foreign exchange differences on bad debts written off	-	2,006	-	252
Recoveries of bad debts	16,832	-	9,051	-
At end of year	275,548	324,920	256,845	313,176
This comprises:				
Specific provisions	265,837	317,519	254,869	313,176
General provisions	9,711	7,401	1,976	-
	275,548	324,920	256,845	313,176

Allowance for impairment losses:

A loan is classified as impaired if its book value exceeds the present value of the cash flows actually expected in future periods - interest payments, principal repayments, and proceeds of liquidation of collateral. Provisions for credit losses are made on all impaired loans. Uncollected interest not accrued in these financial statements on impaired loans, was estimated at $66,558 as at October 31, 2008 (2007: $124,821) for the company and $83,756 as at October 31, 2008 (2007: $149,772) for the Group.

The total allowance for loan losses is made up as follows:

	The Group		The Company	
	2008	2007	2008	2007
Allowance based on accounting standard - IAS 39 [see (a) below]	275,548	324,920	256,845	313,176
Additional allowance based on BOJ regulations [see (b) below]	19,375	57,266	-	34,141
	294,293	382,186	256,845	347,317

(a) This is the allowance based on the requirements of IAS 39, *Financial Instruments: Recognition and Measurement*, and is the amount included in the table above.

(b) This is the allowance based on regulations issued by The Banking regulator, Bank of Jamaica. It represents the additional allowance required to meet The Bank of Jamaica loan loss provisioning requirement. A non-distributable loan loss reserve was established to represent the excess of the company's provision over the IAS 39 requirements.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

23. Lease and hire purchase contracts, receivables

	The Group	
	2008	2007
Gross investment in lease and hire purchase contract receivables:		
No later than one year, net of provisions	130,668	84,930
Later than one year and no later than five years	49,263	50,672
	179,931	135,602
Less: Unearned income	(42,201)	(41,393)
Net investment in lease and hire purchase contract receivables	137,730	94,209

The net investment in hire purchase contract receivables may be analysed as follows:

	2008	2007
current portion	100,275	55,453
non-current portion	37,455	38,756
	137,730	94,209

The provision for uncollectible hire purchase contracts, receivable amounted to $7,103 (2007: $467).

24. Investment securities

	The Group		The Company	
	2008	2007	2008	2007
Available-for-sale				
Government of Jamaica Securities	576,674	2,073,989*	-	1,304,365
Quoted shares	6,289	-	6,289	-
Unquoted shares	15,000	95,011	15,000	95,011
Promissory Notes	-	24,960	-	24,960
	597,963	2,193,960	21,289	1,424,336
Interest receivable	21,976	31,880	-	31,880
	619,939	2,225,840	21,289	1,456,216

The Group has not reclassified any financial asset measured at amortised cost to securities carried at fair value during the year.

25. Capital management fund and government securities fund

(a) Capital Management Fund

The capital management fund represents the investment of contributions from third-party clients. Changes in the value of the fund at each valuation date are based on the net accretion in value of the investments.

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25. Capital management fund and government securities fund (cont'd)

(b) Government Securities Fund

The government securities fund is the management of funds on a non-recourse basis, on behalf of investors. There is no legal or equitable right or interest in these funds.

26. Sundry assets

	The Group		The Company	
	2008	2007	2008	2007
Accounts receivable and prepayments	138,277	82,449	47,109	16,577
Other	43,899	66,139	43,385	52,423
	182,176	148,588	90,494	69,000

27. Property, plant and equipment

	The Group			
	Land & Building	Leasehold Improvements	Furniture, Fixtures, Motor vehicles & Equipment	Total
Cost:				
March 31, 2007	451	114,068	233,972	348,491
Additions	-	1,713	9,642	11,355
On acquisition of subsidiary	3,146	-	31,244	34,390
October 31, 2007	3,597	115,781	274,858	394,236
Additions	-	3,292	15,008	18,300
On acquisition of subsidiary	-	(22,599)	(6,696)	(29,295)
October 31, 2008	3,597	96,474	283,170	383,241
Accumulated depreciation:				
March 31, 2007	65	62,000	125,240	187,305
Charge for the period	30	10,938	19,009	29,977
On acquisition of subsidiary	988	-	27,360	28,348
October 31, 2008	1,083	72,938	171,609	245,630
Charge for the year	74	16,257	32,923	49,254
On acquisition of subsidiary	-	(12,616)	(1,961)	(14,577)
October 31, 2008	1,157	76,579	202,571	280,307
Net book values:				
October 31, 2008	2,440	19,895	80,599	102,934
October 31, 2007	2,514	42,843	103,249	148,606
March 31, 2007	386	52,068	108,732	161,186

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27. Property, plant and equipment (cont'd)

	The Company		
	Leasehold improvements	Furniture, Fixtures, Motor vehicles & Equipment	Total
Cost:			
March 31, 2007	49,447	140,483	189,930
Additions	1,713	6,165	7,878
October 31, 2007	51,160	146,648	197,808
Additions	2,962	6,747	9,709
Disposals	-	(501)	(501)
October 31, 2008	54,122	152,894	207,016
Accumulated depreciation:			
March 31, 2007	39,235	87,983	127,218
Charge for the period	3,380	10,309	13,689
October 31, 2007	42,615	98,292	140,907
Charge for the year	4,962	17,507	22,469
On disposals	-	(200)	(200)
October 31, 2008	47,577	115,599	163,176
Net book values:			
October 31, 2008	6,545	37,295	43,840
October 31, 2007	8,545	48,356	56,901
March 31, 2007	10,212	52,500	62,712

28. Intangible assets

	The Group	The Company
	Computer software	Computer software
Cost:		
March 31, 2007	118,274	103,525
Additions	8,759	6,973
October 31, 2007	127,033	110,498
Additions	1,181	1,181
October 31, 2008	128,214	111,679
Amortization:		
March 31, 2007	74,405	65,808
Charge for the period	9,729	8,446
October 31, 2007	84,134	74,254
Charge for the year	16,088	13,586
October 31, 2008	100,222	87,840
Net book values:		
October 31, 2008	27,992	23,839
October 31, 2007	42,899	36,244
March 31, 2007	43,869	37,716

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Deferred tax assets and liabilities

Deferred income taxes are calculated on temporary differences under the liability method using tax rate of 33⅓ for the Group and all other subsidiaries.

The movement on the deferred income tax account is as follows:

	The Group		The Company	
	2008	2007	2008	2007
Opening balance	(26,758)	7,937	(14,325)	-
Recognised in the statement of revenue and expenses (note 12)	(237,634)	254,915	(236,825)	243,226
Recognised in equity:				
Available-for-sale investments				
- fair value re-measurement	492,913	(290,295)	462,562	(259,219)
- transfer to net profit	-	685	-	1,668
Closing balance	228,521	(26,758)	211,412	(14,325)

Deferred income tax assets and liabilities are attributable to the following items:

	The Group		The Company	
	2008	2007	2008	2007
Deferred income tax assets:				
Accelerated tax depreciation	11,230	7,591	5,051	2,688
Available-for-sale investments	205,092	-	205,092	-
Tax value of unutilised losses	30,043	268,534	-	239,632
Impairment losses on loans	-	1,182	-	906
Vacation accrued	1,416	1,016	1,269	-
Deferred income tax liabilities:				
Interest receivable	-	(5)	-	-
Accelerated tax depreciation	(243)	-	-	-
Allowance for loan losses	(2,309)	-	-	-
Available-for-sale investments	(708)	(288,610)	-	(257,551)
Other temporary differences	(16,000)	(16,466)	-	-
Net deferred tax liability	228,521	(26,758)	211,412	(14,325)
This comprises:				
Net deferred taxation	241,791	-	211,412	-
Net deferred tax liability	(13,270)	(26,758)	-	(14,325)
	228,521	(26,578)	211,412	(14,325)

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Deferred tax assets and liabilities (cont'd)

The deferred tax charge in the statement of revenue and expenses comprises the following temporary differences:

	The Group		The Company	
	2008	2007	2008	2007
Accelerated tax depreciation	11,427	7,707	5,051	2,688
Tax value of utilised losses	(246,674)	245,658	(243,145)	239,632
Allowance for loan impairment	(3,377)	1,182	-	-
Vacation accrued	990	1,488	1,269	906
Interest receivable	-	(5)	-	-
Other	-	(1,115)	-	-
	(237,634)	254,915	(236,825)	243,226

Deferred income tax liabilities have not been computed on the withholding tax and other taxes that would be payable on distribution of the unappropriated profits of subsidiaries as such amounts are permanently reinvested; such unappropriated profits totaled $225,395 at (2007: $279,184).

30. Deposits by the public

	The Group	
	2008	2007
Personal	1,783,047	2,070,420
Other	1,784,393	924,907
Interest payable	80,483	52,794
	3,647,923	3,048,121

31. Amounts due to other banks and financial institutions

These represent deposits by other banks and financial institutions in the ordinary course of business.

32. Promissory notes

	The Group		The Company	
	2008	2007	2008	2007
4.1%- 5.2% (2007: 5% - 6%)				
United States dollar	8,147	31,586	8,147	31,586
5.87% (2007:4.75%) Euro	304,195	402,421	304,194	402,421
5% - Trinidad & Tobago	-	80,011	-	80,011
14.7% - 11.35% (2007: 9% - 12.4%)				
Jamaica dollar	62,998	78,308	21,270	28,135
	375,340	592,326	333,611	542,153
Interest payable	4,972	14,856	4,972	14,856
	380,312	607,182	338,583	557,009

Promissory notes consist of fixed and variable interest rates. The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the period.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

33. Other liabilities

	The Group		The Company	
	2008	2007	2008	2007
Accrued liabilities	16,932	57,191	7,999	49,323
Other	221,325	70,960	202,191	41,276
	238,257	128,151	210,190	90,599

34. Share capital

	Number of Units		Total	
	2008	2007	2008	2007
Authorised –				
Ordinary shares of no par value	1,200,000,000	1,200,000,000		
Issued and fully paid –				
At beginning of period/year:				
Ordinary stock units of no par value	423,194,765	309,258,639	1,911,903	224,457
Issued during the period/year	-	113,936,126	-	1,687,446
At end of period/year:	423,194,765	423,195,765	1,911,903	1,911,903

At an extraordinary general meeting held on June 6, 2007, the following resolution was passed:

"That the directors be and are hereby authorized to undertake the acquisition on behalf of the company, of all the issued shares in Scotia Jamaica Investment Management Limited from The Bank of Nova Scotia Jamaica Limited ("BNSJ") in exchange for 113,936,126 ordinary shares, such shares to be created as fully paid and to be issued by the company to BNSJ or its nominee and that the directors be and are further authorized to take such steps and sign and deliver such documents as they may deem necessary or desirable to complete the said transaction."

"That the aforesaid 113,936,126 ordinary shares in the capital of the company, when issued, be converted to 113,936,126 stock units and the directors be authorized to apply to the Jamaica Stock Exchange for a supplemental listing in respect of such stock units".

Under the provisions of the Companies Act 2004 (the Act), the shares have no par value.

35. (a) Reserve fund

Under Section 8 of the Financial Institutions Act, a subsidiary is required to transfer at least 15% of its profit after taxation in each year to a reserve fund until the credit balance in the fund equals fifty percent (50%) of its paid-up capital, and thereafter, 10% of the net profit until the amount of credit in the said fund is equal to the paid-up capital.

35. (b) Retained earnings reserve

Under Section 2 of the Financial Institutions Act, a subsidiary may transfer a portion of its net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers. Transfers to retained earnings reserve are made at the discretion of the subsidiary's Board but must be notified to the Supervisor to be effective.

36. Cumulative remeasurement result from available-for-sale financial assets

This represents the unrealised surplus or deficit on the revaluation of available-for-sale investments.

37. Loan loss reserve

This is a non-distributive loan loss reserve which represents the excess of the loan loss provision over IAS 39 requirements (note 22). Loan loss reserve represents provisions for loan losses in accordance with Bank of Jamaica provisioning requirements in excess of the requirements of IFRS.

38. Capital reserves

Capital reserve comprises of gains on disposal of an interest in a subsidiary and land, furniture and fixtures sold to an associated company.

39. Reserves for own shares - ESOP

A reserve for own shares was included in these financial statements by consolidation of the company's Employee Share Ownership Plan (ESOP) as it is regarded as a Special Purpose Entity and is required to be consolidated under IAS 27, as interpreted by Standards Interpretation Committee (SIC) 12. The reserve comprises the cost of the company's shares held by the Group through the ESOP.

The number of stock units held by the ESOP at October 31, 2008 was 2,829,481 (2007: 3,855,191). Based on the bid price, less a 10% discount normally allowed to staff, the value of those stock units at October 31, 2008 was $71,938 (2007: $82,300).

40. Financial risk management

By their nature, the Group's activities are principally related to the use of financial instruments. Therefore this will involve analysis, evaluation and management of some degree of risk or combination of risks. The Group's aim is therefore to achieve an appropriate balance between risks and return and minimise potential adverse effects on the Group's financial performance.

The Group manages risk through a framework of risk principles, organizational structures and risk measurement and monitoring processes that are closely aligned with the activities of our business units. The Group'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 Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

40. Financial risk management (cont'd)

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board has established committees for managing and monitoring risks.

Two key committees for managing and monitoring risks are as follows:.

(i) Board Audit Committee

The Board Audit Committee is solely comprised of independent directors. The Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

(ii) The Asset and Liability Committee (ALCO) has the responsibility of ensuring that risks are managed within the limits established by the Board of Directors. The Committee meets at least once monthly to review risks, evaluate performance and provide strategic direction. In addition, internal audit is responsible for the independent review of risk management and the control environment. The Committee reviews investment, loans and funding activities, and ensures that the existing policies comprehensively deal with the management and diversification of the company's investment and loan portfolios and that appropriate limits are being adhered to.

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

Credit risk management

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment allowances are made for losses that have been incurred at the balance sheet date. However, significant negative changes in the economy, an industry segment that represents a concentration in the Group's loan portfolio, or positions in tradeable assets such as bonds could result in losses that are different from those recognised at the balance sheet date.

At a strategic level, the Group manages the levels of credit risk they undertake by placing limits on the amount of risk accepted in relation to any one borrower, or groups of borrowers, and industry segments. Limits on the level of credit risk by product and industry sector are approved quarterly by the Board of Directors. The exposure to any one borrower, including banks and brokers, is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily.

40. Financial risk management (cont'd)

Credit risk management (cont'd)

Operationally, exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by restructuring loans where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. The principal collateral types for loans are:

- Cash
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

In addition, the Group will seek additional collateral from the counterparty where impairment indicators are noticed for the relevant individual loans.

Collateral held as security for financial assets other than loans is determined by the nature of the instrument. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts.

The assessment normally encompasses collateral held and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for:

(i) portfolios of homogenous assets

(ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

40. Financial risk management (cont'd)

(i) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parities, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(ii) Credit quality

In measuring credit risk of commercial loans at the counterparty level, the Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class:

Group's internal ratings scale and mapping of external ratings

Group's rating	External rating: Standard & Poor's equivalent
Excellent	AAA to AA+
Very Good	AA to A+
Good	A to A-
Acceptable	BBB+ to BB+
Higher Risk	BB to B-

Retail loans are risk-rated based on an internal scoring system which combines statistical analysis with credit officer judgment, and fall within the following categories:

- Good
- Acceptable
- Higher risk

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40. Financial risk management (cont'd)

(ii) Credit quality (cont'd)

The table below shows the percentage of the Group's balance sheet items as at October 31, 2008 relating to loans and advances and the associated impairment provision for each of the Group's internal rating categories:

Group's internal ratings scale and mapping of external ratings (cont'd)

	The Group		The Company	
	2008	2007	2008	2007
Excellent	0.4%	0.7%	-	-
Good	9.4%	28.0%	12.8%	28.7%
Acceptable	14.1%	34.4%	14.1%	71.3%
Higher Risk	76.1%	36.9%	73.1%	-
	100.0%	100.0%	100.0%	100.0%

The following table presents an analysis by rating agency designation of debt and similar securities, other than loans, based on Standard & Poor's ratings or their equivalent as at October 31, 2008:

	The Group		The Company	
	2008	2007	2008	2007
A to A-	-	56,541	-	56,541
BBB+ to BB+	339,310	372,451	339,310	372,451
BB to B-	50,091,974	40,483,483	48,434,148	39,626,866
Lower than B-	472	33,296	472	33,296
Unrated	894,743	379,989	894,743	379,989
	51,326,499	41,325,760	50,668,673	40,469,143

	The Group		The Company	
	2008	2007	2008	2007
Deposits with Bank of Jamaica	59,177	60,028	-	-
Financial instruments through revenue and expenses	-	311,446	-	311,446
Investment securities:				
Available-for-sale	598,649	2,125,914	-	1,329,325
Pledged assets and capital management and government securities funds:				
Loans and receivables	12,587,125	-	12,587,125	-
Available-for-sale	38,081,548	38,828,372	38,081,548	38,828,372
	51,326,499	41,325,760	50,668,673	40,469,143

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40. Financial risk management (cont'd)

Maximum exposure to credit risk

The following represents the maximum exposure to credit risk, before taking account of any collateral held or other credit enhancements. For financial assets, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that would have to be paid, if the guarantees were called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

Maximum exposure to credit risk

	Maximum Exposure			
	The Group		The Company	
	2008	2007	2008	2007
Balances with the Bank of Jamaica	195,753	178,907	1,061	1,803
Balances due from other banks	824,725	690,327	1,031,821	1,968,319
Financial assets at fair value through statement of revenue and expenses	97,113	311,447	-	311,447
Capital management and government securities funds	14,992,638	14,059,606	15,949,213	14,059,606
Government securities purchased under resale agreements	-	-	-	-
Pledged assets	44,187,071	33,560,537	44,187,071	33,560,537
Loans, after allowance for impairment losses	3,406,966	3,484,621	562,596	606,696
Leases, after allowance for impairment losses	137,730	74,899	-	-
Investment securities				
Available-for-sale	598,650	2,157,793	-	1,361,204
Customers' liabilities under acceptances, guarantees and letters of credit	691,078	474,174	605,676	285,314
Other assets	52,229	48,691	47,109	46,678
	65,183,953	55,041,002	62,384,547	52,201,604

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40. Financial risk management (cont'd)

Concentration of exposure to credit risk

(i) Loans and leases

The following table summarises the Group's credit exposure for loans and leases at their carrying amounts, as categorised by the industry sectors. Loans and leases are well diversified across industry sectors, and are primarily extended to customers within Jamaica.

	The Group			
	Loans and Leases	Acceptances, Guarantees and Letters of Credit	Total 2008	Total 2007
Agriculture, fishing and mining	63,221	-	63,221	15,240
Construction and real estate	608,234	3,294	611,528	605,582
Distribution	322,700	-	322,700	436,347
Financial institutions	25,091	98,963	124,054	20,169
Government and public entities	5,093	-	5,093	6,613
Manufacturing	56,350	241,347	297,697	695,037
Personal	680,479	238,701	919,180	713,069
Professional and other services	1,203,017	108,773	1,311,790	1,019,952
Tourism and entertainment	819,565	-	819,565	832,199
Interest receivable	35,804	-	35,804	36,461
	3,819,554	691,078	4,510,632	4,380,669
Total impairment allowance	(274,858)	-	(274,858)	(325,482)
Total	3,544,696	691,078	4,235,774	4,055,187

(ii) Debt securities and amounts due from other banks

The following table summarises the Group's and company's credit exposure for debt securities and amounts due from other banks at their carrying amounts, as categorised by issuer:

	Maximum Exposure			
	The Group		The Company	
	2008	2007	2008	2007
Governments	34,891,110	31,159,505	34,292,460	30,362,916
Bank of Jamaica	15,676,162	9,903,342	15,481,470	9,726,237
Financial institutions	5,072,755	5,445,975	6,236,452	6,723,967
Corporates and other	894,743	379,990	894,743	379,990
	56,534,770	46,888,812	56,905,125	47,193,110

40. Financial risk management (cont'd)

(ii) Debt securities and amounts due from other banks (cont'd)

Other than exposure on Government of Jamaica securities, there is no significant concentration of liquid funds. For securities purchased under resale agreements, titles to securities are transferred to the company for the duration of the agreement.

Market risk

The Group 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 arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

The group manages market risk through risk limits approved by the Board of Directors. Risk limits are determined for each portfolio, and are set by product and risk type, with market liquidity being a principal factor in determining the level of limits set. Limits are set using a combination of risk measurement techniques, including position limits and stress testing to identify the potential net interest income and market value effects of the positions in different scenarios. The results of the stress tests are reviewed by senior management and by the Board of Directors.

The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in securities prices and in foreign exchange and interest rates. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group 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 sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

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40. Financial risk management (cont'd)

Market risk (cont'd)

Interest rate risk (cont'd)

The following tables summarise carrying amounts of balance sheet assets, liabilities and equity in order to arrive at the Group's and The company's interest rate gap based on the earlier of contractual repricing and maturity dates.

	The Group						
	2008						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	-	-	146,741	25,022	-	936,500	1,108,263
Securities purchased under resale agreements							
Pledged assets	-	23,690,851	9,010,692	3,757,359	6,515,348	1,212,821	44,187,071
Loans, leases & trade receivables	-	2,849,064	88,341	97,466	437,020	72,805	3,544,696
Investment securities (2)							
- Available-for-sale	-	25,013	85,034	354,645	111,982	43,265	619,939
- Financial assets at fair value through statement of revenue and expenses	-	-	-	-	-	116,951	116,951
Capital management & government securities funds	-	6,992,400	1,775,409	1,405,614	4,244,245	574,970	14,992,638
Other assets	-	-	-	-	-	1,426,960	1,426,960
Total assets	-	33,557,328	11,106,217	5,640,106	11,308,595	4,384,272	65,996,518
Deposits	125,830	700,944	2,425,778	420,329	-	82,473	3,755,354
Promissory notes	305,219	14,064	14,329	9,135	32,593	4,972	380,312
Securities sold under repurchase agreements	38,819	29,318,078	9,811,927	7,454	-	836,601	40,012,879
Capital management and gov't securities funds	14,987,776	-	-	-	-	3,746	14,991,522
Other liabilities	-	-	-	-	-	1,084,547	1,084,547
Stockholders' equity	-	-	-	-	-	5,771,904	5,771,904
Total liabilities and stockholders' equity	15,457,644	30,033,086	12,252,034	436,918	32,593	7,784,243	65,996,518
Total interest rate sensitivity gap	(15,457,644)	3,524,242	(1,145,817)	5,203,188	11,276,002	(3,399,971)	-
Cumulative gap	(15,457,644)	(11,933,402)	(13,079,219)	(7,876,031)	3,399,971	-	-

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40. Financial risk management (cont'd)

Market risk (cont'd)

Interest rate risk (cont'd)

	The Group 2007						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	15,658,334	16,264,084	2,770,950	8,632,639	9,346,252	3,680,344	56,352,603
Total liabilities and stockholders' equity	24,409,261	10,963,175	8,290,161	422,074	50,172	7,217,760	56,352,603
Total interest rate sensitivity gap	(13,750,927)	5,300,909	(5,519,211)	8,210,565	9,296,080	(3,537,416)	-
Cumulative gap	(13,750,927)	(8,450,018)	(13,969,229)	(5,758,664)	3,537,416	-	-

	The Company 2008						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	-	-	-	-	-	1,118,420	1,118,420
Pledged assets	-	23,690,851	9,010,692	3,757,359	6,515,348	1,212,821	44,187,071
Loans, leases & trade receivables	-	20,388	6,416	60,011	437,020	38,761	562,596
Investment securities (2)							
- Available-for-sale	-	-	-	-	-	21,289	21,289
Investment in subsidiaries	-	-	-	-	-	2,256,230	2,256,230
- Financial assets at fair value through statement of revenue and expenses	-	-	-	-	-	19,839	19,839
Capital management & government securities funds	-	7,825,366	1,890,311	1,408,793	4,244,245	580,498	15,949,213
Other assets	-	-	-	-	-	1,093,012	1,093,012
Total assets	-	31,536,605	10,907,419	5,226,163	11,196,613	6,340,870	65,207,670
Amounts due to subsidiaries	-	-	-	-	-	2,068,187	2,068,187
Promissory notes	304,194	14,064	14,329	-	-	5,996	338,583
Securities sold under repurchase agreements	42,882	30,072,211	10,752,951	11,275	-	887,016	41,766,335
Capital management and gov't securities funds	14,988,350	-	-	-	-	3,746	14,992,096
Other liabilities	-	-	-	-	-	878,696	878,696
Stockholders' equity	-	-	-	-	-	5,163,773	5,163,773
Total liabilities and stockholders' equity	15,335,426	30,086,275	10,767,280	11,275	-	9,007,414	65,207,670
Total interest rate sensitivity gap	(15,335,426)	1,450,330	140,139	5,214,888	11,196,613	(2,666,544)	-
Cumulative gap	(15,335,426)	(13,885,096)	(13,744,957)	(8,530,069)	2,666,544	-	-

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40. Financial risk management (cont'd)

Market risk (cont'd)

Interest rate risk (cont'd)

	The Company 2007						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	8,572,947	6,728,227	3,588,354	14,853,690	15,366,238	6,242,803	55,352,259
Total liabilities and stockholders' equity	30,002,849	9,291,039	7,617,778	24,886	-	8,415,707	55,352,259
Total interest rate sensitivity gap	(21,429,902)	(2,562,812)	(4,029,424)	14,828,804	15,366,238	(2,172,904)	-
Cumulative gap	(21,429,902)	(23,992,714)	(28,022,138)	(13,193,334)	2,172,904	-	-

(1) This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example, base rate loans.

(2) This includes financial instruments such as equity investments.

Average effective yields by the earlier of the contractual repricing and maturity dates:

	The Group 2008					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Average %
Cash resources (4)	-	4.65	14.90	-	-	6.57
Pledged assets	-	15.83	15.20	8.64	8.96	14.03
Investment securities (1)						
- Available-for-sale	-	16.40	7.45	10.28	10.61	10.16
- Financial assets at fair value through statement of revenue and expenses	-	-	-	-	-	-
Loan, lease & trade receivables	-	11.60	35.52	19.22	8.00	11.97
Capital management government securities fund	-	8.31	14.18	16.17	8.25	9.88
Deposits (3)	6.05	6.80	7.60	6.02	-	7.54
Promissory note	5.87	7.98	14.08	-	-	8.6
Securities sold under repurchase agreements	5.11	11.16	11.29	12.99	-	11.28
Capital management & government securities fund obligations	6.37	-	-	-	-	6.37

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40. Financial risk management (cont'd)

Market risk (cont'd)

Interest rate risk (cont'd)

	The Group					
	2007					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Cash resources (4)	0.84	5.50	11.90	-	8.58	5.16
Pledged assets	13.85	13.89	9.35	9.35	8.58	12.46
Investment securities (1)						
- Available-for-sale	-	5.80	9.00	10.00	10.00	7.86
- Financial assets at fair value through statement of revenue and expenses	9.00	-	-	9.24	-	9.17
Capital management & government securities fund	5.98	12.71	16.25	16.25	10.12	8.51
Loans, leases & trade receivables	34.09	13.00	44.00	6.00	16.00	14.00
Deposits (3)	6.14	7.26	7.66	8.09	-	7.54
Promissory notes	5.74	10.22	10.91	9.73	-	8.60
Securities sold under repurchase agreements	10.10	9.99	9.92	7.48	-	10.03
Capital management & government securities fund obligations	7.10	-	-	-	-	7.10

	The Company					
	2008					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Pledged asset	-	15.83	15.20	8.64	8.96	14.03
Loan, lease & trade receivables	-	19.53	9.88	7.40	8.00	11.20
Capital management government securities fund	-	8.10	13.75	16.14	8.25	11.56
Promissory notes	5.87	7.98	14.08	-	-	6.31
Securities sold under repurchase agreements	5.11	11.16	11.29	12.99	-	11.19
Capital management & government securities fund obligations	6.37	-	-	-	-	6.37

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40. Financial risk management (cont'd)

Market risk (cont'd)

Interest rate risk (cont'd)

	The Company					
	2007					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Average %
Pledged asset	12.22	12.53	12.71	12.71	11.13	12.32
Investment securities (1)						
- Available-for-sale	7.00	-	8.23	11.45	8.44	8.67
- Financial assets at fair value through statement of revenue and expenses	9.00	-	-	9.25	-	9.17
Loan, lease & trade receivables	34.09	8.00	17.84	5.84	15.65	-
Capital management government securities fund	8.43	8.85	15.94	11.87	7.97	9.88
Promissory note	5.74	10.22	10.91	9.73	-	8.60
Securities sold under repurchase agreements	10.10	9.98	9.67	9.24	-	9.96
Capital management & government securities fund obligations	6.37	-	-	-	-	6.37

Average effective yields by the earlier of the contractual repricing or maturity dates:

(1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts. Yields on tax-exempt investments have not been computed on a taxable equivalent basis.

(2) Yields are based on book values, net of allowance for credit losses and contractual interest rates.

(3) Yields are based on contractual interest rates.

(4) The calculation of the average yields includes statutory reserves at Bank of Jamaica at 0%.

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40. Financial risk management (cont'd)

Market risk (cont'd)

Interest rate risk (cont'd)

Sensitivity analysis

The changes in the interest rates as noted below is based on recently observed market movements. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	2008	2007
Sensitivity of market risk variable:		
JMD Interest rates	increase/decrease by 100bps	increase/decrease by 100bps
USD Interest rates	increase/decrease by 250bps	increase/decrease by 100bps

	The Group 2008	The Group 2007	The Company 2008	The Company 2007
Effect on profit or loss	376,034	160,250	355,623	151,675
Effect on Shareholders equity	800,419	494,151	789,721	489,248

Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The main currencies giving rise to this risk are the USD, CAD, GBP, and EUR. The Group ensures that the net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible.

The table below summarizes the Group's exposure to foreign currency exchange risk:

	The Group 2008						
	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
Financial assets:							
Cash resources	229,513	581,174	33,090	186,708	76,440	1,338	1,108,263
Pledged assets	34,025,399	9,213,537	218	625	947,292	-	44,187,071
Loans, net of provision for losses	864,750	2,541,896	-	-	-	-	3,406,646
Financial assets at fair value through statement of revenue and expenses	116,951	-	-	-	-	-	116,951
Investment securities	47,100	572,839	-	-	-	-	619,939
Lease and hire purchase contracts, receivable	90,537	47,510	-	-	-	-	138,047
Capital management & government securities fund	4,812,693	9,793,640	142,453	243,855	-	-	14,992,641
Other assets	1,135,559	201,997	496,937	68,115	(496,840)	21,192	1,426,960
Total financial assets	41,322,502	22,952,593	672,698	499,303	526,892	22,530	65,996,518

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40. Financial risk management (cont'd)

Foreign exchange risk (cont'd)

	The Group 2008						
	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
Financial liabilities:							
Deposits	674,251	2,979,198	-	-	101,905	-	3,755,354
Securities sold under repurchase agreement	29,116,140	10,794,600	-	-	102,139	-	40,012,879
Capital management & government securities fund	4,615,715	9,028,970	247,324	878,901	220,612	-	14,991,522
Other liabilities	58,866	1,082,636	(72,003)	(456,075)	828,905	22,530	1,464,859
Total financial liabilities	34,464,972	23,885,404	175,321	422,826	1,253,561	22,530	60,224,614
Net balance sheet financial position	6,857,530	(932,811)	497,377	76,477	(726,669)	-	5,771,904

	The Group 2007						
	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
Financial assets:							
Cash resources	159,555	510,739	79,142	155,524	61,648	17,483	984,091
Investments	318,286	1,856,273	-	-	40,300	10,981	2,225,840
Financial assets at fair value through statement of revenue and expenses	594,380	450,846	-	-	-	-	1,045,225
Pledged assets	24,796,870	8,763,667	-	-	-	-	33,560,537
Loans	1,072,743	2,483,309	-	-	-	4,842	3,560,894
Capital management & government securities fund	5,983,961	6,842,605	6,449	7,396	899,059	320,135	14,059,606
Other assets	822,578	(59,528)	87,153	613,509	(549,799)	2,497	916,410
Total financial assets	33,748,372	20,847,910	172,745	776,430	451,209	355,938	56,352,603
Financial liabilities:							
Deposits	481,291	2,581,924	-	-	-	80,011	3,143,227
Securities sold under repurchase agreement	22,111,593	8,871,879	-	-	-	329,493	31,312,964
Capital management & government securities fund	4,717,370	8,275,390	156,287	758,365	152,193	-	14,059,606
Other liabilities	1,156,308	231,198	78	1,334	417,069	80,380	1,886,367
Total financial liabilities	28,466,563	19,960,391	156,365	759,699	569,262	489,884	50,402,164
Net balance sheet financial position	5,281,809	887,519	16,380	16,731	(118,054)	(133,946)	5,950,438

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40. Financial risk management (cont'd)

Foreign exchange risk (cont'd)

	The Company 2008						
	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
Financial assets:							
Cash resources	372,052	453,008	32,906	182,676	76,440	1,338	1,118,420
Pledged assets	34,025,399	9,213,537	218	625	947,292	-	44,187,071
Loans, net of provision for losses	129,774	432,822	-	-	-	-	562,596
Financial assets at fair value through statement of revenue and expenses	19,839	-	-	-	-	-	19,839
Investment securities	21,289	-	-	-	-	-	21,289
Investment in subsidiaries	2,256,230	-	-	-	-	-	2,256,230
Capital management & government securities fund	5,769,265	9,793,640	142,453	243,855	-	-	15,949,213
Other assets	808,631	191,283	496,937	71,809	(496,840)	21,191	1,093,011
Total financial assets	43,402,479	20,084,290	672,514	498,964	562,892	22,530	65,207,670
Financial liabilities:							
Securities sold under repurchase agreement	30,869,597	10,794,600	-	-	102,139	-	41,766,335
Capital management & government securities fund	4,616,289	9,028,970	247,325	878,901	220,612	-	14,992,096
Other liabilities	2,404,479	553,385	(72,187)	(456,414)	828,672	22,530	3,285,466
Total financial liabilities	37,890,365	20,381,955	175,138	422,487	1,151,422	22,530	60,043,897
Net balance sheet financial position	5,512,115	(297,666)	497,377	76,478	(624,530)	-	5,163,773

	The Company 2007						
	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
Financial assets:							
Cash resources	1,338,733	319,153	78,637	154,479	61,648	17,483	1,970,133
Investments	278,801	1,126,134	-	-	40,300	10,981	1,456,216
Financial assets at fair value through statement of revenue and expenses	506,917	450,846	-	-	-	-	957,763
Pledged assets	24,796,870	8,763,667	-	-	-	-	33,560,537
Loans	176,832	426,864	-	-	-	-	603,696
Investment in subsidiaries	2,256,230	-	-	-	-	-	2,256,230
Capital management & government securities fund	5,983,961	6,842,605	6,450	7,396	899,059	320,135	14,059,606
Other assets	394,246	(59,528)	87,153	613,509	(549,799)	2,497	488,078
Total financial assets	35,732,590	17,869,741	172,240	775,384	451,208	351,096	55,352,259
Financial liabilities:							
Securities sold under repurchase agreement	23,680,652	8,871,879	-	-	1,126	329,493	32,883,150
Capital management & government securities fund	4,717,371	8,275,390	156,287	758,365	152,193	-	14,059,606
Other liabilities	2,832,213	101,529	74	1,318	-	80,380	3,015,514
Total financial liabilities	31,230,236	17,248,798	156,361	759,683	153,319	409,873	49,958,270
Net balance sheet financial position	4,502,354	620,943	15,879	15,701	297,889	(58,777)	5,393,989

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40. Financial risk management (cont'd)

Foreign exchange risk (cont'd)

The following significant exchange rates were applied during the year /period:

	Average rate for the period		Reporting date spot rate	
	2008	2007	2008	2007
USD	71.8371	71.4473	76.1253	71.0493
CAD	69.5487	70.2689	61.6269	73.6303
GBP	137.8254	139.2707	121.9273	146.4254
EUR	106.8925	107.8125	96.7723	102.3971

Sensitivity to foreign exchange risk

A weakening of the JMD against the currencies indicated at October 31 would have increased/(decreased) equity and profit by the amounts shown below. This analysis is performed on the same basis for 2007. The strengthening of the JMD against the same currencies at October 31 would have had the equal but opposite effect on the amounts shown, on the basis that all other variable remain constant.

	2008	2007
USD	increase/decrease by 7%	increase/decrease by 7%
CAD	increase/decrease by 25%	increase/decrease by 25%
GBP	increase/decrease by 20%	increase/decrease by 15%
EUR	increase/decrease by 20%	increase/decrease by 20%

	The Group		The Company	
	2008	2007	2008	2007
Effect on profit and loss and shareholder's equity	36,160	12,829	31,158	10,960

Equity risks

Equity price risk arises out of price fluctuations in the equity prices. The risk arises out of holding positions in either individual stocks (idiosyncratic risk) or in the market as a whole (systemic risk). The goal is to earn dividend income and realise capital gains sufficient to offset the interest foregone in holding such long-term positions.

The Board sets limits on the level of exposure, and diversification is a key strategy employed to reduce the impact on the portfolio, which may result from the non-performance of a specific class of assets. Given the potential volatility in the value of equities and the non-interest bearing characteristics of these instruments, the company limits the amount invested in them.

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40. Financial risk management (cont'd)

Equity risks (cont'd)

At the reporting date the size of the Group's equity portfolio was:

	2008	2007
Financial assets at fair value through statement of revenue and expenses	19,793	192,020
Available for sale	6,289	-

Sensitivity analysis

Maximum changes observed in running 10-day periods during the financial year for the equity portfolio as at October 31, 2008 would have increased or decreased equity and profit and loss by the amounts shown below. This analysis is performed on the same basis for 2007. Prices used are the bid prices for the equities. A 10-day period is used to account for the liquidity of the local market equities.

	Profit or loss		Equity	
	Maximum increase	Maximum decrease	Maximum increase	Maximum decrease
31 October 2008	1,838	4,264	5,907,346	6,768,909
31 October 2007	26,614	14,958	30,601,557	14,489,866

Liquidity risk

The Group is exposed to daily calls on their available cash resources from overnight and maturing deposits, loan drawdowns and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Board of Directors approves the Group's liquidity and funding management policies and establishes limits to control the risk. The Group assesses the adequacy of its' liquidity position by analyzing its' current liquidity position, present and anticipated funding requirements, and alternative sources of funds. This process includes:

- Projecting day-to-day cash flows for each major currency;
- Managing the concentration and profile of debt maturities;
- Monitoring of depositor concentration both in terms of the overall funding mix and to avoid undue reliance on large individual depositors;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Maintenance of liquidity and funding contingency plans

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40. Financial risk management (cont'd)

Liquidity risk (cont'd)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and central bank balances; government and corporate bonds and treasury bills; and loans.

Sources of liquidity are regularly reviewed by the Treasury and Asset Trading department to maintain a wide diversification by customer, currency, product and term.

Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Financial liabilities cash flows

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Group's and the company's financial liabilities based on contractual repayment obligations. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay. The expected maturity dates of financial assets and liabilities are based on estimates made by management as determined by retention history.

	The Group					
	2008					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Deposits	1,757,250	1,744,413	514,833	-	-	4,016,496
Promissory notes	324,730	16,343	-	-	-	341,073
Securities sold under repurchase agreements	32,311,295	13,063,603	18,965	-	-	45,393,863
Capital management & government securities funds	14,991,522	-	-	-	-	14,991,522
Other liabilities	590,387	100,692	31,656	421	348,121	1,071,277
Total liabilities	49,975,184	14,925,051	565,454	421	348,121	65,814,231

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40. Financial risk management (cont'd)

Liquidity risk (cont'd)

	The Group					
	2007					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Deposits	1,411,517	1,589,280	460,415	-	-	3,461,212
Promissory notes	530,825	26,184	-	-	-	557,009
Securities sold under repurchase agreement	24,416,972	8,340,129	30,793	-	-	32,787,894
Capital management & government securities funds	14,059,606	-	-	-	-	14,059,606
Other liabilities	-	-	-	-	734,095	734,095
Total liabilities	40,418,920	9,955,593	491,208	-	734,095	51,599,816

	The Company					
	2008					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Amounts due to subsidiaries	-	-	-	-	2,068,187	2,068,187
Promissory notes	324,730	16,343	-	-	-	341,073
Securities sold under repurchase agreements	31,770,362	11,854,901	15,144	-	-	43,640,407
Capital management & government securities funds	14,992,096	-	-	-	-	14,992,096
Other liabilities	581,853	17,983	29,478	421	248,961	878,696
Total liabilities	47,669,041	11,889,227	44,622	421	2,317,148	61,920,459

	The Company					
	2007					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Amounts due to subsidiaries	-	-	-	-	2,064,629	2,064,629
Promissory notes	530,825	26,184	-	-	-	557,009
Securities sold under repurchase agreements	24,416,972	8,340,129	30,793	-	-	32,787,894
Capital management & government securities funds	14,059,606	-	-	-	-	14,059,606
Other liabilities	-	-	-	-	393,766	393,766
Total liabilities	39,007,403	8,366,313	30,793	-	2,458,395	49,862,904

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40. Financial risk management (cont'd)

Liquidity risk (cont'd)

The tables below analyse assets and liabilities of the Group and The Company into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity dates.

	The Group 2008					
	Within 3 Months	3 to 12 months	1 to 5 years	Over years	No specific maturity	Total
Cash resources	848,619	147,137	26,625	-	85,882	1,108,263
Pledged assets	12,434,458	9,550,021	8,977,676	13,224,916	-	44,187,071
Investment securities (2):						
- Available-for-sale	-	111,335	-	487,315	21,289	619,939
- Financial assets at fair value through revenue & expenses	-	-	-	-	116,951	116,951
Loans, lease & trade receivables	1,410,895	467,381	1,092,133	537,286	37,001	3,544,696
Capital management fund & government securities fund	4,718,356	1,257,706	2,115,358	6,653,802	247,416	14,992,638
Other assets	677,576	100,692	31,656	421	616,615	1,426,960
Total assets	20,089,904	11,634,272	12,243,448	20,903,740	1,125,154	65,996,518
Deposits	1,699,559	1,631,873	423,922	-	-	3,755,354
Promissory notes	324,255	14,329	9,135	32,593	-	380,312
Securities sold under repurchase agreements	30,461,176	9,544,249	7,454	-	-	40,012,879
Capital management fund & government securities fund	14,991,522	-	-	-	-	14,991,522
Other liabilities	590,387	100,692	31,656	421	361,391	1,084,547
Stockholders' equity	-	-	-	-	5,771,904	5,771,904
Total liabilities and stockholders' equity	48,066,899	11,291,143	472,167	33,014	6,133,295	65,996,518
Total liquidity gap	(27,976,995)	343,129	11,771,281	20,870,726	(5,008,141)	-
Cumulative gap	(27,976,995)	(27,633,866)	(15,862,585)	5,008,141	-	-

	The Group 2007					
	Within 3 Months	3 to 12 months	1 to 5 years	Over years	No specific maturity	Total
Total assets	18,886,312	2,778,016	15,260,495	15,747,436	3,680,344	56,352,603
Total liabilities and stockholders' equity	40,372,436	8,290,161	422,074	50,172	7,217,760	56,352,603
Total liquidity gap	(21,486,124)	(5,512,145)	14,838,421	15,697,264	(3,537,416)	-
Cumulative gap	(21,486,124)	(26,998,269)	(12,159,848)	3,537,416	-	-

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40. Financial risk management (cont'd)

Liquidity risk (cont'd)

	The Company					
	2008					
	(1) Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No-specific maturity	Total
Cash resources	848,619	-	-	-	269,801	1,118,420
Pledged assets	12,434,458	9,550,021	8,977,676	13,224,916	-	44,187,071
Investment securities (2):						
- Available-for-sale	-	-	-	-	21,289	21,289
- Financial assets at fair value through P&L	-	-	-	-	19,839	19,839
Investment in subsidiaries	-	-	-	-	2,256,230	2,256,230
Loans, lease & trade receivables	22,148	6,416	60,011	437,020	37,001	562,596
Capital management & government securities funds	5,556,850	1,372,608	2,118,537	6,653,802	247,416	15,949,213
Other assets (4)	675,546	17,983	29,478	421	369,584	1,093,012
Total assets	19,537,621	10,947,028	11,185,702	20,316,159	3,221,160	65,207,670
Promissory notes	324,254	14,329	-	-	-	338,583
Securities sold under repurchase agreements	31,002,109	10,752,951	11,275	-	-	41,766,335
Capital management & government securities fund	14,992,096	-	-	-	-	14,992,096
Amounts due to subsidiaries	-	-	-	-	2,068,187	2,068,187
Other liabilities	581,853	17,983	29,478	421	248,961	878,696
Stockholders' equity	-	-	-	-	5,163,773	5,163,773
Total liabilities and stockholders' equity	46,900,312	10,785,263	40,753	421	7,480,921	65,207,670
Total liquidity gap	(27,362,691)	161,765	11,144,949	20,315,738	(4,259,761)	-
Cumulative gap	(27,362,691)	(27,200,926)	(16,055,977)	4,259,761	-	-

	The Company					
	2007					
	(1) Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No-specific maturity	Total
Total assets	29,193,716	3,202,148	8,222,877	9,138,793	5,594,725	55,352,259
Total liabilities and stockholders' equity	39,293,888	7,617,778	24,886	-	8,415,707	55,352,259
Total liquidity gap	(10,100,172)	(4,415,630)	8,197,991	9,138,793	(2,820,982)	-
Cumulative gap	(10,100,172)	(14,515,802)	(6,317,811)	2,820,982	-	-

41. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms 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 and liabilities held and issued by the Group. 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 the 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) financial investments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(ii) 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 and liabilities;

(iii) the fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date. The fair value of fixed interest bearing deposits is based on discounted cash flows using interest rates for new deposits.

(iv) the fair value of variable rate financial instruments is assumed to approximate their carrying amounts; and

(v) the fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.

(vi) the fair values of quoted equity investments are based on current bid prices. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment.

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41. Fair value of financial instruments (cont'd)

The following tables present the fair value of financial instruments based on the above-mentioned valuation methods and assumptions. The following financial assets and liabilities are not carried at fair value.

	The Group			
	Carrying Value 2008	Fair Value 2008	Carrying Value 2007	Fair Value 2007
Financial assets				
Pledged assets	44,187,071	44,187,071	33,560,537	33,742,071
Loans	3,544,696	3,535,943	3,560,894	3,548,213
Capital management fund	14,992,638	14,992,638	14,059,606	14,209,692
Financial liabilities				
Deposits	3,755,354	3,797,885	3,143,227	3,230,400
Securities sold under repurchase agreements	40,012,879	40,229,231	31,858,054	31,858,054
Capital management fund	14,991,522	14,991,522	14,059,606	14,209,692

	The Company			
	Carrying Value 2008	Fair Value 2008	Carrying Value 2007	Fair Value 2007
Financial assets				
Pledged assets	44,187,071	44,187,071	33,560,537	33,742,071
Loans	562,596	553,838	603,696	591,015
Capital management fund	15,949,213	15,949,213	14,059,606	14,209,692
Investment securities:				
Financial liabilities				
Securities sold under repurchase Agreements	41,766,335	42,025,826	32,883,150	32,883,150
Capital management fund	14,992,096	14,992,096	14,059,606	14,209,692

42. Capital risk management

Capital risk is the risk that the Group fails to comply with mandated regulatory requirements, resulting in a breach of its minimum capital ratios and the possible suspension or loss of its securities dealer and banking licences.

The operations of the Group are subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency to meet unforeseen liabilities as these arise.

The Group manages its capital resources according to the following objectives:

- To comply with the capital requirements established by the regulators;
- To safeguard its ability to continue as a going concern, and meet future obligations to depositors and stockholders;
- To provide adequate returns to stockholders by pricing investments commensurately with the level of risk; and
- To maintain a strong capital base to support the future development of the Group's operations.

The Group deploys its capital resources to activities carried out through various lines of business in operating companies which provide banking and other financial services. The capital is deployed in such a manner as to ensure that each line of business generates the desired return on capital employed, that the operating companies have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

Certain companies within the Group are subject to respective regulators, who set and monitor capital adequacy requirements. Required capital adequacy information is filed with the regulators at least on an annual basis

Capital adequacy is reviewed by executive management, the audit committee and the board of directors. Based on the guidelines developed by the Bank of Jamaica and the Financial Services Commission, each regulated entity is required to:

- Hold the minimum level of regulatory capital; and
- Maintain a minimum ratio of total regulatory capital to risk weighted assets.

Regulatory capital is divided into two tiers:

1. Tier 1 capital comprises of share capital, reserve fund and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

2. Tier 2 capital comprises of qualifying subordinated loan capital, collective impairment allowances and revaluation surplus on fixed assets.

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Notes to the Financial Statements
Year ended 31 October 2008
(With comparative figures for seven months ended 31 October 2007)
(Expressed in thousands of Jamaican dollars unless otherwise stated)

42. Capital risk management (cont'd)

Investment in subsidiaries are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios for each subsidiary. During the year, the individual entities complied with all of the externally imposed capital requirements to which they are subject.

	Regulated by the BOJ[1]		Regulated by the FSC[2]	
	2008	2007	2008	2007
Tier 1 capital	686,249	561,759	5,139,158	4,820,130
Tier 2 capital	28,555	19,375	26,591	24,615
	714,804	581,134	5,165,749	4,844,745
Less prescribed adjustment – Inv in subsidiaries	-	-	(494,198)	(412,770)
Total regulatory capital	714,804	581,134	4,671,551	4,431,975
Risk weighted assets:				
On balance sheet	1,449,231	1,550,162	2,617,387	4,797,534
Off balance sheet	94,157	188,860	-	-
Foreign exchange exposure	164,229	151,243	230,790	102,110
Total risk weighted assets	1,707,616	1,890,264	2,848,177	4,899,644
Actual regulatory capital to risk weighted assets	41.9%	30.7%	164.0%	90.5%
Regulatory requirements	10%	10%	10%	10%

[1] This represents Scotia DBG Merchant Bank
[2] This represents Scotia DBG Investments Limited

43. Commitments

Operating lease commitments:

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	The Group		The Company	
	2008	2007	2008	2007
Not later than one year	-	91,387	-	91,387
Later than one year and not later than five years	17,328	320,476	-	320,476
Later than five years	-	112,251	-	112,251
	17,328	524,114	-	524,114

44. Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties; this involves the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date, the Group had investment custody accounts amounting to approximately $31,721,990 (2007: $28,976,836).

45. Related party transactions and balances

The Group is controlled by Scotia Group which owns 77.01% of the ordinary stock units. The remaining 29.99% of the stock units is widely held.

Parties are considered to be related if one party has the ability to control or exercise significant influence over, or be controlled and significantly influenced by, the other party. A number of investment transactions are entered into with related parties. These include loans, investment management and foreign currency transactions.

There were no related party transactions with the parent company other than the payment of dividends, management fees, guarantee fees, and the amount due to parent company.

No provisions have been recognised in respect of loans given to related parties.

Pursuant to Section 13 (1), (d) and (i) of The Companies Act, 2004, connected companies include companies with common directors of the Company and/or its subsidiaries.

Related credit facilities in excess of the limits of Section 13(1), (d) and (i), subject to the maximum of the limits in Section 13(1)(e) of The Banking Act are supported by guarantees issued by the parent company.

The volumes of related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

(Expressed in thousands of Jamaican dollars unless otherwise stated)

45. Related party transactions and balances (cont'd)

	The Group			
	Fellow subsidiaries	Directors and key management personnel	Total 2008	Total 2007
Loans				
Loans outstanding at beginning of year	-	11,852	11,852	6,262
Net loans issued/(repaid) during the year	-	25,271	25,271	5,590
Loans outstanding at end of year	-	37,123	37,123	11,852
Interest income earned	-	1,965	1,965	399
Average repayment term (Years)	-	2.60	2.60	6.00
Average interest rate (%)	-	8.03	8.03	4.00
Deposits				
Deposits outstanding at beginning of year	-	1,354	1,354	1,387
Net deposits received/(repaid) during the year	-	1,852	1,852	(33)
Deposits outstanding at end of year	-	3,206	3,206	1,384
Interest expense on deposits	-	(105)	-	(78)
Other				
Fees and commission earned	-	5,161	5,161	-
Insurance products	-	-	-	-
Securities sold under repurchase agreements	(113,821)	-	(113,821)	(385,862)
Interest paid on repurchase agreements	(30,228)	-	(30,228)	(15,686)
Due from banks and other financial institutions	480,293	-	480,293	292,911
Interest earned from banks and other financial institutions	5,701	-	5,701	-
Due to banks and other financial institutions	-	-	-	-
Interest paid to banks and other financial institutions	-	-	-	-
Management fees paid to parent company	33,582	-	-	-
Other operating (expense)/income	10,408	-	10,408	-

(Expressed in thousands of Jamaican dollars unless otherwise stated)

45. Related party transactions and balances (cont'd)

	The Company				
	Fellow subsidiaries	Directors and Key Management Personnel	Connected companies	Total 2008	Total 2007
Loans					
Loans outstanding at beginning of year	-	11,852	-	11,852	6,262
Net loans issued/(repaid) during the year	-	24,257	-	24,257	5,590
Loans outstanding at end of year	-	36,109	-	36,109	11,852
Interest income earned	-	-	-	-	399
Average repayment term (Years)	-	-	-	-	6.00
Average interest rate (%)	-	-	-	-	4.00
Other					
Fees and commission earned	-	5,161	-	5,161	-
Securities sold under repurchase agreements	(113,821)	-	(1,686,359)	(1,800,180)	(1,617,755)
Interest paid on repurchase agreements	(30,228)	-	(3,607,272)	(3,637,500)	(93,655)
Due from banks and other financial institutions	472,547	-	269,799	742,347	292,911
Interest earned from banks and other financial institutions	5,701	-	-	5,701	-
Management fees paid to parent company	33,582	-	-	33,582	-
Other operating (expense)/income	10,408	-	-	10,408	-

	The Group 2008	The Group 2007	The Company 2008	The Company 2007
Key management compensation				
Salaries and other short term benefits	164,671	43,892	143,637	31,354
Post employment benefits	5,604	2,191	4,618	1,565

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Litigation and contingent liabilities

The company and its subsidiaries are subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group, which is immaterial to both the financial position and results of its operations.

47. Dividends

(a) Paid:

	The Group and The Company	
	2008	2007
In respect of March 31, 2007	-	215,268
In respect of October 31, 2007	-	312,514
In respect of October 31, 2008	442,238	-

(b) Proposed:

At the Board of Directors meeting on November 25th 2008, a dividend in respect of 2008 of $0.275 per share (October 2007 - actual dividend $0.22per share) amounting to a total of $116,379 (2007: $93,103) is to be proposed. The financial statements for the year ended October 31, 2008 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ending October 31, 2009.

48. Employee Share Ownership Plan

The company has an Employee Share Ownership Plan ("ESOP" or "Plan"), the purpose of which is to encourage eligible employees of the Group to steadily increase their ownership of the company's shares. Participation in the Plan is voluntary; any employee who has completed at least one year's service with any Group entity is eligible to participate.

The operation of the ESOP is facilitated by a Trust. Grants are issued by the company to the Plan to facilitate the issue of loans to employees to acquire the company's shares, at a discounted value. Allocations are made to participating employees on repayment of the outstanding loans. Allocated shares must be held for a two-year period, at the end of which they vest with the employees.

At the balance sheet date, the shares acquired with the employer's contributions and held in trust pending allocation to employees and/or vesting were:

	2008	2007
Number of shares	2,829,481	3,855,191
Fair value of shares	71,938	82,300

49. Managed funds

The subsidiary, Scotia DBG Fund Managers Limited (note 1) manages funds, on a non-recourse basis, on behalf of investors. The Group has no legal or equitable right or interest in these funds and, accordingly, they have been excluded from the financial statements.

At October 31, 2008, these funds aggregated $5,928,184 (2007: $5,836,064).

50. Subsequent events

The Bank of Jamaica announced on November 19, 2008, that commercial banks, merchant banks and building societies, effective December 3, 2008, will be required to increase the amount of liquid assets maintained with the Bank of Jamaica from 23 to 25%. It also means an increase in the cash reserve deposit from 9 to 11% (see note 15).