Corporate

Social Responsibility

Scotia Investments

As a primary focus, Scotia Investments is committed to the development of Jamaican youth through its sponsorship of Sports and Education projects. This commitment is based on the high value that we place on enhancing our nation's social capital, whilst recognizing our role as a partner in the development of the communities that we serve.

Members of the Scotia Wealth Division Management Team (from l-r) Brian Frazer, Keisha Brooks, Lissant Mitchell, Debra Lopez-Spence, Roger Grant, Vanessa Reid-Boothe and Simone Walker pose for the camera with the winners of the Trenchtown Spelling Bee Competition in October 2011.

Recipients of the Golden Cleats Awards for 2010 Jermaine Gonzales, Male Athlete of the Year, Veronica Campbell Brown, Female Athlete of the Year and Coach of the Year, Bert Cameron display their awards.

SIJL supported the UDC in the hosting of the Hellshire Summer Children's Treat. Annette Philpotts, Branch Manager, Scotia Investments, presents a donation cheque to Lorna Clarke, Director Corporate Communications, Urban Development Corporation(UDC), while two of the participants share in the moment.

Anya Schnoor, CEO of Scotia Investments presents our equipment commitment 'cheque' to Howard Aires, President of the Jamaica Athletic Association at the Golden Cleats Awards Luncheon hosted at the Terra Nova Hotel in December 2010.

EDUCATION OUTREACH

Trench Town Reading Centre

The Trench Town Reading Centre serves over 200 children from the neighbouring communities of West Kingston. Currently, the Reading Centre provides homework facilities, a community library, daily reading sessions and art and craft classes for the young eager minds in the community. Scotia Investments has collaborated with the Scotia Wealth Management division, to provide support for the Trench Town Reading Centre through donations and volunteer activities.

Over the last three years, we have sponsored the Annual Spelling Bees finals that are held at the centre. Volunteers participate in the Annual Spelling Bee through coaching, mentoring of the children and being actively involved in various activities on the day of the Spelling Bee competition.

National Children's Home

Over the last two years, Scotia Investments has provided assistance to the National Children's Home which houses over 100 children from the parishes of Kingston, St Andrew and St Catherine. Scotia Investments has been playing an active role in renovating the existing facilities of the home through the sponsorship of two projects, which included the refurbishing of the kitchen facilities and repairs to the security post.

Caribbean Christian Centre for the Deaf

Having established an ongoing relationship with the Caribbean Christian Centre for the Deaf over the last two years, the Scotia Investments team of volunteers has continued to work with the Centre on an ongoing basis. Scotia Investments provides assistance to the Centre through the staging of an Easter Treat and 'Back to School' Drive that contributed much needed school supplies for the students. In addition, the Scotia Investments volunteers made a donation of a television set to the Centre.

SPORTS OUTREACH

Over the last three years, Scotia Investments under the Scotia Wealth Division supported the development of sports through the hosting of the Golden Cleats Awards in association with the Jamaica Amateur Athletic Association (JAAA). The Golden Cleats Awards recognizes the top performing athletes and top coach in the country, based on their annual performance both locally and internationally.

The Annual Awards function also provides an excellent arena for us to re-affirm our support of the national sports programme. At each function, we donate various high tech sports equipment to the Association, which they need to have on hand in the hosting of national and international meets. At the last event, we donated US$7,000 which went towards the purchase of high jump equipment.

Employees of the Quarter 2011

Cameshia Beam is a very diligent worker who has others interest at heart. During times of need, Cameshia would willingly volunteer her time and service to assist fellow team members as well as clients. In recent times, the Ocho Rios Branch had serious staffing issues wherein the branch was operating with one out of three team members. Cameshia saw the need and understood the plight of the branch and agreed to fill in at that location. She extended herself in such a manner that she assisted in both operations and sales.

Heather always keeps things real and honest, and as such makes sure to acknowledge the work of her team members and makes sure her communication with others is open and honest.

Heather is an exceptionally supportive member of the team, and her attention to detail and accuracy is exemplary. She always goes the extra mile to ensure that all transactions are duly completed.

If a job is given, one can be assured that the job will be done and done very well.

Nadine is very thorough and knowledgeable in her job function as an operations officer. She is a stickler for details as she is always focused and very familiar with SIJL documents, policies and procedures. Nadine has personally taken the time out to coach new team members to ensure that they understand the procedures of the operations. She does this in an extremely professional manner. Overall, Nadine epitomizes what it means to be an excellent team player.

Nekeisha can be depended on to go the extra mile in ensuring that our clients' quarterly reports are accurate and in line with their financial statements. She works well with all team members to identify any differences and speedily makes any necessary adjustments to ensure that our reporting standards are consistently of a high standard. She showed her dedication to superior customer service recently when she stayed at work quite late on a Friday night, working along with the Finance team so that we could meet a reporting deadline for a client's actuaries. In addition, during the quarter while the Investment Assistant went off on leave Nekeisha covered both desks and ensured that the investment management process was not compromised.

BEST of the BEST 2011

Terry-Ann Ricketts – Operations Officer, Kingston Branch

Terry-Ann exemplifies the "One Team, One Goal" mantra by her efficient and effective execution of her daily activities. She proves in her day to day activities that she understands the impact errors or delayed service have on clients, and she is quick to devise solutions in averting possible problems. Terry-Ann is very thorough, organized and knowledgeable. A committed team member, Terry-Ann's quality support to the rest of her team enables them to deliver a WOW experience to our customers.

Jillian Evans – Senior Investment Advisor, Signature Investments

Jillian's commitment is evidenced daily through her take-charge attitude, seeing projects through to the end, and her willingness to help her team members overcome uncertainties by virtue of her attitude and actions. She is resourceful and genuinely cares about her colleagues and their success. A recipient of several SIJL Eclipse Awards for service and sales, Jillian consistently delivers a customer experience that has elicited numerous accolades and referrals from customers, as she exceeds her clients' expectations. Holding herself to a higher standard, Jillian is not afraid to take on additional responsibilities.

Kevin Forsythe – Assistant Manager, Financial and Regulatory Reporting

Kevin has been an exceptional role model, consistently and willingly participating in team activities. He keeps the team smiling and is a naturally a jovial person. Kevin's even temperament has allowed him to build very effective working relationships with members from other units. He has contributed to the overall operational efficiency of the unit by streamlining the review and escalation process for valuation reports. This resulted in higher levels of accuracy and improved submission timelines. Kevin is a true team player who takes ownership of the tasks assigned, consistently meeting his reporting deadlines; at times even taking on additional work to aid the unit in meeting stringent reporting requirements.

Marsha Neil-Robinson – Investment Representative, Montego Bay Branch

Marsha is highly motivated in living our mantra, "One Team, One Goal." She is both the Applause and Customer Service champions for the Montego Bay team, demonstrating her strong leadership skills and desire to work in building her team. Always the one to go the extra mile in assisting both team members and clients, Marsha delivers a superior customer experience, with her ever present smile and caring demeanor. An efficient team member, she works to ensure that her client accounts are updated and that she is compliant with all company procedures. In all this, Marsha remains focused on her clients' wealth and her team's performance, using tools such as the Investment Selector to build relevant portfolios for her clients.

Best of the Best Honour Roll

Ainelee Tracey - FX Trader, Montego Bay Branch

Alicia Silvera Grant - Stock Brokerage Officer

Jillian Evans - Senior Investments Advisor, Signature Investments

Joelle Smith - Investment Advisor, Kingston Branch

Kenisha Dwyer Powell - Investment Advisor, Mandeville Branch

Kevin Forsythe - Assistant Manager, Financial & Regulatory Reporting

Latoya Virgo - Investment Advisor, Montego Bay Branch

Laura-Ann Brown - Teller & Courtesy Officer, Mandeville Branch

Lisa Dixon - Senior Manager, Asset Management

Marcia Thompson - Operations Officer

Mario Ahjahorie - Financial Analyst

Marion Schloss - Senior Operations Officer, Corporate Trust

Marsha Neil-Robinson - Investment Representative, Montego Bay Branch

Nadine May - Operations Officer, Signature Investments

Nicola Reid - Relationship Officer, Mandeville Branch

Nikeisha Williams - Senior Financial Analyst

Omehito James - Investment Advisor, Mandeville Branch

Sara Ying - Senior Securities Officer

Terry-Ann Ricketts - Operations Officer, Kingston Branch

Vivianne D. Lawrence - Investment Advisor, Kingston Branch

Yanive Nelson - Relief Investment Representative

OUR Moments 2011

BELOW: Anya Schnoor, out going President of the Jamaica Securities Dealers Association (JSDA) passes the Presidential baton to Gary Peart, CEO of Mayberry Investments at the JSDA luncheon hosted at the Terra Nova Hotel in July 2011.

BELOW: Lissant Mitchell COO of Scotia Investments presents the award for Best Dessert Spot to a representative from Sugar and Spice at the Jamaica Observer Food Awards hosted at Devon House in May 2011.

RIGHT: Yanique Leiba-Ebanks, Senior Manager Business Development at Scotia Investments makes her presentation at the Financial Services Commission Expo hosted at the Jamaica Pegasus Hotel in September 2011.

BELOW: (L-r) Vanessa Reid Boothe, VP of Sales and Service, Jillian Evans, Senior Investment Advisor and Lois Sherwood listen keenly to Sherene Todd, AVP of Signature Investments at the Signature Soirée Cocktails held at Caffé da Vinci in April 2011.

ABOVE: Xandria Wauchope-Lee, Senior Manager External Sales shares a light moment with a patron at the Physicians of Jamaica Symposium hosted at the Courtleigh Auditorium in September 2011.

LEFT: Lissant Mitchell, Chief Operating Officer at the Scotia Investments enjoys discussion with client Carmen Levy at the Scotia Investments Unit Trust Lyme hosted at the Pub at Devon House.

RIGHT:Brian Frazer, Vice President Scotia Asset Management (Jamaica) Limited shares a light moment with Consultant Clyde Paul at the Scotia Investments Unit Trust Lyme hosted at The Pub at the Devon House in April 2011.

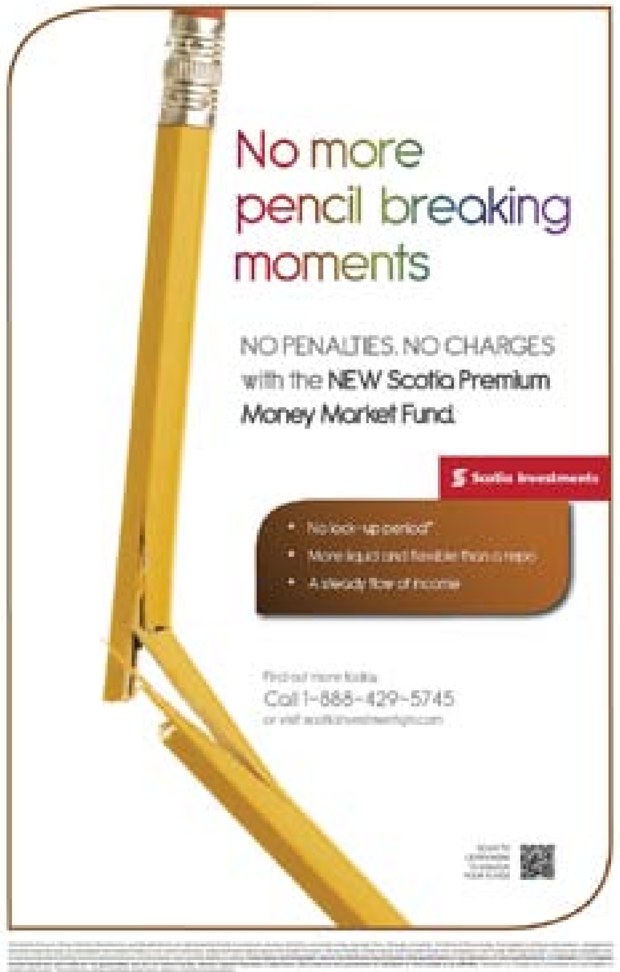
BELOW: Lissant Mitchell, Chief Operating Officer of Scotia Investments participates in the panel discussion with Sushil Jain at the Jamaica Stock Exchange Conference hosted at the Pegasus Hotel in January 2011.

ABOVE: Anya Schnoor and Lissant Mitchell participate in the symbolic name change from Scotia DBG Investments to Scotia Investments Jamaica Limited on the Jamaica Stock Exchange Company Listing.

RIGHT: Anya Schnoor CEO for Scotia Investment greets the Prime Minister, The Honorable Bruce Golding at the UDC and Scotia Investments Corporate Forum hosted at the Jamaica Conference Centre in September 2011.

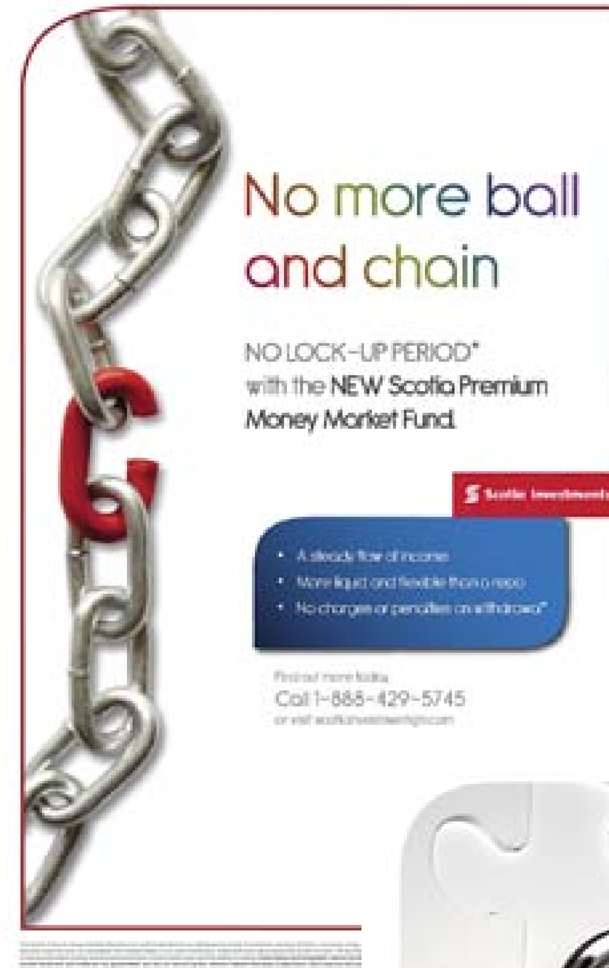
BELOW: Adrian Stokes and panelists Damion King, Milton Samuda, Bruce Bowen and Vitus Evans participate in the SIJL Webinar Series.

Scotia Investments Launches
NEW Scotia Premium Money Market Fund



No Penalties.
No Charges.

Easy Access.



No Lock-Up
Period.

The Investment
that's a
Perfect Fit.

Scotia Investments
Annual Report 2011

Financial Highlights 2011

	2002	2003	2004	2005	2006	2007	7 MONTHS TO OCTOBER 7 Mths to Oct-2007	OCTOBER 2008	2009	2010	2011
	J$ ('000)	J$ ('000)	J$ ('000)	J$ ('000)	J$ ('000)	J$ ('000)	J$ ('000)	J$ ('000)	J$ ('000)	J$ ('000)	J$ ('000)
Profit and Loss Account											
Gross Operating Revenue	2,323,909	3,544,374	4,540,765	4,069,059	4,157,027	4,228,630	3,399,152	7,624,186	10,797,433	8,044,063	6,527,971
Net Interest Revenue	202,911	279,042	320,434	630,313	773,844	854,915	724,633	1,960,014	3,359,099	3,105,843	2,816,466
Other Operating Revenues	406,239	473,165	871,722	1,026,682	1,041,599	745,971	340,353	642,217	657,105	701,072	1,065,049
Other Operating Expenses	426,874	509,850	644,549	846,042	929,014	930,863	595,607	1,062,059	1,360,236	1,228,395	1,260,446
Net Profit attributable to members	180,216	239,418	538,595	802,642	882,319	702,955	686,295	1,239,480	2,128,870	1,487,348	1,985,092
Balance Sheet											
Total Assets	13,999,646	22,106,116	23,652,828	28,422,734	30,572,360	37,749,263	56,352,603	65,996,518	74,010,727	70,974,893	72,854,001
Total Liabilities	13,469,051	21,127,171	22,273,979	26,300,422	27,009,186	33,341,157	50,402,165	60,224,614	66,323,735	62,139,376	62,558,746
Total Stockholders' Equity	530,595	978,945	1,378,849	2,122,312	3,563,174	4,408,106	5,950,438	5,771,904	7,686,992	8,835,517	10,295,255
Total Funds Under Management	15,947,502	22,851,218	24,564,132	30,697,330	31,720,431	38,519,109	84,480,969	96,790,241	109,433,421	118,884,463	135,213,981
Outstanding Shares*	112,501,040	122,129,514	276,825,714	290,385,731	303,194,744	309,258,639	374,364,997	423,194,765	423,194,765	423,194,765	423,194,765
Key Financial Ratios											
Earnings per share (cents)	1.60	1.96	1.95	2.76	2.85	2.27	1.83	2.93	5.03	3.51	4.69
Book Value per share	4.72	8.02	4.98	7.31	11.75	14.25	15.89	13.64	18.16	20.88	24.33
Efficiency Ratio	70%	68%	54%	51%	51%	57%	57%	41%	34%	33%	32%
Return on Average Equity	50%	45%	55%	58%	42%	20%	14%	21%	32%	18%	20%
Return on Average Asset	2%	1%	2%	3%	3%	2%	1%	2%	3%	2%	3%
Net Profit Growth (% growth)	61%	33%	125%	49%	10%	-20%	**67%	5%	72%	-30%	33%
Asset Growth (% growth)	49%	58%	7%	20%	8%	23%	49%	17%	12%	-4%	3%
Equity Growth (% growth)	47%	84%	41%	54%	68%	24%	35%	-3%	33%	15%	17%
Average Equity	446,259	754,770	1,178,897	1,750,581	2,842,743	3,985,640	5,179,272	5,090,005	6,729,448	8,261,255	9,565,386
Average Assets	11,682,454	18,052,881	22,879,472	26,037,781	29,497,547	34,160,812	47,050,933	51,872,891	70,003,623	72,492,810	71,914,447
Net Revenue	609,150	752,207	1,192,156	1,656,646	1,815,443	1,630,965	1,053,094	2,599,695	3,944,492	3,672,952	3,907,622

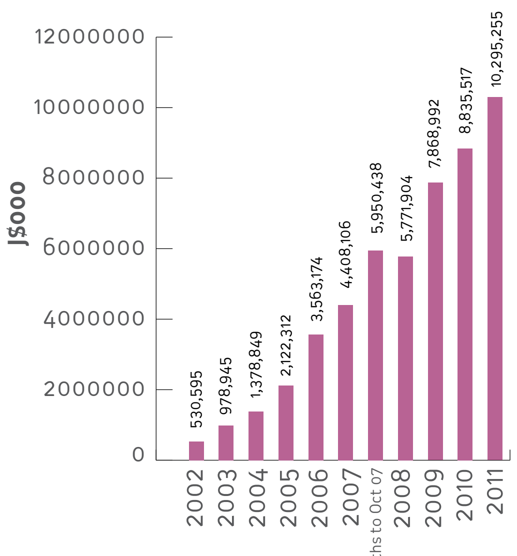
*Weighted average number of ordinary stock

**Based on annualised Net profit after tax for 7 months ended Oct 2007

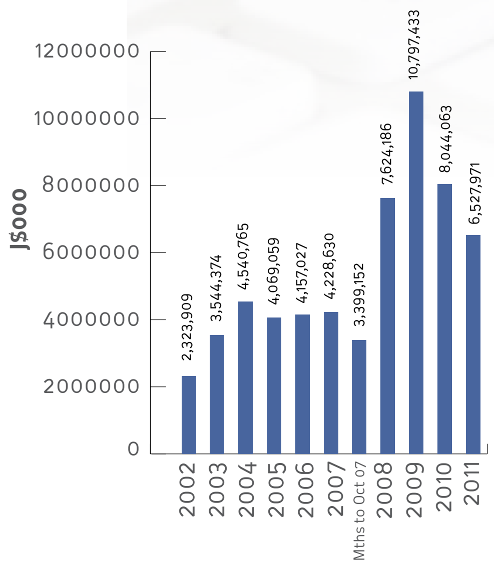
Scotia Investments
Annual Report 2011

Financial Highlights 2011

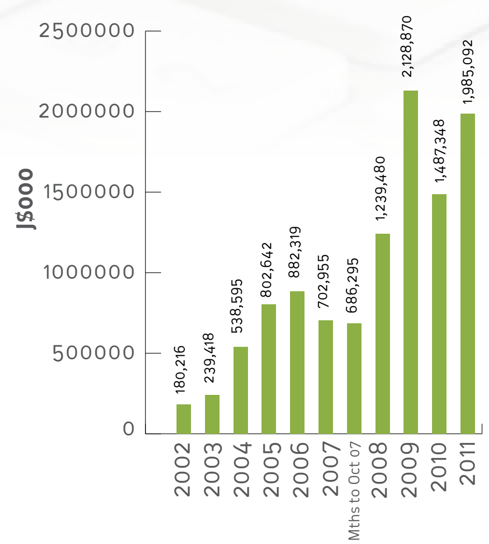
SIJL Stockholders' Equity



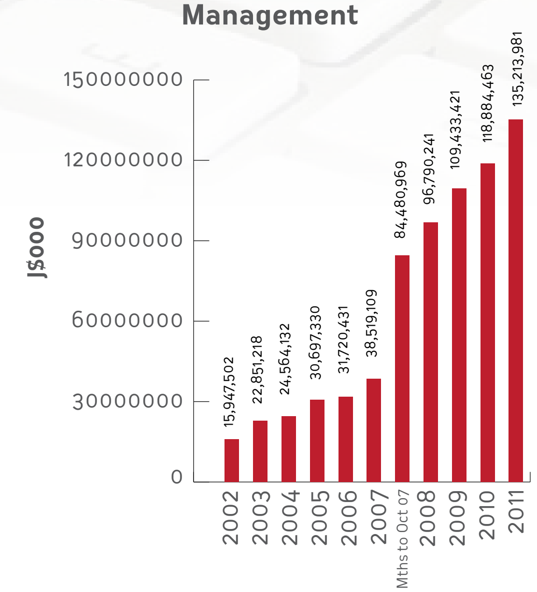
SIJL Gross Operating Revenue



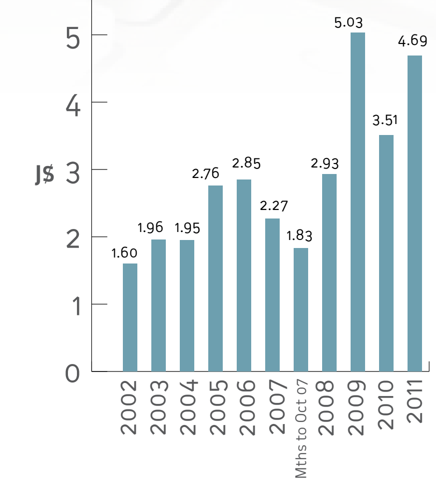
SIJL Net Profit



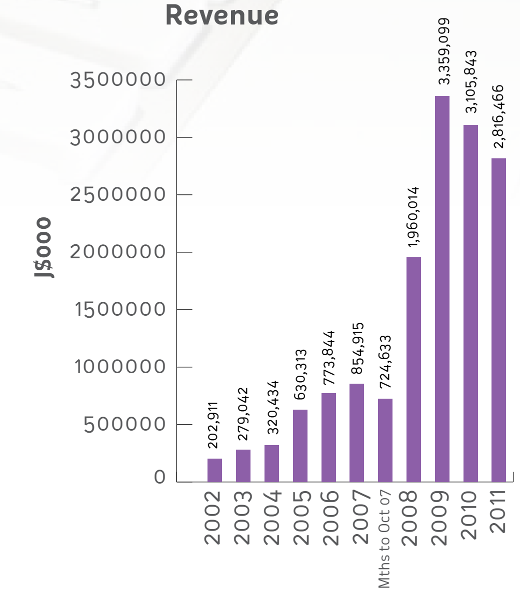
SIJL Funds Under Management



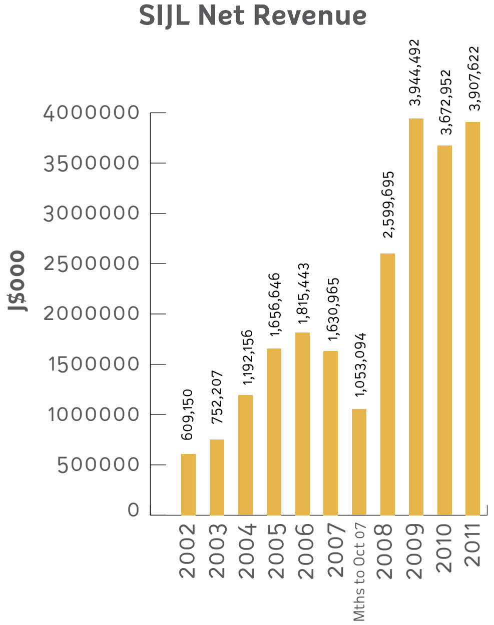
SIJL Earnings Per Share (EPS)



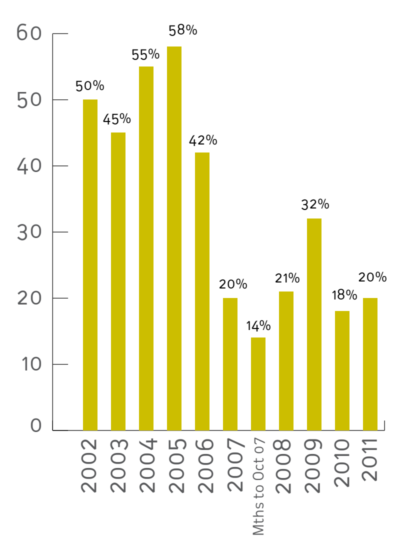
SIJL Net Interest Revenue



SIJL Net Revenue



SIJL Return on Average Equity



Stockholders' Equity
Stockholders' Equity represents the equity stake currently held on the books by a firm's ordinary shareholders. It is calculated either as a firm's total assets minus its total liabilities or as share capital plus retained earnings minus treasury shares.

Return on Average Equity
A measure of a company's profitability that indicates the profit per unit of equity invested in the company. Return on Equity is often calculated by dividing net income by average shareholders' equity. Average shareholders' equity is calculated by adding the shareholders' equity at the beginning of a period to the shareholders' equity at period's end and dividing the result by two.

Return on Assets (ROA)
An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. ROA is calculated by dividing a company's annual earnings by its total assets. ROA tells what earnings were generated from invested capital (assets). The ROA figure gives investors an idea of how effectively the company is converting the money it has to invest into net income.

Net Income (NI)
A company's total earnings (or profit) which is calculated by taking revenues and adjusting for operating costs, depreciation, interest, taxes and other expenses. The number is found on a company's income statement and is an important measure of how profitable the company is over a period of time. The measure is also used to calculate earnings per share. Net Income is often referred to as "the bottom line" since net income is listed at the bottom of the income statement.

Net Revenue
The amount of money that a company actually earns during a specific period, excluding impairment losses.

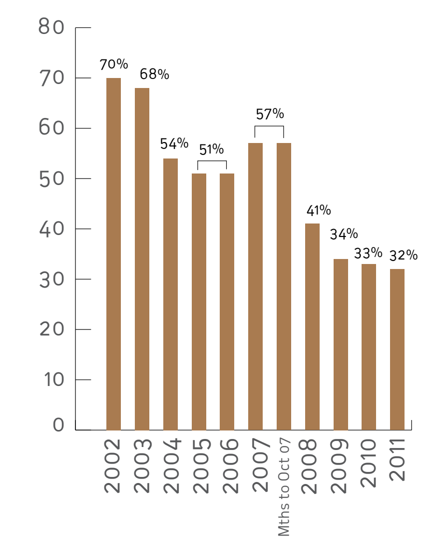
Gross Operating Revenue
The amount of profit realized from a business' own operations, but excluding operating expenses.

Earnings Per Share (EPS)
The portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share are generally considered to be the single most important variable in determining a share's price. EPS is also a major component of the price-to-earnings valuation ratio.

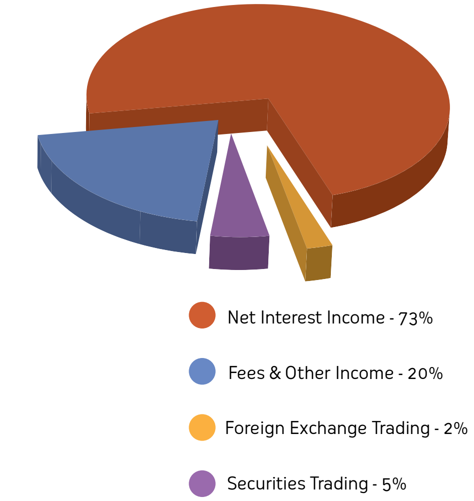
Efficiency Ratio
A ratio used to evaluate the overhead structure of a financial institution. The efficiency ratio gives us a measure of how effectively a bank is operating. Efficiency is usually an acceptable measure of profitability as the more efficient banks are those that are able to generate increased profits while containing increases in operating costs. The efficiency ratio may be calculated in a number of ways, but the most common is non-interest expense divided by total revenue less interest expense (net revenue). An increasing efficiency ratio means the company is losing a larger percentage of its income to expenses. If the ratio is getting lower, it is good for the bank and its shareholders.

Net Interest Income
Net interest income (NII) is the difference between the interest income earned and the interest payments made to customers.
NII = (Interest payments on assets) - (interest payments on liabilities)
Depending on the firm's specific portfolio of assets and liabilities (fixed or floating rate), the firm's NII can be more or less sensitive to the changes in interest rates.

SIJL Efficiency Ratio



SIJL Net Revenue Composition
Year ended October 2011



Management Discussion & Analysis

PRINCIPAL ACTIVITIES

Scotia Investments Jamaica Limited (Scotia Investments) is a subsidiary of Scotia Group Jamaica Limited and offers a wide range of wealth management and brokerage products in Jamaica. Scotia Investments is a licensed securities dealer, a member of the Jamaica Stock Exchange and has primary dealer status from the Bank of Jamaica.

STRATEGIC DIRECTION

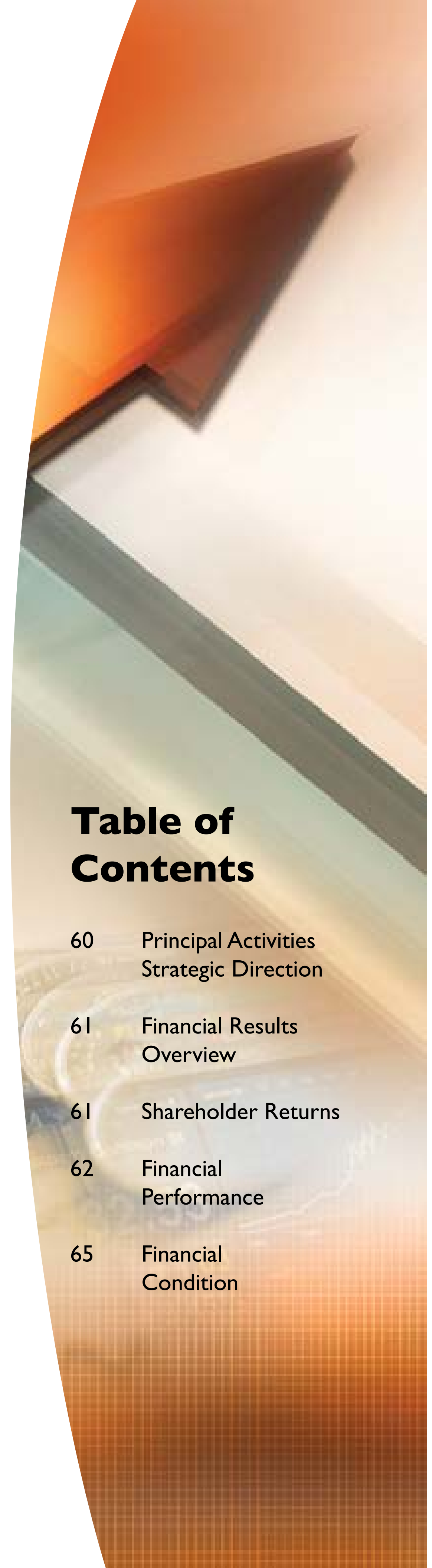
The main focus of our strategy is to continue building out our business model that was re-aligned into the four key revenue areas of Treasury Operations, Retail Brokerage, Capital Markets and Asset Management Services. The re-aligned business model is geared towards producing a diversified income stream and a risk adjusted return in line with the expectations of all our stakeholders. Scotia Investments will continue to leverage the strengths of the wider Scotiabank Group internationally to develop a suite of products and services that provide effective solutions to clients, while reducing our reliance on net interest income.

We will continue to focus on the five key long term strategic imperatives within the re-aligned business model:

1. Distribution Channels

We will continue to provide an enhanced sales and service process by refining our distribution strategy so as to align it succinctly to specific target markets. We will continue to strengthen our sales management training and coaching process to ensure that our clients continue to receive the best possible advice to meet their individual needs. This will be achieved by:

- Developing and implementing a customer relationship management system.
- Conducting client research and implementing product solutions based on the needs of the varying client segments.
- Deploying a client communication programme that seeks to reinforce Scotia Investments' position as the industry's most trusted financial advisor.



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2. Non-Interest Revenue

We intend to develop a wider range of attractive off Balance Sheet fee-based products. This goal will be accomplished through the introduction of new managed funds and an expanded range of brokerage products designed to target specific client needs. The enhanced Capital Markets division should also provide additional impetus in our drive to grow non-interest revenue.

3. Operational Efficiency

We will continue to focus on improving our efficiency which is a strategic advantage for our company. We will also continue to enhance our risk management capabilities and benchmark our key performance indicators against our peer group and international best practice standards.

4. Technology Platform

During the new financial year we will continue on the overall project to implement a new IT platform for the company. It is anticipated that this project will continue into 2013 and its main goals will be to increase growth, and enhance operational efficiency by providing a stable platform to support new product initiatives and effective reporting.

5. People

Our continuing strategy is to align employee objectives with those of the organization; recruit and retain top talent and develop people and teams by providing robust employee development, reward, recognition and compensation programmes.

FINANCIAL RESULTS OVERVIEW

Scotia Investments achieved another year of improved performance with after tax results of $1.98 Billion for the year. This represented an increase of $497.7 Million or 33% over the reported results for last year. Our creditable performance was driven by significant growth in fee-based revenue, well managed interest margins in a declining interest rate environment and effective expense management. Our results also signalled the success in the implementation and execution of key strategic imperatives geared at driving sustainable long term growth.

Financial Highlights

	2011	2010
	$000's	$000's
Total Assets	72,854,001	70,974,893
Liabilities under repurchase agreements	46,211,465	45,025,585
Shareholder's equity	10,295,255	8,835,517
Net profit after tax	1,985,092	1,487,348
Return on equity	20%	18%
Earnings per share (cents)	469	351
Dividend per share (cents)	142	132

SHAREHOLDER RETURNS

On a quarterly basis the Board considers dividend payments to shareholders and during the financial year dividends totaled $1.42 per share up 7.5% from the $1.32 per share for last year. Dividend payments are made from the realized earnings of the Company and the maintenance of adequate levels of capital is a critical component of our risk management practices. We remain committed to achieving stable, long-term returns for our shareholders, whilst ensuring that the payment of dividends is in keeping with our capital adequacy requirements.

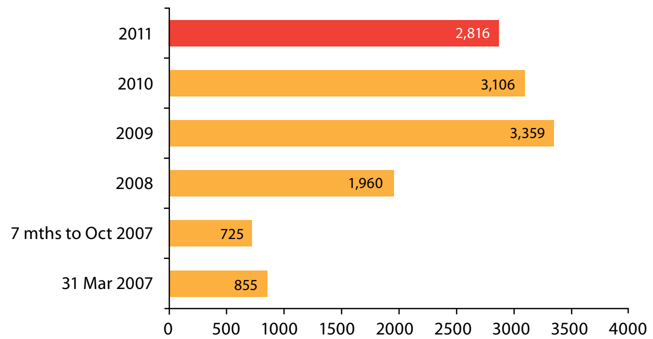
Management Discussion & Analysis

FINANCIAL PERFORMANCE

Total Revenues

Total revenue, comprising of net interest income and other revenues totalled $3.91 Billion for the year, an increase of $155.6 Million or 4% over the same period last year. The increase was influenced primarily by growth in fee based revenue as well as improved securities trading.

Net Interest Income (Millions)



	2011 $000's	2010 $000's
Interest Income	5,462,922	7,342,990
Interest Expense	(2,646,456)	(4,237,147)
Net Interest Income	**2,816,466**	**3,105,843**

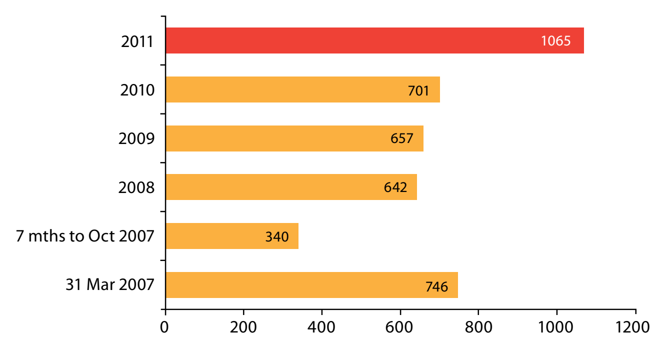
Net Interest Income

Net interest income was $2.8 Billion in 2011, down $289 Million from last year. Earning asset yields continued to trend downward throughout the year in line with the lower interest rate environment.

Interest income earned for the year was $5.46 Billion, a decrease of $1.88 Billion over the previous year. Average yields on J$ earning assets decreased from 10.06% last year to 8.42% this year, however the average volumes increased by 7% to $44.3 Billion. The average yields on our US$ earning assets increased from 6.61% last year to 7.29% this year however the average volumes decreased by 8.8% to US$247.2 Million.

Interest expense decreased by $1.59 Billion to $2.65 Billion at the end of 2011 indicative of lower J$ liability rates which moved in line with BOJ rates during the year. The Company's net interest margin on its J$ earning assets portfolio was 2.81% down from 2.85% at the end of the previous year indicative of thinner margins in the lower interest rate environment. The net interest margin on the company's US$ earning assets portfolio however improved from 3.84% last year to 5.06% this year.

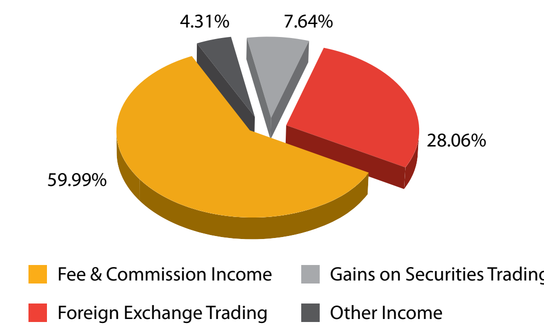
Other Income (Millions)



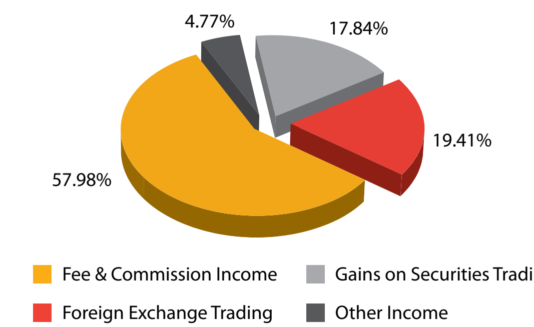
Other Income

Other income, which represents all non-interest income, is comprised mainly of fee and commissions, foreign exchange trading income, gains on securities trading and other revenues. Other income was $1.06 Billion for the year, up $364 Million or 51% relative to the $701 Million for the same period last year. The overall increase was boosted by a 57% or $232 Million increase in fee and commission income year over year. We recorded strong growth in our Scotia Caribbean Income Fund and also in Unit Trust sales. The year's results were also impacted favourably by improved securities trading income.

2011 Other Revenue



2010 Other Revenue

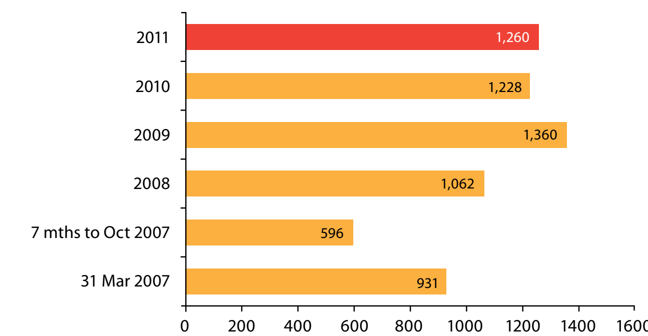


The larger portions of our other income came from fee based revenue, which contributed approximately 60% compared to 58% for last year.

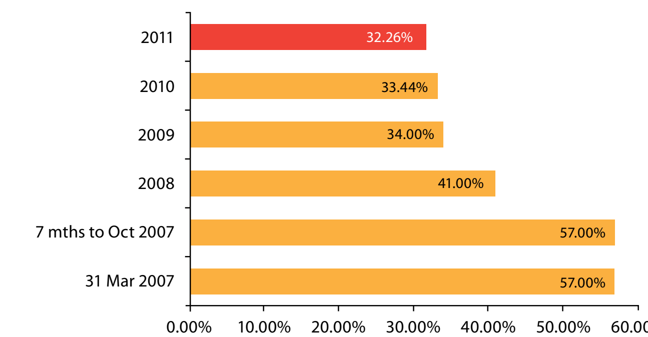
Non-Interest Expenses

Non-interest expenses were $1.26 Billion in 2011, up $32 Million or 3% from last year. The movement was driven largely by increased salaries and benefits as well as operating costs. Throughout the year, the company continued its focus on expense management and sought to implement further initiatives geared at leveraging the wider Scotiabank network, thereby improving operational efficiencies. At the end of the year, our productivity ratio (operating expense as a percentage of total revenue) was 32.26% and continues to reflect a steady reduction year over year.

Non Interest Expense (Millions)



Productivity Ratio (%)



Management Discussion & Analysis

Salaries and employee benefits comprise the largest component of our total expenses and this reflected an increase of $1.5 Million over last year. Property expenses, including depreciation, decreased by $22.5 Million or 14% and was driven mainly by consolidation of premises. Other expenses increased by $53 Million or 15% due in part to a general increase in operating costs, the commencement of the change over to a new operating system as well as higher advertising and professional fees.

	2011	2010
	$000's	$000's
Salaries and other staff benefits	720,073	718,524
Property expenses, including depreciation	132,353	154,928
Other expenses	408,020	354,944
Non-Interest Expense	1,260,446	1,228,395

Taxes

At the end of this financial year, the provision for income and deferred taxes was $662 Million down $295 Million from last year. The expense was in keeping with recorded profits for this financial year. Last year's provision was impacted by the commencement of recognition of deferred tax on net interest receivable balances.

"Salaries and employee benefits comprise the largest component of our total expenses..."

Credit Quality

The company's non-performing loans as at October 31, 2011 totalled $696 Million a decrease of $8.9 Million or 1% over prior year. There were no significant new non-accrual loan classifications made over the period.

Total loan loss provisions at the end of the year stood at $353 Million down $12 Million or 3% from the $365 Million for last year. The loan loss provisions are determined by IFRS and are based on the present value of the expected future cash flows that may arise from a restructured payment arrangement with the debtors or the foreclosure less costs from obtaining a sale for the collateral. As at the end of the financial year, total loan loss provisions represented 50.7% of total non-performing loans (2010: 51.9%).

Summary of quarterly results

The quarterly results reflect stable earnings across each quarter and the company achieved steady growth in shareholder's equity throughout 2011.

Summary of quarterly results

	2011				2010			
($ Millions)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross Operating Income	1,693	1,625	1,636	1,574	2,651	2,009	1,659	1,638
Total Operating Income	962	996	1,004	953	1,132	925	742	874
Operating Expenses	307	322	324	307	340	343	267	279
Net Profit	467	466	475	577	546	202	338	401
Earnings per share (cents)	$1.10	$1.10	$1.12	$1.36	$1.29	48c	80c	95c
ROE (percentage)	20.73%	19.92%	19.50%	22.84%	27.66%	9.87%	16.10%	18.52%
Total Assets	70,852	71,104	71,587	72,854	72,860	70,050	66,618	70,975
Stockholders' Equity	9,167	9,558	9,930	10,295	8,089	8,298	8,507	8,836

FINANCIAL CONDITION

Assets

Total assets increased by $1.879 Billion or 2.6% to $72.8 Billion as at October 31, 2011. Growth took place primarily in the investment securities held by the Group.

Cash Resources

Cash resources stood at $3.1 Billion as at October 31, 2011 compared to $3.9 Billion at the end of last year. These balances were retained at levels which allowed us to honour cash outflow obligations and respond effectively to unexpected circumstances.

	2011		2010	
	$000's	%	$000's	%
Financial assets at fair value through statement of profit and loss	356,168	0.50	127,895	0.20
Pledged assets	66,365,262	99.20	64,889,175	99.60
Investment securities: available-for-sale	153,954	0.30	112,292	0.20
Total securities	66,875,384	100.00	65,129,362	100.00

Securities

Total investment securities increased 2.60% to $66.87 Billion over the year. Pledged assets, mainly relating to securities sold under Repurchase Agreements and the Capital Management Accounts, stood at $66.3 Billion and represented 99.20% of total investment securities at year-end.

Loans

Loans after allowances for impairment losses amounted to $426 Million, up marginally from the $412 Million for the prior comparable period. Loans are diversified across industry sectors and are primarily extended to customers within Jamaica. The Group's credit exposure for loans reflected at their carrying value show the highest concentration among personal and the tourism and entertainment industry.

Management Discussion & Analysis

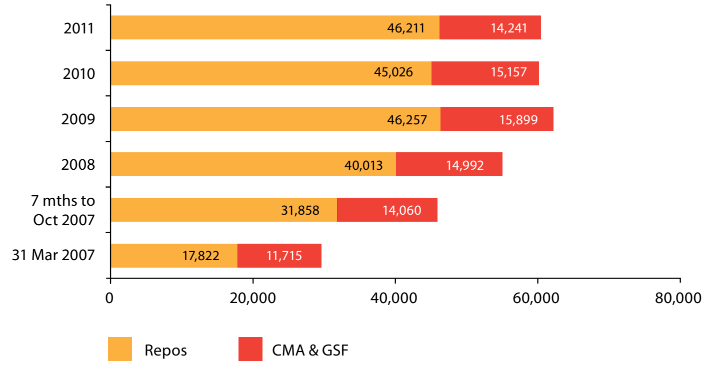
Liabilities

Total liabilities at the end of the financial year were $62.6 Billion, increasing $0.5 Billion from the $62.1 Billion at the end of prior period.

Obligations related to Repurchase Agreements, Capital Management and Government Securities Funds

Securities sold under Repurchase Agreements (Repo) were $46.2 Billion at the end of the financial year while Capital Management and Government Securities funds were $14.2 Billion. The reduction in Capital Management Accounts reflects ongoing efforts to transition to an off balance sheet funds management business model. Repo liabilities reflected an upwards growth due primarily to increases in US$ cash inflows from institutional clients.

Repurchase Agreements & Capital Management Accounts (Millions)



Funds under Management

Scotia Investments had approximately $135.2 Billion in total funds under management as at 31 October 2011. Additionally, there were custodial arrangements for assets totalling $19.2 Billion. Throughout the year we maintained our dominant position in the Unit Trust and Mutual Fund industry and there were positive inflows into these managed Funds, signaling the success of our sales focus to off balance sheet products.

Our Scotia Premium Fixed Income Fund ended the year with Fund values in excess of $18 Billion, making it the largest Fund of its kind in the island. We also had commendable growth in our Scotia Caribbean Income Fund (SCIF) which had impressively surpassed US$61 Million at the end of October 2011. Towards the end of the financial year we also launched the Scotia Premium Money Market Fund which expands our suite of off balance sheet investment solutions.

Funds managed on a non-recourse basis on behalf of investors and for which the Group has no equitable rights or interest totalled $25.4 Billion at the end of October 2011, up $10 Billion or 64% over the $15.4 Billion last year. This movement was driven by a combination of volume growth due to increased net sales across all Funds during the year as well an appreciation in the value of the assets of these Funds.

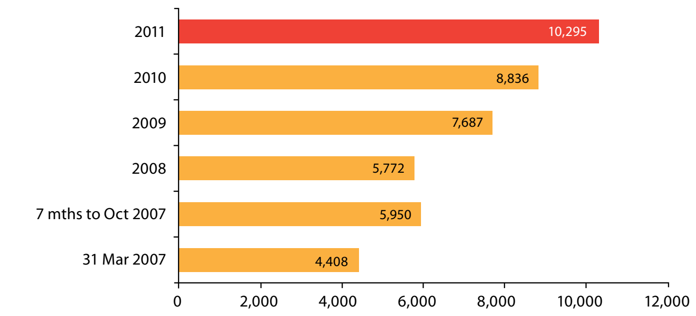
As at October 31, 2011 assets held in a fiduciary capacity over which the Group provides investment management, advisory, custody, trustee and corporate administration services to third parties totalled $68 Billion. This represented an increase of $7 Billion over last year. The increase was influenced by contributions to the Fund over the year as well as an appreciation in the value of the assets of the Funds.

Scotia Investments
Annual Report 2011

Shareholder's Equity

The strength of our capital base is evident with total shareholders equity standing at $10.2 Billion at the end of the year. This represented an increase of $1.4 Billion or 16.5% over the equity reported as at the end of last year. The improvement over prior period was influenced by both retained earnings and positive investment reserve adjustments arising from improved bond prices in the market during the financial year.

Shareholders' Equity (Millions)



Capital Management

Effective June 2011, the Financial Services Commission introduced changes to existing capital adequacy requirements aimed at strengthening the regulatory and supervisory framework for the securities dealer industry. The changes largely involve replacing the existing credit risk measure with a market risk measure for our designated trading book. As a result of these enhancements, the risk weighted computation to determine our capital adequacy now incorporates a risk weighted assets (RWA) credit risk charge and a risk weighted assets (RWA) market risk charge.

Scotia Investments has maintained a strong capital adequacy position over the past couple of years and at the end of October 2011 this ratio remains solid at 47.79%. This is also significantly above the statutory requirement of 10%. Management continues to ensure that there is a comprehensive and effective capital management policy in place to preserve this solid capital position.

> "An ounce of **performance** is worth pounds of promises."
>
> *Mae West, Actress*

Scotia Investments
Annual Report 2011

Risk Management Report

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are predictable and consistent with the Company's objectives and risk tolerance, and that there is an appropriate balance between risk and reward in maximizing shareholder returns. To this end, Scotia Investments has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed in the business. These include credit, market and liquidity, operational and reputational risks. The risk management framework includes risk principles, organisational structures, and risk measurement and monitoring processes that are closely aligned with the activities of the business units. The framework is supported by a robust risk management culture which permeates throughout the organization.

Each of the components in the framework is continually reviewed and updated to ensure that they are consistent with risk-taking activities, and remain relevant to the business and financial strategies of the Firm.

Scotia Investments' Risk Management Framework

Policies & Limits

Policies define the Firm's overall risk appetite and are developed taking into account the Firms' strategic imperatives, the risk/reward trade-off and regulatory requirements. The policies are approved by the Board of Directors on at least an annual basis.

Limits are set for two purposes. First, limits control risk-taking activities within approved tolerance levels. Second, limits establish accountability for key tasks in the risk-taking process and establish the levels or conditions under which transactions might be approved or executed.

> "Scotia Investments' credit risk is managed through strategies and policies that are approved by the Board of Directors."

Guidelines

Guidelines are the directives provided to implement Policies as set out above.

Generally, these describe the facility types, aggregate facility exposures and conditions under which the Firm is prepared to do business. These may change from time to time, due to market or other circumstances. Risk-taking outside of these guidelines is usually approved by the Firm's Asset and Liability Committee (ALCO). ALCO ensures that risks are managed within the limits established by the Board of Directors. The ALCO meets at least once monthly to review risks, evaluate performance and provide strategic direction.

Processes & Standards

Processes are the activities associated with identifying, evaluating, documenting, reporting and controlling risk. Standards define the breadth and quality of information required to make a decision, and the expectations in terms of quality of analysis and presentation.

Measurement, Monitoring and Reporting

Measurement tools quantify risk across products and businesses and are used, among other things, to determine risk exposure. The Credit Risk Management and Market & Operational Risk units in the Scotiabank Group, which operate independently of the business lines, are responsible for developing and maintaining an appropriate suite of such tools to support the operations of Scotia Investments.

Reporting tools are also required to measure risk levels across products and businesses to ensure compliance with policies, limits and guidelines. This information is used by the Board and Senior Management to understand the Firm's risk profile and the performance of the portfolio. A comprehensive summary of the Firm's risk profile and performance of the portfolio against defined goals is presented quarterly to the Board of Directors.

Scotiabank Group Internal Audit independently monitors the effectiveness of risk management procedures and internal controls through periodic testing of the design and operation of the risk management function. Internal Audit reports independently to the Audit and Conduct Review Committee of the Board.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour a financial or contractual obligation to the Group. Credit risk is created in the Firm's direct lending operations, and in its funding, investment and trading activities where counterparties have repayment or other obligations to the Firm.

Scotia Investments' credit risk is managed through strategies and policies that are approved by the Board of Directors. The credit risk strategy defines target markets and risk tolerances that are developed at Scotiabank Group level, and then further refined at the business line level. The objectives of the credit risk strategy are to ensure that for the Group, including the individual business lines:

- Target markets and product offerings are well defined and understood,
- The risk parameters for new underwritings and for the portfolios as a whole are clearly specified, and consistently complied with,
- Activities, including origination and syndication are managed in a manner to ensure the goals for the overall portfolio are met; and
- Transactions are initiated and monitored within applicable limits

The Firms's credit portfolio includes personal, commercial and public sector borrowers. Most private

Scotia Investments
Annual Report 2011

Risk Management Report

sector exposure is secured. The credit risk rating approaches applied meet the objectives of transparency and replicability in order to provide consistency in terms of credit adjudication, lending standards, and reporting of credit risk. The Firm periodically reassesses its risk rating methodologies and risk framework and makes enhancements when necessary.

Market Risk

Market risk arises from changes in market prices and rates (including interest rates, credit spreads, equity prices, and foreign exchange rates), the correlations among them, and their levels of volatility.

The Firm assumes market risk in both its trading and non-trading (funding and investment) activities. The Firm holds portfolios with Debt and Equity Investments. Debt investments primarily consist of government and corporate bonds. Equity investments include common and preferred shares, as well as a diversified portfolio of third-party managed funds. Trading activities are primarily customer focused, but also include a proprietary component. These portfolios expose the Firm to interest rate, foreign currency, credit spread and equity risks.

Market risk exposures are managed to achieve a balance between pursuing profitable opportunities and managing earnings volatility within a framework of sound and prudent practices. This is done through specific operating policies, and limits at the product, portfolio, business unit and business line levels and for the Firm in total. The Firm uses a variety of metrics and models to measure and control market risk exposures. The principal measurement techniques are Value at Risk (VAR), stress testing, sensitivity analysis and simulation modelling & gap analysis. Models are independently validated prior to implementation, reviewed periodically, and monitored continuously through back-testing analysis. To ensure compliance with policies and limits, market risk exposures are independently monitored on a continuous basis. Senior management, business units, ALCO, and the Board of Directors are provided with a series of daily, weekly, monthly and quarterly reports of market risk exposures by business line and risk type.

Interest Rate Risk

Interest Rate Risk is the risk of loss due to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and mortgage prepayment rates. The Firm actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances.

Interest rate risk arising from the Firm's funding and investment activities is managed in accordance with Board approved policies and global limits, which are designed to control the risk to income and economic value of shareholders equity. The income limit controls the effect of a specified shift in interest rates on the Firm's annual net income, while the economic value limit controls the impact of a specified change in interest rates on the present value of the Firm's net assets. Interest rate exposure in individual currencies is also controlled by gap limits. Gap analysis and sensitivity analysis are used to assess exposure and for planning purposes.

Foreign Currency Risk

Foreign currency risk is the risk of loss due to changes in spot and forward prices, and the volatility of currency exchange rates. This risk arises from trading activities and foreign currency operations. In its trading activities, the Firm buys and sells currencies in the spot market for its customers. The Firm also engages in forward trades as a mechanism to hedge currency positions on its balance sheet.

Foreign exchange gains and losses from these activities are included in other income. The Firm mitigates the effect of foreign currency exposures by financing its net investments with borrowings in the same currencies. Foreign currency risk arising from the Firm's foreign currency trading is subject to Board approved limits.

Equity Risk

Equity risk is the risk of loss due to changes in the prices and the volatility of individual equity instruments and equity indices. The Board sets limits on the level of exposure and diversification, which is a key strategy employed to reduce the impact of non-performance of a specific class of assets.

Liquidity Risk

Liquidity risk is the risk that the Firm is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to investors, settlement of repurchase transactions, and lending and investment commitments. This risk is managed within the framework of policies and limits that are approved by the Board of Directors. The Board receives reports on risk exposures and performance against approved limits. ALCO provides senior management oversight of liquidity risk and meets monthly to review the Firm's liquidity profile.

The key elements of our liquidity risk framework are:

- Measurement and modelling – the Firm's liquidity model measures and forecasts cash inflows and outflows on a daily basis. Risk is managed by a set of key limits over the maximum net liability cash flow gap currency over specified short-term horizons and guidelines for minimum levels of core liquidity
- Funding diversification – the Firm actively manages the diversification of its liabilities by source, type of client, instrument and term
- Monitoring balance sheet liquidity ratios against internal requirements
- Core liquidity management – the Firm maintains a pool of highly liquid, unencumbered assets that can be readily sold or pledged to secure borrowings under stressed market conditions or due to firm-specific events.
- The Firm also maintains liquid assets to support its intra-day settlement obligations in payment, depository and clearing systems
- Contingency planning – the Firm maintains a liquidity contingency plan that specifies an approach for analysing and responding to a liquidity crisis.

"The Board receives reports on risk exposures and performance against approved limits"

Operational Risk

Operational risk is the risk of losses, whether direct or indirect, to which the Firm is exposed due to external events, human error or the inadequacy or failure of processes, procedures, systems or controls. Operational risk, exists in each of the Firm's business and support activities, and can result in financial loss, regulatory sanctions and damage to the Firm's reputation.

Scotia Investment's operational risk management framework includes the following governing principles and fundamental components:

- Accountability in the individual business lines for management and control of the significant operational risks to which they are exposed
- A robust internal control environment
- An effective organization structure through which operational risk is managed, including:
  - *A Board of Directors responsible for sound corporate governance*
  - *Executive management with clearly defined areas of responsibility*
  - *A central operational risk management unit responsible for developing methods to identify, assess and monitor operational risks*
  - *Independent specialist units responsible for developing methods to control/mitigate specific components of operational risk*

Risk Management Report

- Separation of duties between key functions
- An independent internal Audit department responsible for verifying that significant risks are identified and assessed, and for evaluating the appropriateness of various controls
- Management of Compliance risk through an established network and process that includes monitoring regulatory changes; conducting compliance risk assessments; implementing policies and procedures; training; and monitoring and resolving issues.
- processes and controls to identify, assess, monitor and manage operational risk, including the following components:

–The Group's risk control self assessment programme.

– The Group's centralized operational loss event database

– The Group's business continuity management policies.

– Risk mitigation programmes, inclusive of insurance policies to transfer the risk of high severity losses, where feasible and appropriate.

Business Continuity Plan

Scotia Investments' Business Continuity Plan (BCP) details the responses to be undertaken in specified scenarios or events and indicates the levels of the resources required to ensure the continuity of key business functions in the event of disruptions. The BCP has been designed to ensure that the business is able to recover from disasters, and other disruptions, in the shortest time possible with as little disruption to our operations and by extension to our clients, therefore mitigating the risk of related losses.

The BCP is formulated to accommodate individual sub-plans for branches and critical business units and is aligned with the larger Scotiabank Group business continuity plan. The BCP is also stored centrally in a web-based repository and is supported directly by a dedicated team located in the Group's Toronto offices which facilitates plan distribution, sharing and updating. A cross functional Local Incident Management Team is responsible for monitoring the effective execution and overall management of the BCP at the point of business disruption.

Reputational Risk

Reputational risk is the risk that negative publicity regarding the Firm's conduct or business practices, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.

Reputational risk is managed and controlled throughout the Scotiabank Group by codes of conduct, governance practices and risk management programmes, policies, procedures and training. All Directors, officers and employees have a responsibility to conduct their activities in accordance with the Scotiabank Guidelines for Business Conduct, and in a manner that minimizes reputational risk. The activities of the Legal Department, Corporate Secretary, Marketing, Public & Corporate Affairs and Compliance departments are particularly oriented to the management of reputational risk. The Group has an established, Board-approved reputational risk policy, as well as policies and procedures for managing reputational and legal risk related to structured finance transactions.

A broad array of factors are considered when assessing transactions deemed to be susceptible to Reputational risk, so that the Group meets, and continues to be seen as meeting, high ethical standards. These factors include: the extent, and outcome of legal and regulatory due diligence pertinent to the transaction; the economic intent of the transaction; the effect of the transaction on the transparency of a customer's financial reporting; the need for customer or public disclosure; conflicts of interest; fairness issues; and public perception.

Shareholdings as at 31 October, 2011

10 Largest Shareholders as at 31 October 2011

Shareholder	No. of Units	Percentage
Scotia Group Jamaica Limited	325,891,065	77.01
Sagicor PIF Equity Fund	14,668,183	3.47
Mayberry West Indies Limited	8,593,484	2.03
Trading A/C - National Insurance Fund	7,021,597	1.66
Trading A/c-Long Term Securities Fund	2,162,567	0.51
JPS Employees Superannuation Fund	2,149,200	0.51
Gerald W. Purdy	1,958,688	0.46
Trustees DBG Employee Share Ownership Plan	1,704,972	0.40
Guardian Life Limited	1,682,166	0.40
JCSD Trustee Services Ltd. A/C #76579-02	1,439,006	0.34
TOTAL	**367,270,928**	**86.79**

Shareholdings of Senior Management & Connected Parties as at 31 October 2011

Senior Managers	No. of Units
Anthony, Monique	Nil
Frazer, Brian	Nil
Morris, Jason	Nil
Fletcher, Christopher/Morris, Jason/Fletcher, Nereson	1,003
Mitchell, Lissant	Nil
Mitchell, Lissant/Mitchell, Matthew Craig	2,000
Mitchell, Lissant/Mitchell, Elmay M	2,000
Schnoor, Anya	1,000
Stokes, Adrian	Nil
Reid-Boothe, Vanessa	Nil
Reynolds, Adrian	Nil
Tinker, Andrea	981
McKenzie, Karl	Nil
Pandohie, Yvonne	Nil

Shareholdings of Directors & Connected Parties as at 31 October 2011

Directors	No. of Units	Connected Parties	No. of Units
Bruce Bowen	7,590		
Barbara Alexander	Nil	Before and After Limited Terrann Limited	Nil Nil
Anthony Chang	Nil	Jamaica Macaroni Factory Limited Consolidated Bakeries (Ja) Limited Mossel Jamaica Limited t/a Digicel T. Geddes Grant Limited General Accident Insurance Co. Ja. Limited	Nil Nil Nil Nil Nil
Philip Martin	100	Sandra Martin Wendy Martin Anna Kaye Martin Kathryn Greaux Marco Miret Sports Max Armour Metal Fencing Limited Keish Limited in USA Foreign Options Limited Southern Tools Limited Caribbean Fencing Limited IMC International Media Content Limited - St. Lucia Global Media Content Limited – Cayman	Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil
Angela Fowler	Nil		
Anna Law	1,000		
Stephen Vasciannie	37,983		
Anya Schnoor	1,000		
John Anthony Woodward	Nil		
Daniel Wright	Nil		
Julie Thompson-James (Company Secretary)	Nil		
Trustees DBG Employee Share Ownership Plan	1,704,972		

Shareholding Mix as at 31 October 2011

SHAREHOLDINGS	NUMBER OF SHARE-HOLDERS	TOTAL SHARES HELD	HOLDING %
Up to 500	475	133,659	0.03
501 to 2,000	818	1,044,380	0.25
2,001 to 5,000	577	2,046,309	0.48
5001 to 10,000	325	2,546,959	0.60
10,001 to 50,000	421	10,009,010	2.37
50,001 to 100,000	90	6,764,672	1.60
100,001 to 250,000	70	11,522,158	2.72
250,001 to 500,000	22	8,773,724	2.07
Over 500,000	30	380,353,894	89.88
TOTAL	**2,828**	**423,194,765**	**100.00**

Ordinary Shareholders
as at 31 October 2011

CATEGORY	NUMBER OF SHARE-HOLDERS	NUMBER OF UNITS
Insurance Companies	14	8,721,877
Pension Funds	27	7,401,071
Individual	2,633	32,001,935
Other	154	375,069,882
TOTAL	**2,828**	**423,194,765**

Scotia Investments
Annual Report 2011

Guide to Investment Terms

Investing...
Get them started young!

A

Accrued interest – The interest due on a bond since the last interest payment was made. The buyer of the bond pays the market price plus accrued interest.

Amortization – The repayment of a loan by installments.

Annual report – The formal financial statement issued yearly by a corporation. The annual report shows assets, liabilities, revenues, expenses and earnings - how the company stood at the close of the business year, how it fared profit-wise during the year, as well as other information of interest to shareowners.

Assets – Everything a corporation owns or that is due to it: cash, investments, money due it, materials and inventories, which are called current assets; buildings and machinery, which are known as fixed assets; and patents and goodwill, called intangible assets.

Auditor's report – Often called the accountant's opinion, it is the statement of the accounting firm's work and its opinion of the corporation's financial statements, especially if they conform to the normal and generally accepted practices of accountancy.

B

Balance sheet – A condensed financial statement showing the nature and amount of a company's assets, liabilities and capital on a given date. In dollar amounts, the balance sheet shows what the company owned, what it owed and the ownership interest in the company of its stockholders.

Basis point – One gradation on a 100-point scale representing 1%; used especially in expressing variations in the yields of bonds.

Bear – Someone who believes the market will decline.

Bear market – A declining market.

Bid and Ask – Often referred to as a quotation or quote. The bid is the highest price anyone wants to pay for a security at a given time; the asked is the lowest price anyone will sell for at the same time.

Blue chip – A company known nationally for the quality and wide acceptance of its products or services, and for its ability to make money and pay dividends.

Bond – A bond is evidence of a debt on which an issuing company usually promises to pay the bondholders a specified amount of interest for a specified length of time, and to repay the loan on the expiration date.

Book value – Book value of a company is determined from a company's records, by adding all assets then deducting all debts and other liabilities, plus the liquidation price of any preferred issues.

Broker – An agent who handles the public's orders to buy and sell securities, commodities or other property.

Bull – One who believes the market will rise.

Bull market – An advancing market.

C

Callable Bond – A bond issue, all or part of which may be redeemed by the issuing corporation under specified conditions before maturity.

Capital gain/loss – Profit or loss from the sale of a capital asset.

Cash flow – Reported net income of a corporation plus amounts charged off for depreciation, depletion, amortization, and extraordinary charges to reserves, which are bookkeeping deductions and not paid out in actual dollars and cents.

Collateral – Securities or other property pledged by a borrower to secure repayment of a loan.

Commercial paper – Short-term unsecured promissory notes issued by a corporation.

Commission – The broker's basic fee for purchasing or selling securities as an agent.

Common stock – Securities that represent an ownership interest in a corporation and entitle holders to vote. Common stockholders assume the greater risk, but generally exercise the greater control and may gain the greater award in the form of dividends and capital appreciation.

Conglomerate – A corporation that has diversified its operations usually by acquiring enterprises in widely varied industries.

Cumulative preferred stock – A stock having a provision that if one or more dividends are omitted, the omitted dividends must be paid before dividends may be paid on the company's common stock.

Current assets – Those assets of a company that are reasonably expected to be realized in cash, sold or consumed during one year.

Current liabilities – Money owed and payable by a company, usually within one year.

D

Dealer – An individual or firm in the securities business who buys and sells stocks and bonds as a principal rather than as an agent.

Depreciation – Normally, charges against earnings to write off the cost, less salvage value, of an asset over its estimated useful life. It is a bookkeeping entry and does not represent any cash outlay nor are any funds earmarked for the purpose.

Director – Person elected by shareholders to serve on the board of directors.

Discount – The amount by which a preferred stock or bond may sell below its par value.

Discretionary account – An account in which the customer gives the broker or someone else discretion to buy and sell securities or commodities, including selection, timing, amount, and price to be paid or received.

Diversification – Dividing investment funds among a variety of securities with different risk, reward, and correlation statistics so as to minimize risk.

Dividend – A portion of a company's profit paid to common and preferred shareholders.

E

Ex-dividend – A synonym for "without dividend." The buyer of a stock selling ex-dividend does not receive the recently declared dividend.

F

Face value – The value of a bond that appears on the face of the bond, unless the value is otherwise specified by the issuing company. Face value is ordinarily the amount the issuing company promises to pay at maturity.

Fiscal year – A corporation's accounting year.

Fundamental research – Analysis of industries and companies based on such factors as sales, assets, earnings, products or services, markets and management. As applied to the economy, fundamental research includes consideration of gross national product, interest rates, unemployment, inventories, savings, etc.

G

Growth stock – Stock of a company with a record of growth in earnings at a relatively rapid rate.

H

Holding company – A corporation that owns the securities of another, in most cases with voting control.

Hypothecation – The pledging of securities as collateral - for example, to secure the debit balance in a margin account.

I

Indenture – A written agreement under which bonds and debentures are issued, setting forth maturity date, interest rate and other terms.

Interest – Payments borrowers pay lenders for the use of their money.

Investment – The use of money for the purpose of making more money, to gain income, increase capital, or both.

Investment banker – The middleman between the corporation issuing new securities and the public.

Issue – Any of a company's securities, or the act of distributing such securities.

J

JSE – Jamaica Stock Exchange.

K

L

Leverage – The use of debt financing.

Liabilities – All the claims against a corporation. Liabilities include accounts, wages and salaries payable; dividends declared payable; accrued taxes payable; and fixed or long-term liabilities, such as mortgage bonds, debentures and bank loans.

Limit order – An order to buy or sell a stated amount of a security at a specified price, or at a better price, if obtainable after the order is represented in the trading crowd.

Liquidity – The ability of the market in a particular security to absorb a reasonable amount of buying or selling at reasonable price changes.

Listed stock – The stock of a company that is traded on a securities exchange.

Long – Signifies ownership interest of securities.

Guide to Investment Terms

M

Margin – The amount paid by the customer when using a broker's credit to buy or sell a security.

Margin call – A demand upon a customer to put up money or securities with the broker. The call is made when a purchase is made; also if a customer's account declines below a minimum standard set by the exchange or by the firm.

Market order – An order to buy or sell a stated amount of a security at the most advantageous price obtainable after the order is represented in the trading crowd.

Market price – The last reported price at which the stock or bond sold, or the current quote.

Maturity – The date on which a loan or bond comes due and is to be paid off.

Merger – Combination of two or more corporations.

Money market fund – A mutual fund that invests only in short-term securities, such as banker's acceptances, commercial paper, repurchase agreements, and government bills.

N

Net asset value – An investment company computes its assets by totaling the market value of all securities owned. All liabilities are deducted, and the balance is divided by the number of shares outstanding. The resulting figure is the net asset value per share.

O

Offer – The price at which a person is willing to sell.

Overbought – An opinion as to price levels. May refer to a security that has had a sharp rise or to the market as a whole after a period of vigorous buying which, it may be argued, has left prices "too high."

Oversold – The reverse of overbought. A single security or a market which, it is believed has declined to an unreasonable level.

P

Paper profit/loss – An unrealized profit or loss on a security still held. Paper profits and losses become realized only when the security is sold.

Portfolio – Holdings of securities by an individual or institution. A portfolio may contain bonds, preferred stocks, common stocks and other securities.

Preferred stock – A class of stock with a claim on the company's earnings before payment may be made on the common stock and usually entitled to priority over common stock if the company liquidates. Usually entitled to dividends at a specified rate - when declared by the board of directors and before payment of a dividend on the common stock - depending upon the terms of the issue.

Premium – The amount by which a bond or preferred stock may sell above its par value. May refer, also, to redemption price of a bond or preferred stock if it is higher than face value.

Price-to-earnings ratio – A popular way to compare stocks selling at various price levels. The P/E ratio is the price of a share of stock divided by earnings per share for a 12-month period.

Profit-taking – Selling stock that has appreciated in value since purchase, in order to realize the profit. The term is often used to explain a downturn in the market following a period of rising prices.

Prospectus – The official selling circular that must be given to purchasers of new securities registered with the FSC.

Q

Quote – The highest bid to buy and the lowest offer to sell a security in a given market at a given time.

R

Rally – A brisk rise following a decline in the general price level of the market, or in an individual stock.

Real Estate Investment Trust (REIT) – An organization similar to an investment company in some respects but concentrating its holdings in real estate investments. The yield is generally liberal since REITs are required to distribute as much as 90% of their income.

Record date – The date on which you must be registered as a shareholder of a company in order to receive a declared dividend or, among other things, to vote on company affairs.

Redemption price – The price at which a bond may be redeemed before maturity, at the option of the issuing company. Redemption value also applies to the price the company must pay to call in certain types of preferred stock.

Registrar – Usually a trust company or bank charged with the responsibility of keeping record of the owners of a corporation's securities and preventing the issuance of more than the authorized amount.

Rights Issue – Issuance to shareholders that allows them to purchase additional shares, usually at a discount to market price

S

Settlement – Conclusion of a securities transaction when a customer pays a broker/dealer for securities purchased or delivers securities sold and receives from the broker the proceeds of a sale.

Short sale – A transaction by a person who believes a security will decline and sells it, though the person does not own any.

Sinking fund – Money regularly set aside by a company to redeem its bonds, debentures or preferred stock from time to time as specified in the indenture or charter.

Stock Split – The division of the outstanding shares of a corporation into a larger number of shares.

Stock exchange – An organized marketplace for securities featured by the centralization of supply and demand for the transaction of orders by member brokers for institutional and individual investors.

Stock dividend – A dividend paid in securities rather than in cash.

Stop order – An order to buy or sell at a price above or sell at a price below the current market. Stop buy orders are generally used to limit loss or protect unrealized profits on a short sale.

T

Tender offer – A public offer to buy shares from existing stockholders of one public corporation by another public corporation under specified terms good for a certain time period.

Ticker – A telegraphic system that continuously provides the last sale prices and volume of securities transactions on exchanges. Information is either printed or displayed on a moving tape after each trade.

Trader – an employee of a broker/dealer or financial institution who specializes in handling purchases and sales of securities for the firm and/or its clients.

U

Undervalued - A stock price perceived to be too low or cheap, as indicated by a particular valuation model.

V

Volume – The number of shares or contracts traded in a security or an entire market during a given period.

W

Warrant – A derivative security that gives the holder the right to purchase securities (usually equity) from the issuer at a specific price within a certain time frame. Warrants are often included in a new debt issue as a "sweetener" to entice investors..

X

Y

Yield – The dividends or interest paid by a company expressed as a percentage of the current price.

Yield to maturity – The yield of a bond to maturity takes into account the price discount from or premium over the face amount.

Z

Zero coupon bond – A bond that pays no interest but is priced, at issue, at a discount from its redemption price.

Financial Statements

Contents

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INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA INVESTMENTS JAMAICA LIMITED
(Formerly Scotia DBG Investments Limited)

Report on the Financial Statements

We have audited the financial statements of Scotia Investments Jamaica Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 82 to 161, which comprise the group's and company's statements of financial position as at October 31, 2011, the group's and company's statements revenue and expenses, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2011, 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.

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 and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

November 28, 2011

Consolidated Statement of Revenue and Expenses

Year ended 31 October 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2011	2010
Net interest income and other revenue			
Interest from loans and deposits with banks		578,041	1,707,778
Interest from securities		4,884,881	5,635,212
Total interest income	6	5,462,922	7,342,990
Interest expense	6	(2,646,456)	(4,237,147)
Net interest income		2,816,466	3,105,843
Impairment losses on loans and leases	22	(33,868)	(47,153)
Net interest income after impairment losses on loans and leases		2,850,334	3,058,690
Fee and commission income	7	638,898	406,461
Net foreign exchange trading income	8	81,343	136,074
Net gains on financial instruments at fair value		83,448	9,458
Net gains on financial instruments held for trading		30,100	11,094
Net gains on securities trading		215,446	115,609
Other revenue	9	15,814	22,376
		1,065,049	701,072
		3,915,383	3,759,762
Expenses			
Salaries, pension contributions and other staff benefits	10	720,073	718,524
Property expenses, including depreciation		132,353	154,928
Amortisation of intangible assets	28	2,696	12,914
Other operating expenses		405,324	342,030
	11	1,260,446	1,228,396
Loss on disposal of subsidiary	12(c)	(7,761)	(86,810)
Profit before taxation	13	2,647,176	2,444,556
Taxation	14	(662,084)	(957,208)
Profit for the year	15	1,985,092	1,487,348
EARNINGS PER STOCK UNIT (expressed in $ per share)	16	4.69	3.51

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

Consolidated Statement of Comprehensive Income

Year ended 31 October 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2011	2010
Profit for the year	15	1,985,092	1,487,348
Other comprehensive income:			
Unrealised gains on available-for-sale securities		137,714	424,650
Realised losses on available-for-sale securities		(42,155)	(107,077)
Other comprehensive income before tax		95,559	317,573
Taxation on other comprehensive income	29(a)	(52,610)	(105,847)
Other comprehensive income after taxation		42,949	211,726
Total comprehensive income for the year attributable to stockholders of the company		2,028,041	1,699,074

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

Consolidated Statement of Financial Position

October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2011	2010
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call at, Bank of Jamaica	17	539,295	2,861,766
Government and bank notes other than Jamaica	17	19,382	18,986
Amounts due from other financial institutions	17	320,855	353,236
Accounts with parent and fellow subsidiaries	17,18	2,284,757	665,061
		3,164,289	3,899,049
Financial assets at fair value through profit or loss	19	356,168	127,895
Pledged assets	20	66,365,262	64,889,175
Loans, after allowance for impairment losses	21	426,490	411,796
Investment securities			
Available-for-sale	25	153,954	112,292
Other assets			
Customers' liabilities under guarantees		1,522,497	940,667
Withholding tax recoverable, net		655,985	393,747
Sundry assets	26	103,402	50,087
Property, plant and equipment	27	39,887	52,371
Intangible assets	28	53,966	29,637
Deferred tax assets	29	12,101	12,101
		2,387,838	1,478,610
Assets classified as held for sale	30	-	56,076
		72,854,001	70,974,893

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

Consolidated Statement of Financial Position (Continued)

October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2011	2010
LIABILITIES			
Capital management fund and government securities fund	31	14,241,114	15,156,808
Other liabilities			
Promissory notes	32	2,436	7,980
Guarantees issued		1,522,497	940,667
Securities sold under repurchase agreements	20	46,211,465	45,025,585
Other liabilities	33	187,465	272,492
Taxation payable		53,972	513,559
Deferred tax liabilities	29(b)	292,654	178,805
Assets held in trust on behalf of ESOP participants	39	47,143	37,371
		48,317,632	46,976,459
Liabilities classified as held for sale	30	-	6,109
STOCKHOLDERS' EQUITY			
Share capital	34	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	36	103,364	60,415
Capital reserve	38	22,075	22,075
Reserves for own shares-ESOP	39	(54,137)	(44,451)
Unappropriated profits		8,312,050	6,885,575
		10,295,255	8,835,517
		72,854,001	70,974,893

The financial statements on pages 82 to 161 were approved for issue by the Board of Directors on November 28, 2011 and signed on its behalf by:

Director
Professor Stephen Vasciannie

Director
Bruce Bowen

Director
Anthony Chang

Secretary
Julie Thompson-James

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

Consolidated Statement of Changes in Stockholders' Equity

Year ended October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	Share capital	Reserve fund [note 35(a)]	Retained earnings reserve [note 35(b)]	Cumulative remeasurement results from available-for-sale financial assets	Loan loss reserve [note 37]	Capital reserve	Reserve for own shares	Un-appropriated profits	Total
Balances at October 31, 2009		1,911,903	117,038	477,235	(151,311)	21,967	22,075	(52,518)	5,340,603	7,686,992
Total comprehensive income for the year:										
Profit for the year	15	-	-	-	-	-	-	-	1,487,348	1,487,348
Other comprehensive income:										
Unrealised gains on available-for-sale securities, net of taxes	36	-	-	-	240,003	-	-	-	-	240,003
Transfer of revaluation losses on financial instruments reclassified to loans and receivables	23	-	-	-	43,111	-	-	-	-	43,111
Realised gains on available-for-sale securities, transferred to statement of revenue and expenses		-	-	-	(71,388)	-	-	-	-	(71,388)
Total comprehensive income for the year		-	-	-	211,726	-	-	-	1,487,348	1,699,074
Other equity transactions:										
Released on disposal of subsidiary		-	-	-	-	(21,967)	-	-	21,967	-
Released on disposal of subsidiary	35(a)	-	(117,038)	-	-	-	-	-	117,038	-
Released on disposal of subsidiary	35(b)	-	-	(477,235)	-	-	-	-	477,235	-
Dividends	43	-	-	-	-	-	-	-	(558,616)	(558,616)
Own shares sold by ESOP	39	-	-	-	-	-	-	8,067	-	8,067
Balances at October 31, 2010		1,911,903	-	-	103,364	-	22,075	(54,137)	8,312,050	10,295,255

Consolidated Statement of Changes in Stockholders' Equity

Year ended October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	Share capital	Cumulative remeasurement results from available-for-sale financial assets	Capital reserve	Reserve for own shares	Un-appropriated profits	Total
Balances at October 31, 2010		1,911,903	60,415	22,075	(44,451)	6,885,575	8,835,517
Total comprehensive income for the year:							
Profit for the year	15	-	-	-	-	1,985,092	1,985,092
Other comprehensive income:							
Unrealised gains on available-for-sale securities, net of taxes	36	-	27,328	-	-	-	27,328
Transfer of revaluation losses on financial instruments reclassified to loans and receivables	23	-	43,726	-	-	-	43,726
Realised gains on available-for-sale securities, transferred to statement of revenue and expenses		-	(28,105)	-	-	-	(28,105)
Total comprehensive income for the year		-	42,949	-	-	1,985,092	2,028,041
Other equity transactions:							
Dividends	43	-	-	-	-	(558,617)	(558,617)
Own shares sold by ESOP	39	-	-	-	(9,686)	-	(9,686)
Balances at October 31, 2011		1,911,903	103,364	22,075	(54,137)	8,312,050	10,295,255

Consolidated Statement of Cash Flows
Year ended 31 October 2011
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2011	2010
Cash flows from operating activities			
Profit for the year		1,985,092	1,487,348
Items not affecting cash:			
Interest income	6	(5,462,922)	(7,342,990)
Interest expense	6	2,646,456	4,237,147
Impairment loss on loans and investments		(33,868)	47,154
Depreciation	27	18,742	27,495
Amortisation of intangible assets	28	2,696	12,914
Income tax charge	14	600,845	822,758
Gain on disposal of property, plant and equipment		(1,006)	(144)
Loss on disposal of subsidiary	12	7,761	86,810
Deferred taxation	14, 29	61,239	134,450
		(174,965)	(487,058)
Changes in operating assets and liabilities:			
Statutory reserves at Bank of Jamaica		-	444,641
Financial assets at fair value through statement of revenue and expenses		(226,776)	(22,526)
Pledged assets		(1,475,508)	2,300,909
Loans, leases and hire purchase contract receivables		14,769	424,414
Capital management and government securities fund		(915,202)	(740,064)
Securities sold under repurchase agreements		1,307,605	(220,503)
Other assets		(632,569)	(278,031)
Deposits by the public		-	156,904
Amounts due from other financial institutions		(21,410)	146,531
Promissory notes		(5,510)	(46,041)
Withholding tax recoverable		(262,238)	30,524
Other liabilities		535,519	341,925
		(1,856,285)	2,051,625
Interest received		5,495,025	8,979,516
Interest paid		(1,060,276)	(702,213)
Income tax paid		(2,768,708)	(5,304,967)
Net cash (used)/provided by operating activities		(190,244)	5,023,961

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

Consolidated Statement of Cash Flows (Continued)
Year ended 31 October 2011
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2011	2010
Net cash (used)/provided by operating activities (page 88)		(190,244)	5,023,961
Cash flows from investing activities			
Investment securities		52,861	48,050
Disposal of subsidiary	12	8,173	(11,634)
Shares acquired for ESOP		(9,686)	8,067
Proceeds from disposal of property, plant and equipment		1,360	945
Purchase of property, plant and equipment	27	(6,612)	(4,341)
Purchase of intangible assets	28	(27,025)	(501)
Net cash provided by investing activities		19,071	40,586
Cash flows from operating and investing activity		(171,173)	5,064,547
Cash flows from financing activity			
Dividends	43	(558,617)	(558,616)
Effect of exchange rate changes on cash and cash equivalents		21,410	(146,530)
Net (decrease)/increase in cash and cash equivalents		(708,380)	4,359,401
Cash and cash equivalents at beginning of year		7,206,075	2,846,674
Cash and cash equivalent at end of year	17	6,497,695	7,206,075

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

Company Statement of Revenue and Expenses

Year ended 31 October 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2011	2010
Net interest income and other revenue			
Interest from loans and deposits with banks		565,019	1,538,489
Interest from securities		4,884,881	5,595,044
Total interest income	6	5,449,900	7,133,533
Interest expense	6	(2,646,213)	(4,198,705)
Net interest income		2,803,687	2,934,828
Impairment adjustments on loans and leases	22	33,668	(41,705)
Net interest income after impairment adjustments on loans and leases		2,837,355	2,893,123
Fee and commission income	7	298,172	220,258
Net foreign exchange trading income	8	80,872	137,659
Other revenue	9	117,367	102,696
Net gains on financial instruments held for trading		10,015	109
Net gains on securities trading		215,446	115,609
Net gains/(losses) on financial instruments at fair value		83,448	(41,370)
		805,320	534,961
		3,642,675	3,428,084
Expenses			
Salaries, pension contributions and other staff benefits	10	713,192	676,940
Property expenses, including depreciation		135,995	148,473
Amortisation of intangible assets	28	2,250	11,373
Other operating expenses		333,060	240,784
	11	1,184,497	1,077,570
Gain on disposal of subsidiary	12(c)	13,994	614,950
Profit before taxation	13	2,472,172	2,965,464
Taxation	14	(580,702)	(911,070)
Profit for the year	15	1,891,470	2,054,394

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

Company Statement of Comprehensive Income

Year ended 31 October 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2011	2010
Profit for the year	15	1,891,470	2,054,394
Other comprehensive income:			
Unrealised gains on available-for-sale securities		137,714	363,905
Realised losses on available-for-sale securities		(42,155)	(40,320)
Other comprehensive income before tax		95,559	323,585
Taxation on other comprehensive income	29(a)	(52,610)	(107,851)
Other comprehensive income after taxation		42,949	215,734
Total comprehensive income for the year attributable to stockholders of the company		1,934,419	2,270,128

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

Company Statement of Financial Position

October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2011	2010
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call, at Bank of Jamaica	17	539,295	2,861,766
Government and bank notes other than Jamaica	17	19,382	18,986
Amounts due from other financial institutions	17	317,774	349,544
Accounts with parent and fellow subsidiaries	17, 18	2,244,751	732,257
		3,121,202	3,962,553
Financial assets at fair value through profit or loss	19	218,217	10,029
Pledged assets	20	66,365,262	64,889,175
Loans, after allowance for impairment losses	21	426,490	411,796
Investment securities			
Available-for-sale	25	153,954	112,292
Investment in subsidiaries		2,026,312	2,026,224
Other assets			
Customers' liabilities under guarantees		1,522,497	940,667
Taxation recoverable		653,609	391,867
Sundry assets	26	69,468	30,533
Property, plant and equipment	27	20,130	25,920
Intangible assets	28	27,853	3,078
		2,293,557	1,392,065
		74,604,994	72,804,134

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

Company Statement of Financial Position (Continued)

October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2011	2010
LIABILITIES			
Capital management and government securities fund	31	14,241,242	15,156,851
Other liabilities			
Amounts due to subsidiaries		2,191,428	2,212,100
Promissory notes	32	2,436	7,980
Guarantees issued		1,522,497	940,667
Securities sold under repurchase agreements	20	46,220,984	45,034,629
Other liabilities	33	144,013	182,302
Taxation payable		-	476,893
Deferred tax liabilities	29(a)	292,516	178,636
		50,373,874	49,033,207
STOCKHOLDERS' EQUITY			
Share capital	34	1,911,903	1,911,903
Cumulative re-measurement result from available-for-sale financial assets	36	103,364	60,415
Capital reserve	38	24,615	24,615
Unappropriated profits		7,949,996	6,617,143
		9,989,878	8,614,076
		74,604,994	72,804,134

The financial statements on pages 82 to 161 were approved for issue by the Board of Directors on November 28, 2011 and signed on its behalf by:

Director
Professor Stephen Vasciannie

Director
Bruce Bowen

Director
Anthony Chang

Secretary
Julie Thompson-James

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

Company Statement of Changes in Stockholders' Equity

Year ended October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	Share capital	Cumulative remeasurement results from available-for-sale financial assets	Capital reserve	Unappropriated profits	Total
Balances at October 31, 2009		1,911,903	(155,319)	24,615	5,121,365	6,902,564
Total comprehensive income for the year:						
Profit for the year	15	-	-	-	2,054,394	2,054,394
Other comprehensive income:						
Unrealised gains on available-for-sale securities, net of tax	36	-	199,505	-	-	199,505
Transfer of revaluation losses on financial instruments reclassified to loans and receivables	23	-	43,111	-	-	43,111
Realised gains on available-for-sale-securities transferred to statement of revenue & expenses		-	(26,882)	-	-	(26,882)
Total comprehensive income for the year		-	215,734	-	2,054,394	2,270,128
Other equity transactions:						
Dividends paid	43	-	-	-	(558,616)	(558,616)
Balances at October 31, 2010		1,911,903	60,415	24,615	6,617,143	8,614,076
Total comprehensive income for the year:						
Profit for the year	15	-	-	-	1,891,470	1,891,470
Other comprehensive income:						
Unrealised gains on available-for-sale securities, net of tax	36	-	27,328	-	-	27,328
Transfer of revaluation losses on financial instruments reclassified to loans and receivables	23	-	43,726	-	-	43,726
Realised gains on available-for-sale-securities transferred to statement of revenue & expenses		-	(28,105)	-	-	(28,105)
Total comprehensive income for the year		-	42,949	-	1,891,470	1,934,419
Other equity transactions:						
Dividends paid	43	-	-	-	(558,617)	(558,617)
Balances at October 31, 2011		1,911,903	103,364	24,615	7,949,996	9,989,878

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

Company Statement of Cash Flows

Year ended 31 October 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2011	2010
Cash flows from operating activities			
Profit for the year		1,891,470	2,054,394
Items not affecting cash:			
Interest income	6	(5,449,900)	(7,133,533)
Interest expense	6	2,646,213	4,198,705
Depreciation	27	12,048	15,728
Amortisation of intangible asset	28	2,250	11,373
Gain on disposal of property, plant and equipment		(1,006)	(698)
Gain on disposal of subsidiary	12	(13,994)	(614,950)
Income tax charge	14	519,432	751,528
Impairment adjustments on loans		(33,668)	41,705
Deferred taxation	14, 29	61,270	159,542
		(365,885)	(516,206)
Changes in operating assets and liabilities:			
Amounts due from other banks		(21,354)	136,278
Financial assets at fair value through profit or loss		(206,691)	(8,331)
Pledged assets		(1,475,508)	3,285,386
Loans and leases		18,626	52,460
Taxation recoverable		(244,050)	20,712
Other assets		(620,764)	(278,808)
Capital management and government securities fund		(915,116)	(740,145)
Amounts due to subsidiaries		(20,672)	131,326
Promissory notes		(5,510)	(11,109)
Securities sold under repurchase agreements		1,308,106	(1,241,564)
Other liabilities		539,535	263,681
		(2,009,283)	1,093,680
Interest received		5,476,314	8,745,301
Income tax paid		(1,014,016)	(634,407)
Interest paid		(2,768,492)	(5,252,952)
Net cash (used)/provided by operating activities		(315,477)	3,951,622

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

Company Statement of Cash Flows (Continued)

Year ended 31 October 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2011	2010
Net cash (used)/provided by operating activities (page 95)		(315,477)	3,951,622
Cash flows from investing activities			
Investment securities		52,845	228,141
Investment in subsidiaries		(90)	17,054
Proceeds from disposal of subsidiary	12	18,000	879,000
Proceeds from sale of property, plant and equipment		1,360	766
Purchase of property, plant and equipment	27	(6,612)	(4,341)
Purchase of intangible assets	28	(27,025)	(501)
Net cash flow provided by investing activities		38,478	1,120,119
Cash flows from operating and investing activities		(276,999)	5,071,741
Cash flows from financing activity			
Dividends paid	43	(558,617)	(558,616)
Effect of exchange rate changes on cash and cash equivalents		21,354	(136,279)
Net (decrease)/increase in cash and cash equivalents		(814,262)	4,376,846
Cash and cash equivalents at beginning of year		7,268,870	2,892,024
Cash and cash equivalent at end of year	17	6,454,608	7,268,870

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

Notes to the Financial Statements

Year ended 31 October 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence

Scotia Investments Jamaica 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 is a licensed securities dealer, a member of the Jamaica Stock Exchange and has primary dealer status from the Bank of Jamaica. The principal activities of the Company comprise investment advisory and brokerage services, portfolio management, fund management, investment management services for pension plans and operating foreign exchange cambios.

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 Asset Management Jamaica Limited (formerly Scotia DBG Fund Managers Limited) [note 49]	Unit trust and fund management services	100%	Jamaica
Billy Craig Investments Limited	Non-trading	100%	Jamaica
Scotia Jamaica Investment Limited	Non-trading	100%	Jamaica
Interlink Investments Limited	Non-trading	100%	Grand Cayman
DB&G Corporate Services Limited	Administration and management services	100%	Jamaica
Scotia Asset Management St. Lucia Limited (formerly Scotia DBG Fund Managers Inc).	Fund management	100%	St. Lucia

Asset Management Company Limited which was a wholly-owned subsidiary in the previous year was sold during the year (see note 12).

The shares in Interlink Investments Limited may be redeemed by that entity 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, that subsidiary had a working capital deficit of 32,584 (2010: 25,580). This is stated after taking account of a liability of 61,696 (2010: 61,362) due to the Company.

Notes to the Financial Statements
Year ended 31 October 2011
(Expressed in thousands of Jamaican dollars unless otherwise stated)

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.

(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) as issued by the International Accounting Standards Board, the Jamaican Companies Act and the Financial Institutions Act.

Standards, amendments and interpretations that became effective during the year:

Certain new IFRS and interpretations of, and amendments to, existing standards which were in issue and were relevant to the group, came into effect for the current financial year. The adoption of those standards and amendments did not result in any change in accounting policies and did not have any effect on the Group's financial statements.

Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Group:

At the date of authorisation of these financial statements the following relevant standards and amendments to existing standards have been published but were not yet effective and the Group has not early adopted.

- IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* has been amended to require an entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit of loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income. However, an entity is still allowed to use other titles.

  The amendment is effective July 1, 2012. The group is assessing the impact that the standard will have in its 2013 financial statements.

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

- IFRS 7 *Financial Instruments: Disclosures* – The standard is amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial statements. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed. The amendment is effective for accounting periods beginning on or after January 1, 2011. The Group is assessing the impact of the amendment on the 2012 financial statements.

Notes to the Financial Statements
Year ended 31 October 2011
(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Statement of compliance and basis of preparation (continued):

(i) Statement of compliance (continued)

New Standards and interpretations of and amendments to existing standards that are not yet effective (continued):

- IAS 1 *Presentation of Financial Statements* – IAS 1 is amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognised in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners. The amendment is effective for accounting periods beginning on or after January 1, 2011. The Group is assessing the impact of the amendment on the 2012 financial statements.

- IFRS 9, *Financial Instruments (2010)*. The revised IFRS supersedes the previous version of IFRS 9 issued in 2009 and is effective for accounting periods beginning on or after January 1, 2013. The standard retains but simplifies the mixed measurement model and establishes two primary categories for financial assets: amortised and fair value. The revised standard now includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 Financial Instruments: Recognition and Measurement on the recognition and de-recognition of financial assets and financial liabilities. The Group is assessing the impact that the standard will have on the 2014 financial statements.

- IFRS 10, *Consolidated Financial Statements*, which is effective for annual reporting periods beginning on or after 1 January 2013, introduces a new approach to determining which investees should be consolidated. It was issued as part of a suite of consolidation and related standards, also replacing existing requirements for joint ventures (now joint arrangements) and making limited amendments in relation to associates. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities, and provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. An investor controls an investee when (i) it is exposed, or has rights, to variable returns from its involvement with the investee, (ii) has the ability to affect those returns through its power over the investee and (iii) there is a link between power and returns. The Group is assessing the impact this standard will have on its 2014 financial statements.

- IFRS 11, *Joint Arrangements,* which is effective for annual reporting periods beginning on or after January 1, 2013, does two things. Firstly, it carves out from IAS 31, Jointly Controlled Entities, those cases in which, although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remaining arrangements under IAS 31, Jointly Controlled Entities, now called Joint Ventures, are stripped of the choice of using the equity method or proportionate consolidation; they are now required to use the equity method. The application of the equity method is subject to two exemptions, carried forward from IAS 28 (2008) and IAS 31. The Group is assessing the impact this standard will have on its 2014 financial statements.

- IFRS 12, *Disclosure of Interest in Other Entities,* which is effective for annual reporting periods beginning on or after from January 1, 2013, contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The disclosure requirements encompass risk exposures for the sponsor of such an entity even if it no longer has any contractual involvement. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

Notes to the Financial Statements
Year ended 31 October 2011
(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Statement of compliance and basis of preparation (continued)

(i) Statement of compliance (continued)

New Standards and interpretations of and amendments to existing standards that are not yet effective (continued):

- IFRS 12 (Continued)

  The Group is required to: understand what a structured entity is in the context of its operations; apply judgement in assessing whether it is 'involved' with a structured entity, which has the potential to broaden the transactions and relationships to which the disclosures may apply, particularly for those who sponsor, or perhaps even transact business with, but do not consolidate, structured entities; and assess the level of disclosure that it believes will be meaningful to users of the financial statements. The Group is assessing the impact that this standard will have on its 2014 financial statements.

- IFRS 13, *Fair Value Measurement*, which is effective for annual reporting periods beginning on or after January 1, 2013, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value, or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The Group is assessing the impact that this standard will have on its 2014 financial statements.

(ii) Basis of measurement

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

(iii) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. 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 Group's functional currency. Except where indicated to be otherwise, financial information presented is shown in thousands of Jamaican dollars.

(v) Comparative information

Certain reclassifications, not considered material, have been made to achieve consistency in disclosure in the financial statements

Notes to the Financial Statements
Year ended 31 October 2011
(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(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.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 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 Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. 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 Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interest. The excess of the cost of acquisition is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of revenue and expenses.

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus in deficit arising on the loss of control is recognised in profit or loss.

The Group's financial statements include the Group's share of the operations of its subsidiaries for the year ended 31 October, 2011. 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 31 October, 2011. The results of the ESOP are not material to the Group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to, and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision maker.

(d) Foreign currency translation

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

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

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of revenue and expenses.

Notes to the Financial Statements
Year ended 31 October 2011
(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

(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 is considered doubtful, or payment is outstanding for more than 90 days, Jamaican banking regulations stipulate that interest should be taken into account on the cash basis.

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. The difference between the amounts recognized under the banking regulations and such amounts as would have been determined under IFRS has been assessed as immaterial.

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

(ii) Fee and commission income

Fees 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.

Fee and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees are apportioned over the period in which 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.

(e) 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.

Notes to the Financial Statements
Year ended 31 October 2011
(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(f) Taxation

ITaxation 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 recognised directly in other comprehensive income.

(i) Current taxation

Current tax charges are based on the taxable profit for the period, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other periods, and items that are never taxable or deductible. The current tax is calculated at tax rates enacted at the financial year end.

(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.

g) Financial assets and liabilities

Financial assets comprise cash resources, investment securities, securities purchased under resale agreements, pledged assets, loans and certain other assets. Financial liabilities comprise securities sold under repurchase agreements, promissory notes, capital management and government securities funds and certain other liabilities.

(i) Recognition

The Group initially recognises loans and receivables on the date at which the Group becomes a party to the contractual provisions of the instrument i.e., 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 - the date on which the asset is delivered to or by the Group.

Notes to the Financial Statements
Year ended 31 October 2011
(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

(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 the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

(iii) Measurement

Initial measurement:

On initial recognition, financial assets and liabilities are measured at fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets:

The measurement of financial assets subsequent to initial recognition depends upon their classification as set out in note 2(h) below, namely: loans and receivables are measured at amortised cost; held-to-maturity investments are measured at amortised cost; investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably determine are measured at amortised cost.

Other financial assets are measured at their fair values without any deduction for transaction costs that may be incurred on sale or other disposal.

Subsequent measurement of financial liabilities:

After initial recognition, financial liabilities are measured at amortised cost.

Notes to the Financial Statements
Year ended 31 October 2011
(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(h) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through the profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception by management. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling in the short term or if it is a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These assets are measured at fair value and all related gains and losses are included in the statement of revenues and expenses.

(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. Loans and receivables are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and which are not designated as at fair value through profit or loss or as available-for-sale. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale and the Group would be prohibited from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments are measured at amortised cost.

(iv) Available-for-sale

Available-for-sale investments are non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale investments are measured at fair value except for any unquoted equity securities whose fair value cannot be reliably measured, which are carried at cost. Changes in fair value are recognised in other comprehensive income.

Notes to the Financial Statements

Year ended 31 October 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(i) Impairment of financial assets

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit and loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its costs is objective evidence of impairment.

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, management makes judgements as to current economic and credit conditions and their effect on default rates, loss rates and the expected timing of future recoveries, ensuring that assumptions remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in other comprehensive income to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If in a subsequent period, the fair value of an impaired available-for-sale debt security 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 is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in other comprehensive income.

Notes to the Financial Statements

Year ended 31 October 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(j) Investment in subsidiaries

Investment in subsidiaries are stated at cost less impairment losses.

(k) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase the assets at a fixed price on a future date (repurchase agreements) and securities purchased under agreements to resell the asset at a fixed price on a future date (reverse repurchase agreements) are treated as collateralised financing transactions. In the case of reverse repurchase agreements, the underlying asset is not recognised in the Group's financial statements. In the case of repurchase agreements the underlying collateral is not derecognised from the Group's statement of financial position but is segregated as pledged assets. 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 interest method.

(l) 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.

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 method. Loans are stated net of unearned income and allowance for impairment.

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 allowance 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 will be classified as impaired, if not already classified as such.

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. Whilst this differs from IFRS, which requires that interest on the impaired asset continue to be recognised through the unwinding of the discount that was applied to the estimated future cash flows, the difference is not considered material.

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

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2. Summary of significant accounting policies (continued)

(m) Guarantees

The Group's potential liability under guarantees is reported as a liability in the statement of financial position. 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.

(n) Intangible assets

(i) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the fair value of the net identifiable assets over the cost of acquisition, after reassessment, is recognised immediately in the statement of revenues and expenses. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rate on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(ii) Computer software

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs are amortised over their useful estimated lives (five years). However, such costs are expensed where they are considered to be immaterial.

(o) Leases

(i) As lessee

The leases entered into by the Group are all operating leases, where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments under operating leases are charged to the statement of revenue and expenses on the straight-line basis over the period of the lease.

Notes to the Financial Statements
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2. Summary of significant accounting policies (continued)

(o) Leases

(ii) As lessor

When assets are held subject to 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.

(p) Hire purchase financing

Finance income is recognised over the hire purchase term using the effective interest method. For this purpose, the net investment in the hire purchase receivable is defined as the minimum payments receivable, less unearned income.

(q) Property, plant and equipment

Land is stated at historical cost. All other property, plant and equipment are stated at historical cost less accumulated depreciation and, if any, impairment losses. Historical 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 each reporting date.

Property, plant and equipment are reviewed annually 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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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 or loss for the year.

Notes to the Financial Statements
Year ended 31 October 2011
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2. Summary of significant accounting policies (continued)

(r) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(s) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions and vacation leave; non-monetary benefits such as medical care; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

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. Post-employment benefits, termination benefits and equity compensation benefits are accounted for as below. Other long-term benefits are not considered material and are charged off when incurred.

(i) Pension obligations

The Company operates a defined-contribution pension scheme (see note 10), the assets of which are held separately in trustee-administered funds. The pension plan is funded by contributions from employees and the Company to the scheme, made on the basis provided for in the rules. Contributions are charged to the statement of revenue and expenses in the period to which it relates.

Notes to the Financial Statements
Year ended 31 October 2011
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2. Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

(ii) Equity compensation benefits

The Company has an Employee Share Ownership Plan (ESOP) for eligible employees. The Company provides a fixed benefit to eligible employees after one full year of service. This benefit is recorded in salaries and staff benefits expense in the statement of revenue and expenses.

The amount contributed to the ESOP trust (note 48) by the Company 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.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(u) Share capital

(i) Classification

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

(ii) Dividends

Dividends on ordinary shares are recognised in stockholder's equity in the period in which they are approved by the Board of Directors, thereby becoming irrevocably payable.

(v) Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans amd other institutions. These assets, and income arising thereon, are excluded from these financial statements, as they are not assets of the Group.

(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 financial institutions, 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.

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3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that could 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 17,143 higher or lower.

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.

(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.

(iii) Income taxes

Estimates and judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain during the ordinary course of business. In cases of such uncertainty, the Group recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(iv) Fair value investments:

In the absence of quoted market prices, the fair value of a significant proportion of the Group's financial investments was determined using a generally accepted alternative method. The method includes the use of yield on securities with similar risks and tenure at the reporting date. There is however no single accepted market yield, and therefore the resultant fair value estimates may not reflect the prices at which these instruments would trade in actual arm's length transactions.

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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 audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders.

5. Segment financial information

The Group's reportable segments are its strategic business units and are based on the Company's management and internal reporting structure. At this time there are no material reportable segments into which the Group's business may be broken down, other than as disclosed in these financial statements.

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

6. Net interest income

	The Group		The Company	
	2011	2010	2011	2010
Interest income:				
Deposit with banks and other financial institutions	308,735	1,258,015	308,110	1,227,121
Investment securities	4,828,057	5,556,824	4,828,057	5,516,655
Income on financial assets at fair value through profit or loss	32,538	31,376	32,538	31,376
Reverse repurchase agreements	24,286	47,013	24,286	47,013
Loans, leases and hire purchase contracts	269,306	446,990	256,909	311,368
Other	-	2,772	-	-
	5,462,922	7,342,990	5,449,900	7,133,533
Interest expense:				
Deposits and savings	-	85,353	-	-
Repurchase agreements	2,264,480	3,549,371	2,264,237	3,596,282
Banks and customers	381,976	602,423	381,976	602,423
	2,646,456	4,237,147	2,646,213	4,198,705
	2,816,466	3,105,843	2,803,687	2,934,828

7. Fee and commission income

	The Group		The Company	
	2011	2010	2011	2010
Asset management fees	556,410	324,133	218,372	144,063
Credit related fees	4,271	5,565	4,271	3,827
Trust fees	23,515	25,869	23,515	25,869
Stock brokerage fees	23,768	18,436	23,768	17,541
Other	30,934	32,458	28,246	28,958
	638,898	406,461	298,172	220,258

Notes to the Financial Statements
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8. Net foreign exchange trading income

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

9. Other Revenue

	The Group		The Company	
	2011	2010	2011	2010
Dividend income from subsidiary	-	-	101,369	83,098
Other	15,814	22,376	15,998	19,598
	15,814	22,376	117,367	102,696

10. Salaries, pension contributions and other staff benefits

	The Group		The Company	
	2011	2010	2011	2010
Wages and salaries	577,411	557,035	571,854	521,846
Payroll taxes	46,624	45,933	46,057	43,461
Pension contributions	21,580	21,258	21,337	19,931
Other staff benefits	74,458	94,298	73,944	91,702
	720,073	718,524	713,192	676,940

11. Expenses by nature

	The Group		The Company	
	2011	2010	2011	2010
Salaries, pension contributions and other staff benefits (note 10)	720,073	718,524	713,192	676,940
Property expenses, including depreciation	132,353	154,928	135,995	148,473
Transportation and communication	9,092	8,548	9,092	8,481
Marketing and advertising	71,399	49,908	69,400	47,197
Management and consultancy fees	95,357	51,566	55,085	13,504
Deposit insurance	-	4,175	-	-
Stationery	10,064	14,188	10,042	13,141
Amortisation	2,696	12,914	2,250	11,373
Other operating expenses	219,412	213,645	189,441	158,461
	1,260,446	1,228,396	1,184,497	1,077,570

Notes to the Financial Statements
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12. Disposal of subsidiary

On May 2, 2011, the Group completed the sale of its 100% shareholdings in Asset Management Company Limited. This subsidiary contributed profit before tax of 1,515 to the Group for the period November 1, 2010 to May 1, 2011.

In the prior year, the Group sold its 100% shareholdings in Scotia DBG Merchant Bank Limited to The Bank of Nova Scotia Limited. This subsidiary contributed profit before tax of 112,786 to Group for that year.

(a) Analysis of the assets and liabilities disposed of:

	2011	2010
Cash and cash equivalents	5,822	848,447
Statutory reserves	-	132,313
Investments	-	291,713
Government securities purchased under resale agreements	-	537,118
Loans	-	1,859,985
Hire purchase contracts receivable	46,011	-
Property, plant and equipment	-	1,494
Other assets	5,132	111,239
Deposits	-	(2,746,718)
Other liabilities	(35,209)	(139,173)
Net assets disposed of	21,756	896,418

(b) Net cash inflow on disposal of subsidiary:

	2011	2010
Proceeds from sale	18,000	879,000
Less: cash and cash equivalents in subsidiary sold	(5,822)	(848,447)
Less: transaction costs	(4,005)	(42,187)
Net cash inflow/(outflow)	8,173	(11,634)

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12. Disposal of subsidiary (continued)

(c) (Loss)/gain on disposal of subsidiary:

	The Group		The Company	
	2011	2010	2011	2010
Consideration received	18,000	879,000	18,000	879,000
Net assets disposed of	(21,756)	(896,418)	-	-
Reserves reclassified from equity on loss on control of subsidiary	-	8,405	-	-
Transaction costs	(4,005)	(42,187)	(4,005)	(42,187)
Elimination of investment in subsidiary	-	-	(1)	(221,863)
Elimination of goodwill	-	(35,610)	-	-
(Loss)/gain on disposal	(7,761)	(86,810)	13,994	614,950

13. Profit before taxation

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

	The Group		The Company	
	2011	2010	2011	2010
Auditors' remuneration				
Current year	12,103	14,848	7,630	7,088
Prior year	95	-	-	-
Depreciation	18,742	27,495	12,048	15,728
Amortisation of intangible assets	2,696	12,914	2,250	11,373
Directors' emoluments				
- fees	5,580	6,980	3,873	5,433
- other	12,347	10,547	12,347	10,547
(Gain)/loss on sale of property, plant and equipment	(1,006)	(144)	(1,006)	(698)
Operating lease rentals	68,946	81,882	68,946	78,520

14. Taxation

(a) Taxation charge

Income tax is computed on the profit for the year as adjusted for tax purposes and is analysed as follows:

	The Group		The Company	
	2011	2010	2011	2010
Current income tax:				
Income tax at 33 1/3%	600,845	822,758	519,432	751,528
Deferred income tax (note 29)	61,239	134,450	61,270	159,542
	662,084	957,208	580,702	911,070

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14. Taxation (continued)

(b) Taxation losses, subject to agreement by the Commissioner of Taxpayer Audit and Assessment, available for set-off against future taxable profits, amounted to 8,722 (2010: 8,172) for the Group.

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

	The Group		The Company	
	2011	2010	2011	2010
Profit before taxation	2,647,176	2,444,556	2,472,172	2,965,464
Tax calculated at 33 1/3%	882,392	814,852	824,057	988,488
Adjusted for the effects of:				
Income not subject to tax				
- Tax free investments	(234,670)	(212,101)	(234,670)	(189,711)
- Exempt revenue	(6,978)	(3,566)	(38,738)	(232,745)
Expenses not deductible for tax purposes	5,603	20,891	4,766	16,343
Other charges and allowances	30,052	358,102	25,287	344,980
Different tax rates of subsidiaries operating in other jurisdictions	(14,315)	(4,685)	-	-
Prior period adjustment	-	(16,285)	-	(16,285)
Taxation expense	662,084	957,208	580,702	911,070

15. Profit for the year and unappropriated profits attributable to stockholders

(a) Profit for the year is dealt with in the financial statements of group entities as follows:

	2011	2010
The company	1,891,470	2,054,394
The subsidiaries	93,622	(567,046)
	1,985,092	1,487,348

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15. Profit for the year and unappropriated profits attributable to stockholders (continued)

(b) Unappropriated profits are dealt with in the financial statements of group entities as follows:

	2011	2010
The company	7,949,996	6,617,143
The subsidiaries	362,054	268,432
	8,312,050	6,885,575

16. Earnings per stock unit

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

	2011	2010
Net profit attributable to stockholders	1,985,092	1,487,348
Weighted average number of ordinary stock units in issue ('000)	423,195	423,195
Basic earnings per stock unit (expressed in $ per share)	4.69	3.51

	Units '000	Units '000
Weighted average number of ordinary stock units:		
Issued ordinary stock units at end of year	423,195	423,195
Effect of owned shares held by ESOP during the period	(1,705)	(1,798)
Weighted average number of ordinary stock units held during the period	421,490	421,397
Earnings per ordinary shares in issue excluding ESOP holdings (expressed in $ per share)	4.71	3.53

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17. Cash and cash equivalents

	The Group		The Company	
	2011	2010	2011	2010
Cash and balances with central bank	539,295	2,861,766	539,295	2,861,766
Government and bank notes other than Jamaican	19,382	18,986	19,382	18,986
Amounts due from other financial institutions	320,855	353,236	317,774	349,544
Accounts with parent and fellow subsidiaries	2,284,757	665,061	2,244,751	732,257
Government of Jamaica treasury bills and bonds	3,336,494	3,316,189	3,336,494	3,316,189
	6,500,783	7,215,238	6,457,696	7,278,742
Less: accrued interest receivable on Bank of Jamaica Certificates of Deposit and amounts due from other financial institutions	(3,088)	(9,163)	(3,088)	(9,872)
	6,497,695	7,206,075	6,454,608	7,268,870

18. 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.

19. Financial assets at fair value through profit or loss

	The Group		The Company	
	2011	2010	2011	2010
Government of Jamaica securities	191,499	-	191,499	-
Quoted shares	25,221	10,029	25,221	10,029
Units in unit trusts	137,951	117,866	-	-
	354,671	127,895	216,720	10,029
Accrued interest	1,497	-	1,497	-
	356,168	127,895	218,217	10,029

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20. Pledged assets

Assets pledged as collateral under repurchase agreements with counterparties comprised government securities and other financial assets as described below. All repurchase agreements mature within twelve (12) months:

	The Group			
	Asset		Related Liability	
	2011	2010	2011	2010
Securities sold under repurchase agreements:				
Clients	44,151,249	44,084,433	38,691,455	40,656,658
Other financial institutions	7,954,589	5,008,995	7,520,010	4,368,927
	52,105,838	49,093,428	46,211,465	45,025,585
Capital management & government securities funds	14,259,424	15,795,747	14,241,114	15,156,808
	66,365,262	64,889,175	60,452,579	60,182,393

	The Company			
	Asset		Related Liability	
	2011	2010	2011	2010
Securities sold under repurchase agreements:				
Clients	44,151,249	44,084,433	38,691,455	40,656,658
Other financial institutions	7,954,589	5,008,995	7,529,529	4,377,971
	52,105,838	49,093,428	46,220,984	45,034,629
Capital management & government securities funds	14,259,424	15,795,747	14,241,242	15,156,851
	66,365,262	64,889,175	60,462,226	60,191,480

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20. Pledged assets (continued)

Included in pledged assets are the following categories of assets:

	The Company and Group	
	2011	2010
Fair value through profit or loss:		
Government issued securities	2,137	496,611
Loans and receivable:		
Deposits with financial institutions	1,050,261	3,258,481
Loans	136,502	94,449
Government issued securities	11,900,753	13,928,739
Held-to-maturity:		
Government issued securities	10,989,928	11,774,311
Available-for-sale:		
Government issued securities	40,626,625	34,366,996
Unitised funds	845,826	969,588
Other	813,230	-
	66,365,262	64,889,175

Included in pledged assets are the following categories of assets which are reported as cash and cash equivalent for the purpose of the Statement of Cash Flows:

	The Company and Group	
	2011	2010
Debt securities with an original maturity of less than 90 days	3,336,494	3,296,380

21. Loans, after allowance for impairment losses

Included in pledged assets are the following categories of assets:

	The Company and Group	
	2011	2010
Business and Government	714,952	723,321
Personal	64,508	53,608
Other	74	421
Total	779,534	777,350
Less: allowance for impairment losses (note 22)	(353,044)	(365,554)
	426,490	411,796

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21. Loans, after allowance for impairment losses (continued)

(a) Loans on which interest is suspended amounted to 695,854 (2010: 704,086) for the company and the group. These loans are included in the financial statements at their estimated net realisable value of 342,860 (2010: 339,507) for the company and group.

(b) Loans receivable include loans to Runaway Bay Developments Limited amounting to US7,896 and J5,015 (2010: US$7,986 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 over 30 years with a balloon payment due in 2030. 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 (2010: US$2,351) in favour of other creditors. Interest will accrue at 8% (2010: 8%) per annum but payment will be deferred together with principal based on certain stipulated conditions.

At the reporting date, provision for probable loan losses in respect of these loans amounted to US$4,018 and J$5,015 (2010: US$4,014 and J$5,015) for the company and the group.

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

	The Company and Group	
	2011	2010
Neither past due nor impaired	83,606	72,123
Impaired loans more than 90 days	695,854	704,806
Interest receivable	74	421
Gross loan portfolio	779,534	777,350
Less: allowance for impairment losses (note 22)	(353,044)	(365,554)
	426,490	411,796

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

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 demonstrated ability to maintain the scheduled payments over a prolonged period.

(ii) Renegotiated loans

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, there were no renegotiated loans.

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21. Loans, after allowance for impairment losses (continued)

(b) (continued)

(iii) Repossessed collateral

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 is sold as soon as practicable, with the proceeds used to reduce outstanding indebtedness.

22. Impairment losses on loans and leases

	The Group		The Company	
	2011	2010	2011	2010
Total non-performing loans	695,854	704,806	695,854	704,806
Provision at beginning of year	365,554	365,757	365,554	345,393
(Credited)/provided during the year	(15,678)	65,636	(16,105)	54,849
Bad debts written off	(481)	(22,683)	-	(21,662)
Foreign exchange differences on US$ provisions	3,595	(13,173)	3,595	(13,026)
Eliminated on disposal of subsidiary	54	(27,280)	-	-
Eliminated on reclassification as asset held for sale	-	(2,703)	-	-
Allowance at end of year	353,044	365,554	353,044	365,554
(Credited)/provided during the year	(15,678)	65,636	(16,105)	54,849
Recoveries of bad debts	(18,190)	(18,483)	(17,563)	(13,144)
	(33,868)	47,153	(33,668)	41,705

Allowance for impairment losses:

A loan, lease or hire purchase contract is classified as impaired if its carrying value exceeds the present value of the cash flows actual allowances in future periods-interest repayments, and proceeds of liquidation of collateral. Allowances for credit losses are made on all impaired loans, leases and hire purchase contracts. Uncollected interest not accrued in these financial statements on impaired loans, leases and hire purchase contracts, was estimated at 24,103 as at October 31, 2011 (2010: 62,008) for the company and the group.

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22. Impairment losses on loans and leases (continued)

Allowance for impairment losses: (continued)

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

	The Company and Group 2011	2010
Allowance based on accounting		
standard - IAS 39 [see (a) below]	353,044	365,554

This is the allowance based on the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*.

23. Reclassification of financial assets

On October 1, 2008, the Company reclassified certain investments that were included in pledged assets from available-for-sale to loans and receivable in accordance with paragraph 50E of IAS 39. 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 carrying and fair value of these assets as at October 31, 2011 are as follows:

	The Company and Group			
	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
Securities:				
US$ denominated GOJ				
Global Bonds	10,791,648	11,524,547	12,796,250	13,450,715
EURO denominated GOJ				
Global Bonds	808,262	914,676	790,605	916,173

(a) Fair value gains/(losses) excluding deferred tax liabilities of 103,259 (2010: 132,410) were recognised in other comprehensive income in relation to the above investments reclassified in 2008.

(b) Fair value gains of 559,542 (2010: 780,033) excluding deferred taxation would have been included in other comprehensive income for the year had the investments not been reclassified. This amount was estimated on the basis of the bid price of the securities as at October 31, 2011. 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 8.39%. The undiscounted cash flows to be recovered from the investment reclassified is $19,021,354.

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24. Lease and hire purchase contract receivables

	The Group 2011	2010
Gross investment in lease and hire purchase contract receivables:		
No later than one year	-	50,830
Later than one year and no later than five years	-	17,062
	-	67,892
Less: unearned income	-	(20,250)
Net investment in lease and hire purchase contract receivables	-	47,642
Reclassified to assets held for sale	-	(47,642)
	-	-

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

	The Group 2011	2010
Current portion	-	35,052
Non-current portion	-	12,590
	-	47,642
Reclassified to assets held for sale	-	(47,642)
	-	-

The allowance for impairment hire purchase contract receivables amounted to $Nil (2010: 2,703).

The ageing analysis of past due not impaired leases and hire purchase:

	The Group 2011	2010
Neither past due nor impaired	-	27,139
Past due but not impaired lease:		
Past due 0-30 days	-	9,730
Past due 30-60 days	-	2,081
Past due 60-90 days	-	478
	-	12,289
Impaired leases more than 90 days	-	5,228
Interest receivable	-	5,689
	-	10,917
Gross lease portfolio	-	50,345
Less: Allowance for impairment losses	-	(2,703)
	-	47,642
Reclassified to assets held for sale	-	(47,642)
	-	-

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25. Investment securities

	The Company and Group 2011	The Company and Group 2010
Available-for-sale		
Government of Jamaica securities	137,467	-
Unquoted shares	15,778	15,000
Treasury bills	-	95,530
	153,245	110,530
Interest receivable	709	1,762
	153,954	112,292

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

26. Sundry assets

	The Group 2011	The Group 2010	The Company 2011	The Company 2010
Accounts receivable and prepayments	102,113	48,895	68,195	29,341
Other	1,289	1,192	1,273	1,192
	103,402	50,087	69,468	30,533

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27. Property, plant and equipment

	The Group				
	Land & building	Leasehold improvements	Furniture, fixtures, motor vehicles & equipment	Capital work-in-progress	Total
Cost:					
October 31, 2009	3,146	96,707	284,102	-	383,955
Additions	-	-	4,341	-	4,341
Disposals	-	(5,891)	(1,389)	-	(7,280)
Eliminated on disposal of subsidiary	-	(1,393)	(4,746)	-	(6,139)
October 31, 2010	3,146	89,423	282,308	-	374,877
Additions	-	142	104	6,366	6,612
Disposals	-	(10,916)	(1,192)		(12,108)
Transfers	-	6,168	-	(6,168)	-
October 31, 2011	3,146	84,817	281,220	198	369,381
Accumulated depreciation:					
October 31, 2009	1,160	82,636	222,899	-	306,695
Charge for the year	75	7,234	20,186	-	27,495
Eliminated on disposals	-	(5,891)	(589)	-	(6,480)
Eliminated on disposal of subsidiary	-	(1,393)	(3,811)	-	(5,204)
October 31, 2010	1,235	82,586	238,685	-	322,506
Charge for the year	74	5,226	13,442	-	18,742
Eliminated on disposals	-	(10,916)	(838)	-	(11,754)
October 31, 2011	1,309	76,896	251,289	-	329,494
Net book values:					
October 31, 2011	1,837	7,921	29,931	198	39,887
October 31, 2010	1,911	6,837	43,623	-	52,371
October 31, 2009	1,986	14,071	61,203	-	77,260

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27. Property, plant and equipment (continued)

	The Company			
	Leasehold improvements	Furniture, fixtures, motor vehicles & equipment	Capital work-in-progress	Total
Cost:				
October 31, 2009	55,557	162,088	-	217,645
Additions	-	4,341	-	4,341
Disposals	(1,404)	(390)	-	(1,794)
October 31, 2010	54,153	166,039	-	220,192
Additions	142	104	6,366	6,612
Disposals	(10,916)	(1,192)	-	(12,108)
Transfers	6,168	-	(6,168)	-
October 31, 2011	49,547	164,951	198	214,696
Accumulated depreciation:				
October 31, 2009	49,614	130,656	-	180,270
Charge for the year	2,543	13,185	-	15,728
Eliminated on disposals	(1,404)	(322)	-	(1,726)
October 31, 2010	50,753	143,519	-	194,272
Charge for the year	4,112	7,936	-	12,048
Eliminated on disposals	(10,916)	(838)	-	(11,754)
October 31, 2011	43,949	150,617	-	194,566
Net book values:				
October 31, 2011	5,598	14,334	198	20,130
October 31, 2010	3,400	22,520	-	25,920
October 31, 2009	5,943	31,432	-	37,375

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28. Intangible assets

	The Group			The Company
	Goodwill	Computer software	Total	Computer software
Cost:				
October 31, 2009	61,723	129,243	190,966	112,708
Additions	-	501	501	501
Eliminated on disposal of subsidiary	(35,610)	(2,235)	(37,845)	-
October 31, 2010	26,113	127,509	153,622	113,209
Additions	-	27,025	27,025	27,025
Eliminated on disposal of subsidiary	-	(1,909)	(1,909)	(1,909)
October 31, 2011	26,113	152,625	178,738	138,325
Amortisation:				
October 31, 2009	-	112,748	112,748	98,758
Charge for the year	-	12,914	12,914	11,373
Eliminated on disposal of subsidiary	-	(1,677)	(1,677)	-
October 31, 2010	-	123,985	123,985	110,131
Charge for the year	-	2,696	2,696	2,250
Eliminated on disposal of subsidiary	-	(1,909)	(1,909)	(1,909)
October 31, 2011	-	124,772	124,772	110,472
Net book values:				
October 31, 2011	26,113	27,853	53,966	27,853
October 31, 2010	26,113	3,524	29,637	3,078
October 31, 2009	61,723	16,495	78,218	13,950

29. Deferred tax assets and liabilities

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

	The Group		The Company	
	2011	2010	2011	2010
Opening balance	(166,704)	78,958	(178,636)	88,843
Recognised in the statement of revenue and expenses (note 14)	(61,239)	(134,450)	(61,270)	(159,542)
Recognised in other comprehensive income:				
available-for-sale investments				
- fair value re-measurement	(52,610)	(105,847)	(52,610)	(107,851)
Other	-	(5,349)	-	(86)
Reclassified as held for sale	-	(16)	-	-
Closing balance	(280,553)	(166,704)	(292,516)	(178,636)

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29. Deferred tax assets and liabilities (continued)

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

	The Group		The Company	
	2011	2010	2011	2010
Deferred income tax assets:				
Accelerated tax depreciation	23,051	21,155	13,461	11,564
Tax value of unutilised losses	2,511	2,511	-	-
Vacation accrued	6,252	4,155	6,252	4,155
Deferred income tax liabilities:				
Interest receivable and interest payable, net	(229,411)	(164,148)	(229,411)	(164,148)
Accelerated tax depreciation	(138)	(170)	-	-
Available-for-sale investments	(82,818)	(30,207)	(82,818)	(30,207)
Net deferred tax liability	(280,553)	(166,704)	(292,516)	(178,636)
This comprises:				
Net deferred tax assets	12,101	12,101	-	-
Net deferred tax liability	(292,654)	(178,805)	(292,516)	(178,636)
	(280,553)	(166,704)	(292,516)	(178,636)

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

	The Group		The Company	
	2011	2010	2011	2010
Accelerated tax depreciation	1,928	2,367	1,897	1,115
Tax value of utilised losses	-	(1,625)	-	-
Allowance for loan impairment	-	9,451	-	-
Vacation accrued	2,096	3,505	2,096	3,491
Interest receivable	(65,263)	(164,148)	(65,263)	(164,148)
Other	-	16,000	-	-
	(61,239)	(134,450)	(61,270)	(159,542)

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 reinvested; such unappropriated profits totalled 216,747 (2010: 192,363).

30. Assets classified as held for sale

In 2010, the assets and liabilities of Asset Management Company Limited, a subsidiary which provides credit financing for the hire-purchase of consumer durables, was presented as held for sale. The company was sold during the financial year (see note 12).

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31. 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.

(b) Government Securities Fund

The government securities fund is the management of funds on a non-recourse basis, on behalf of investors. The investors have a direct traceable interest in the investments.

32. Promissory notes

	The Company and Group	
	2011	2010
Nil% (2010: 1.45% - 2.30%) United States dollar	-	5,629
5.25% (2010: 7.65%) Jamaica dollar	2,376	2,256
	2,376	7,885
Interest payable	60	95
	2,436	7,980

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 its liabilities during the period.

33. Other liabilities

	The Group		The Company	
	2011	2010	2011	2010
Accrued liabilities	39,955	32,328	33,673	26,797
Other	147,510	240,164	110,340	155,505
	187,465	272,492	144,013	182,302

34. Share capital

	Number of units		Carrying value	
	2011	2010	2011	2010
Authorised:				
Ordinary shares of no par value	1,200,000,000	1,200,000,000		
Issued and fully paid:				
Ordinary stock units of no par value	423,194,765	423,194,765	1,911,903	1,911,903

Under the provisions of the Companies Act 2004 (the Act), the shares have no par value. The holders of the ordinary stock units are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

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35. (a) Reserve fund

Under Section 8 of the Financial Institutions Act, a former subsidiary was 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 equal to fifty percent (50%) of its paid-up capital, and thereafter, 10% of the net profit until the amount of credit in the said fund was equal to its paid-up capital.

(b) Retained earnings reserve

Under Section 2 of the Financial Institutions Act, a former subsidiary could 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 were made at the discretion of the former subsidiary's Board but where required 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 was a non-distributable reserve which represented the excess of the loan loss provision determined under the Bank of Jamaica requirements over IAS 39 requirements for impairment allowances in respect of a former subsidiary.

38. Capital reserve

Capital reserve comprises 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 is 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 Consolidated and Separate Financial Statements, 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, 2011 was 1,704,972 (2010: 1,798,028). Based on the bid price, less a 10% discount normally allowed to staff, the value of those stock units at year end was 46,546 (2010: 36,860).

40. Financial risk management

By their nature, the Group's activities are principally related to the use of financial instruments. 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.

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.

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40. Financial risk management (continued)

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) Asset and Liability Committee (ALCO)

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 reporting 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 reporting date.

At a strategic level, the Group manages the levels of credit risk it undertakes 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.

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.

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40. Financial risk management (continued)

Credit risk management (continued)

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 the reporting 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; and

(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 statement of financial position 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.

(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 parties, 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.

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40. Financial risk management (continued)

Credit risk management (continued)

(i) Credit-related commitments (continued)

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 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-

(ii) Credit quality

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

The table below shows the percentage of the Company's and Group's balances as at October 31, 2011 relating to loans and advances and the associated impairment provision for each of the Group's internal rating categories:

	The Company and Group	
	2011	2010
	%	%
Excellent	70.4	59.1
Good	1.1	2.8
Higher Risk	28.5	38.1
	100.0	100.0

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40. Financial risk management (continued)

Credit risk management (continued)

(ii) Credit quality (continued)

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, 2011:

	The Company and Group	
	2011	2010
AAA+ to AA+	243,867	-
BBB+ to BB+	189,294	192,815
BB to B-	64,514,234	62,247,014
	64,947,395	62,439,829

	The Company and Group	
	2011	2010
Deposits with Bank of Jamaica	502,312	2,835,565
Financial assets at fair value		
through profit or loss	192,995	-
Investment securities:		
Available-for-sale	138,178	-
Pledged assets:		
Loans and receivables	11,766,377	13,586,856
Held-to-maturity	8,544,327	11,644,045
Available-for-sale	43,803,208	34,373,363
	64,947,397	62,439,829

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.

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40. Financial risk management (continued)

Credit risk management (continued)

(ii) Credit quality (continued)

	Maximum exposure			
	The Group		The Company	
	2011	2010	2011	2010
Balances with the Bank of Jamaica	504,312	2,836,893	504,312	2,836,893
Balances due from other banks	2,605,611	1,063,656	2,562,524	1,081,801
Financial assets at fair value through profit or loss	330,946	117,866	192,995	-
Investment securities:				
Available-for-sale	138,178	97,292	138,178	97,292
Pledged assets	66,365,262	64,889,175	66,365,262	64,889,175
Loans, after allowance for Impairment losses	426,490	411,796	426,490	411,796
Guarantees issued	1,522,497	940,667	1,522,497	940,667
Other assets	68,970	31,909	67,057	27,551
	71,962,266	70,389,254	71,779,315	70,285,175

Concentration of exposure to credit risk

(a) 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 diversified across industry sectors, and are primarily extended to customers within Jamaica.

	The Group			
	Loans and leases	Acceptances, guarantees and letters of credit	Total 2011	Total 2010
Agriculture, fishing and mining	-	8,000	8,000	5,000
Construction and real estate	-	132,618	132,618	16,515
Financial institutions	-	1,500	1,500	112,497
Manufacturing	-	118,000	118,000	118,000
Personal	64,508	1,063,333	1,127,841	604,315
Professional and other services	20,889	199,046	219,935	174,357
Tourism and entertainment	694,063	-	694,063	686,912
Interest receivable	74	-	74	421
	779,534	1,522,497	2,302,031	1,718,017
Total impairment allowance	(353,044)	-	(353,044)	(365,554)
Total	426,490	1,522,497	1,948,987	1,352,463

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40. Financial risk management (continued)

Credit risk management (continued)

(ii) Credit quality (continued)

Concentration of exposure to credit risk (continued)

(b) 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	
	2011	2010	2011	2010
Governments	59,005,789	55,796,875	59,005,789	55,796,875
Bank of Jamaica	2,712,486	5,927,772	2,712,483	5,927,772
Financial institutions	5,496,786	5,202,677	5,325,246	5,144,924
Corporates and other	2,412,591	715,182	2,412,591	715,182
	69,627,652	67,642,506	69,456,109	67,584,753

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 group's custody 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.

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40. Financial risk management (continued)

Market risk (continued)

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.

The following tables summarise carrying amounts of 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 2011						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	5,977	2,721,588	-	-	-	436,723	3,164,288
Pledged assets	259,039	46,025,903	10,990,661	5,597,302	1,294,740	2,197,617	66,365,262
Loans, leases & trade receivables	717,669	571	4,103	41,353	15,763	(352,969)	426,490
Investment securities (2)							
Available-for-sale	-	106,466	31,001	-	-	16,487	153,954
Financial assets at fair value through profit or loss	751	62,479	128,269	-	-	164,669	356,168
Other assets	-	-	-	-	-	2,387,839	2,387,839
Total assets	983,436	48,917,007	11,154,034	5,638,655	1,310,503	4,850,366	72,854,001
Promissory notes	-	2,376	-	-	-	60	2,436
Securities sold under repurchase agreements	2,891,366	37,516,869	5,496,838	5,241	-	301,151	46,211,465
Capital management and government securities fund	14,240,026	-	-	-	-	1,088	14,241,114
Other liabilities	-	-	-	-	-	2,103,731	2,103,731
Stockholders' equity	-	-	-	-	-	10,295,255	10,295,255
Total liabilities and stockholders' equity	17,131,392	37,519,245	5,496,838	5,241	-	12,701,285	72,854,001
Total interest rate sensitivity gap	(16,147,956)	11,397,762	5,657,196	5,633,414	1,310,503	(7,850,919)	-
Cumulative gap	(16,147,956)	(4,750,194)	907,002	6,540,416	7,850,919	-	-

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40. Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	The Group 2010						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	1,950,486	24,933,160	12,747,702	15,868,141	10,899,464	4,575,940	70,974,893
Total liabilities and stockholders' equity	16,663,252	37,648,585	5,439,042	15,007	-	11,209,007	70,974,893
Total interest rate sensitivity gap	(14,712,766)	(12,715,425)	7,308,660	15,853,134	10,899,464	(6,633,067)	-
Cumulative gap	(14,712,766)	(27,428,191)	(20,119,531)	(4,266,397)	6,633,067	-	-

	The Company 2011						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	5,977	2,721,588	-	-	-	393,637	3,121,202
Pledged assets	259,039	46,025,903	10,990,661	5,597,302	1,294,740	2,197,617	66,365,262
Loans, leases & trade receivables	717,669	571	4,103	41,353	15,763	(352,969)	426,490
Investment securities (2)							
- Available-for-sale	-	106,466	31,001	-	-	16,487	153,954
Investment in subsidiaries	-	-	-	-	-	2,026,312	2,026,312
Financial assets at fair value through profit or loss	751	62,479	128,269	-	-	26,718	218,217
Other assets	-	-	-	-	-	2,293,557	2,293,557
Total assets	983,436	48,917,007	11,154,034	5,638,655	1,310,503	6,601,359	74,604,994
Amounts due to subsidiaries	-	-	-	-	-	2,191,428	2,191,428
Promissory notes	-	2,376	-	-	-	60	2,436
Securities sold under repurchase agreements	2,891,366	37,516,869	5,506,357	5,241	-	301,151	46,220,984
Capital management fund	14,240,155	-	-	-	-	1,087	14,241,242
Other liabilities	-	-	-	-	-	1,959,026	1,959,026
Stockholders' equity	-	-	-	-	-	9,989,878	9,989,878
Total liabilities and stockholders' equity	17,131,521	37,519,245	5,506,357	5,241	-	14,442,630	74,604,994
Total interest rate sensitivity gap	(16,148,085)	11,397,762	5,647,677	5,633,414	1,310,503	(7,841,271)	-
Cumulative gap	(16,148,085)	(4,750,323)	897,354	6,530,768	7,841,271	-	-

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Year ended 31 October 2011
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40. Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	The Company 2010						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	1,945,257	24,924,157	12,729,868	15,855,551	10,899,464	6,449,837	72,804,134
Total liabilities and stockholders' equity	16,663,295	37,648,585	5,447,994	15,007	-	13,029,253	72,804,134
Total interest rate sensitivity gap	(14,718,038)	(12,724,428)	7,281,874	15,840,544	10,899,464	(6,579,416)	-
Cumulative gap	(14,718,038)	(27,442,466)	(20,160,592)	(4,320,048)	6,579,416	-	-

(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 2011					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Average %
Cash resources (4)	5.50	6.23	-	-	-	6.23
Pledged assets	0.10	7.52	8.97	12.02	10.44	7.92
Loan, lease & trade receivables	0.01	9.55	8.17	8.74	9.62	1.31
Capital management and government securities fund	2.48	-	-	-	-	2.48
Promissory note	-	5.25	-	-	-	5.25
Securities sold under repurchase agreements	4.76	4.88	3.86	3.92	-	4.72

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Year ended 31 October 2011

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40. Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	The Group					
	2010					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Cash resources (4)	5.50	8.02	-	-	-	8.01
Pledged assets	0.16	8.64	9.52	9.93	8.67	8.65
Investment securities	-	8.69	-	-	-	8.69
Loan, lease & trade receivables	5.86	15.03	8.38	8.50	8.62	6.04
Asset classified as held-for-sale	61.36	70.17	67.34	61.64	-	65.01
Capital management and government securities fund	3.23	-	-	-	-	3.23
Promissory note	-	3.66	-	-	-	3.66
Securities sold under repurchase agreements	4.85	6.09	4.91	6.11	-	5.85

	The Company					
	2011					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Cash resources	5.50	6.23	-	-	-	6.23
Pledged assets	0.10	7.52	8.97	12.02	10.44	7.92
Loan, lease & trade receivables	0.01	9.55	8.17	8.74	9.62	1.31
Promissory notes	2.48	-	-	-	-	2.40
Securities sold under repurchase agreements	-	5.25	-	-	-	5.25
Capital management & government securities fund obligations	4.76	4.88	3.86	3.92	-	4.72

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Year ended 31 October 2011
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40. Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	The Company					
	2010					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Cash resources	5.50	8.02	-	-	-	8.01
Investment securities - available-for-sale	-	8.69	-	-	-	8.69
Pledged assets	0.16	8.57	9.52	9.93	8.67	8.65
Loan, lease & trade receivables	5.86	15.03	8.38	8.50	8.62	11.40
Promissory notes	-	3.66	-	-	-	3.66
Securities sold under repurchase agreements	4.85	6.09	4.91	6.11	-	5.85
Capital management & government securities fund obligations	3.23	-	-	-	-	3.23

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 zero percent.

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.

	2011	2010
Sensitivity of market risk variable:		
JMD Interest rates	increase/decrease by 125 bps	increase/decrease by 450 bps
USD Interest rates	increase/decrease by 200 bps	increase/decrease by 200 bps

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40. Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

	The Group		The Company	
	2011	2010	2011	2010
Effect on profit or loss	413,668	662,616	413,668	662,616
Effect on shareholders' equity	1,311,789	1,825,209	1,311,789	1,825,209

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 in thousands of units of the respective currencies:

	The Group 2011						
	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
Assets:							
Cash resources	2,551,464	326,676	14,899	113,273	157,976	-	3,164,288
Pledged assets	43,341,026	21,692,712	269,546	247,207	814,771	-	66,365,262
Financial assets at fair value through profit or loss	356,168	-	-	-	-	-	356,168
Investment securities	153,954	-	-	-	-	-	153,954
Loans, after allowances for impairment losses	83,630	342,860	-	-	-	-	426,490
Other assets	1,900,068	141,063	5,786	557,959	(215,325)	(1,712)	2,387,839
Total assets	48,386,310	22,503,311	290,231	918,439	757,422	(1,712)	72,854,001
Liabilities:							
Securities sold under repurchase agreement	32,684,803	13,151,329	-	-	375,333	-	46,211,465
Capital management & government securities fund	4,011,153	8,623,503	279,168	910,344	416,946	-	14,241,114
Other liabilities	1,248,449	836,762	8,893	2,165	11,610	(1,712)	2,106,167
Total liabilities	37,944,405	22,611,594	288,061	912,509	803,889	(1,712)	62,558,746
Net financial position	10,441,905	(108,283)	2,170	5,930	(46,467)	-	10,295,255

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40. Financial risk management (continued)

Market risk (continued)

Foreign exchange risk

	The Group 2010						
	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
Assets:							
Cash resources	3,137,323	427,748	63,424	156,272	114,283	-	3,899,050
Pledged assets	39,977,048	23,509,284	279,330	327,635	795,878	-	64,889,175
Financial assets at fair value through profit or loss	127,895	-	-	-	-	-	127,895
Investment securities	112,292	-	-	-	-	-	112,292
Loans, after allowances for impairment losses	71,999	339,797	-	-	-	-	411,796
Assets held for sale	56,076	-	-	-	-	-	56,076
Other assets	1,178,149	(8,897)	(8,021)	532,243	(215,480)	616	1,478,610
Total assets	44,660,782	24,267,932	334,733	1,016,150	694,681	616	70,974,894
Liabilities:							
Securities sold under repurchase agreement	30,187,042	14,471,199	-	-	367,345	-	45,025,586
Capital management & government securities fund	4,218,176	9,203,297	334,177	1,011,161	389,997	-	15,156,808
Liabilities directly associated with assets classified as held for sale	6,109	-	-	-	-	-	6,109
Other liabilities	1,236,047	692,732	556	4,988	15,934	616	1,950,873
Total liabilities	35,647,374	24,367,228	334,733	1,016,149	773,276	616	62,139,376
Net financial position	9,013,408	(99,296)	-	1	(78,595)	-	8,835,518

	The Company 2011						
	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
Assets:							
Cash resources	2,511,456	326,676	14,899	110,194	157,977	-	3,121,202
Pledged assets	43,341,026	21,692,712	269,546	247,207	814,771	-	66,365,262
Financial assets at fair value through profit or loss	218,217	-	-	-	-	-	218,217
Investment securities	153,954	-	-	-	-	-	153,954
Investment in subsidiaries	2,026,312	-	-	-	-	-	2,026,312
Loans, after allowances for impairment losses	83,630	342,860	-	-	-	-	426,490
Other assets	1,805,789	141,063	5,783	557,959	(215,325)	(1,712)	2,293,557
Total assets	50,140,384	22,503,311	290,228	915,360	757,423	(1,712)	74,604,994
Liabilities:							
Securities sold under resale agreement	32,684,803	13,160,848	-	-	375,333	-	46,220,984
Capital management & government securities fund	4,011,281	8,623,503	279,168	910,345	416,945	-	14,241,242
Other liabilities	3,232,053	897,033	8,891	5,015	11,610	(1,712)	4,152,890
Total liabilities	39,928,137	22,681,384	288,059	915,360	803,888	(1,712)	64,615,116
Net financial position	10,212,247	(178,073)	2,169	-	(46,465)	-	9,989,878

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Year ended 31 October 2011

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40. Financial risk management (continued)

Foreign exchange risk (continued)

	The Company 2010						
	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
Assets:							
Cash resources	3,200,827	427,748	63,424	156,272	114,283	-	3,962,554
Pledged assets	39,977,048	23,509,284	279,330	327,635	795,878	-	64,889,175
Financial assets at fair value through profit or loss	10,029	-	-	-	-	-	10,029
Investment securities	112,292	-	-	-	-	-	112,292
Investment in subsidiaries	2,017,685	8,538	-	-	-	-	2,026,223
Loans, after allowances for impairment losses	71,999	339,797	-	-	-	-	411,796
Other assets	1,095,486	(12,777)	(8,021)	532,243	(215,480)	616	1,392,067
Total assets	46,485,366	24,272,590	334,733	1,016,150	694,681	616	72,804,136
Liabilities:							
Securities sold under resale agreement	30,187,042	14,480,242	-	-	367,345	-	45,034,629
Capital management & government securities fund	4,218,218	9,203,297	334,177	1,011,161	389,997	-	15,156,850
Other liabilities	3,284,106	692,379	556	4,988	15,934	616	3,998,579
Total liabilities	37,689,366	24,375,918	334,733	1,016,149	773,276	616	64,190,058
Net financial position	8,796,000	(103,328)	-	1	(78,595)	-	8,614,078

The following significant exchange rates were applied during the year:

	Average rate for the period		Reporting date spot rate	
	2011	2010	2011	2010
USD	85.7820	87.7303	86.2778	85.3825
CAD	86.4078	83.3297	85.2613	83.1572
GBP	137.0296	135.8581	137.6197	135.5446
EUR	119.0004	117.1296	119.4035	116.8623

Sensitivity to foreign exchange risk

A weakening of the JMD against the following currencies at October 31 would have increased/(decreased) equity and profit by the amounts shown below. This analysis is performed on the same basis for 2010, analyzing the market movements for exchange rates during the year. 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.

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40. Financial risk management (continued)

Foreign exchange risk (continued)

Sensitivity to foreign exchange risk (continued)

	2011	2010
USD	increase/decrease by 7.5%	increase/decrease by 15%
CAD	increase/decrease by 20%	increase/decrease by 30%
GBP	increase/decrease by 20%	increase/decrease by 25%
EUR	increase/decrease by 27.5%	increase/decrease by 30%

	The Group		The Company	
	2011	2010	2011	2010
Effect on profit and shareholder's equity	78,684	136,060	75,459	118,537

Equity risk

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.

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

	2011	2010
Financial assets at fair value through profit or loss	24,475	10,029
Pledged assets	1,556	3,721

Sensitivity analysis

Maximum changes observed in running 10-day periods during the financial year for the equity portfolio as at October 31, 2011 would have increased or decreased equity and profit and loss by the amounts shown below. This analysis is performed on the same basis for 2010. 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 2011	11,207	4,763	11,920	5,066
31 October 2010	2,640	2,197	2,967	2,579

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40. Financial risk management (continued)

Liquidity risk

The Group is exposed to daily calls on its 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.

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.

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40. Financial risk management (continued)

Liquidity risk (continued)

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					
	2011					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Capital management & government securities funds	14,241,114	-	-	-	-	14,241,114
Promissory notes	2,497	-	-	-	-	2,497
Securities sold under repurchase agreements	41,175,575	5,608,999	5,473	-	-	46,790,047
Other liabilities	1,647,404	-	-	-	77,284	1,724,688
Total liabilities	57,066,590	5,608,999	5,473	-	77,284	62,758,346

	The Group					
	2010					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Capital management & government securities funds	15,156,808	-	-	-	-	15,156,808
Promissory notes	7,995	-	-	-	-	7,995
Securities sold under repurchase agreements	40,190,687	5,617,827	16,063	-	-	45,824,577
Classified as held for sale	6,109	-	-	-	-	6,109
Other liabilities	1,243,407	518,280	2,034	366	-	1,764,087
Total liabilities	56,605,006	6,136,107	18,097	366	-	62,759,576

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40. Financial risk management (continued)

Liquidity risk (continued)

	The Company					
	2011					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Capital management & government securities funds	14,241,242	-	-	-	-	14,241,242
Amounts due to subsidiaries	-	-	-	-	2,191,428	2,191,428
Promissory notes	2,497	-	-	-	-	2,497
Securities sold under repurchase agreements	41,175,575	5,618,518	5,473	-	-	46,799,566
Other liabilities	1,581,454	-	-	-	-	1,581,454
Total liabilities	56,471,384	6,090,146	18,097	366	2,212,100	64,792,093

	The Company					
	2010					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Capital management & government securities funds	15,156,851	-	-	-	-	15,156,851
Amounts due to subsidiaries	-	-	-	-	2,212,100	2,212,100
Promissory notes	7,995	-	-	-	-	7,995
Securities sold under repurchase agreements	40,190,687	5,608,532	16,063	-	-	45,815,282
Other liabilities	1,115,851	481,614	2,034	366	-	1,599,865
Total liabilities	56,471,384	6,090,146	18,097	366	2,212,100	64,792,093

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 reporting dates.

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41. Fair value of financial instruments (continued)

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 values of demand deposits and savings accounts with no specific maturity are assumed to be the amount payable on demand at the reporting 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;

(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; and

(vii) the fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit adjusted risk-free interest rate (based on government bonds).

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41. Fair value of financial instruments (continued)

The following financial assets and liabilities are not carried at fair value:

	The Group			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Pledged assets	24,077,444	25,584,845	29,055,980	30,168,450
Loans	426,490	412,572	411,796	401,808
Financial liabilities				
Securities sold under repurchase agreements	46,211,465	46,211,465	45,025,585	45,025,585

	The Company			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Pledged assets	24,077,444	25,584,845	29,055,980	30,168,450
Loans	426,490	412,572	411,796	401,808
Financial liabilities				
Securities sold under repurchase agreements	46,220,984	46,220,984	45,034,629	45,034,629

Determination of fair value hierarchy

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 October 2010, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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41. Fair value of financial instruments (continued)

Determination of fair value hierarchy (continued)

	The Group			
	2011			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading:				
Debt securities	-	277,148	-	277,148
Equity securities	25,221	53,799	-	79,020
Available-for-sale financial assets				
Investment securities – debt securities	-	138,176	-	138,176
Equity securities – debt securities	-	-	15,777	15,777
Pledged assets				
Debt securities	-	41,441,992	-	41,441,992
Equity securities	1,235	141,802	-	143,037

	The Group			
	2010			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Equity securities held for trading	10,029	117,866	-	127,895
Available-for-sale financial assets				
Investment securities – debt securities	-	97,292	-	97,292
Pledged assets				
Debt securities	-	34,863,607	-	34,863,607
Equity securities	3,371	966,217	-	969,588

	The Company			
	2011			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading:				
Debt securities	-	192,995	-	192,995
Equity securities	25,221	-	-	25,221
Available-for-sale financial assets				
Investment securities – debt securities	-	138,176	-	138,176
Equity securities – debt securities	-	-	15,777	15,777
Pledged assets				
Debt securities	-	41,441,992	-	41,441,992
Equity securities	1,235	844,591	-	845,826

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41. Fair value of financial instruments (continued)

Determination of fair value hierarchy (continued)

	The Company			
	2010			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Equity securities held for trading	10,029	-	-	10,029
Available-for-sale financial assets				
Investment securities – debt securities	-	97,292	-	97,292
Pledged assets				
Debt securities	-	34,863,607	-	34,863,607
Equity securities	3,371	966,217	-	969,588

There were no transfers between level 1 and 2 in the year.
Reconciliation of level 3 items:

	The Company and Group
	2011
Book value of investments	15,000
Total gains recognised in other comprehensive income	777
Balance at end of year	15,777

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.

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42. Capital risk management (continued)

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.

The company is subject to a regulator, which set and monitors capital adequacy requirements. Required capital adequacy information is filed with the regulator 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 Financial Services Commission, the company 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:

Tier 1: Capital comprises 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

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

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.

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42. Capital risk management (continued)

The table below summarises the composition of regulatory capital and the required ratios. During the year, the company complied with all of the externally imposed capital requirements to which it is subject.

	Regulated by the FSC	
	2011	2010
Tier 1 capital	9,861,897	8,529,045
Tier 2 capital	24,664	24,870
	9,886,561	8,553,915
Less prescribed adjustment – Investment in subsidiaries	95,656	88,236
Total regulatory capital	9,982,217	8,642,151
Risk weighted assets:		
On statement of financial position	20,584,935	8,365,164
Foreign exchange exposure	301,989	262,851
Total risk weighted assets	20,886,924	8,628,015
Actual regulatory capital to risk weighted assets	47.79%	100.16%
Regulatory requirements	10.00%	10.00%

During the year, the company and group complied with all of the externally imposed capital requirements to which they are subject. Effective June 2011, there were changes made to the existing capital adequacy requirements by the FSC. This involved replacing the existing credit risk measure with a market risk measure for the designated trading book. As a result of the introduced changes, the risk weighted computation to determine the Group and Company's capital adequacy now incorporates:

(i) a Risk Weighted Assets (RWA) credit risk charge

(ii) a Risk Weighted Assets (RWA) market risk charge

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43. Dividends

(a) Declared

	The Group and the Company	
	2011	2010
In respect of October 31, 2009	-	139,654
In respect of October 31, 2010, 0.33¢ per share	139,654	418,962
In respect of October 31, 2011, 0.33 1/3 per share	418,963	-
	558,617	558,616

(b) Proposed

At the Board of Directors meeting on November 28, 2011, a dividend of 0.43 per share (October 2010 - actual dividends of 0.33 per share) amounting to a total of 181,974 (2010: 139,654) was proposed. Stockholders' equity for the current financial year does not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the ensuing financial year.

44. Commitments

Operating lease commitments:

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

	The Group		The Company	
	2011	2010	2011	2010
Not later than one year	45,231	-	45,231	-
Later than one year and not later than five years	90,401	56,914	90,401	56,914
Later than five years	11,894	-	11,894	-
	147,526	56,914	147,526	56,914

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45. 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 reporting date, the Group had investment custody accounts amounting to approximately 68,476,201 (2010: 61,068,673).

46. Related party transactions and balances

The group is controlled by Scotia Group Jamaica Limited 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 impairment allowances 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 party 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.

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46. Related party transactions and balances (continued)

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

	The Group				
	Fellow subsidiaries	Directors and key management personnel	Connected companies	Total 2011	Total 2010
Loans					
Loans outstanding at beginning of year	-	5,332	-	5,332	12,985
Net loans issued/(repaid) during the year	-	2,962	-	2,962	(7,653)
Loans outstanding at end of year	-	8,294	-	8,294	5,332
Interest income earned	-	789	-	789	510
Average repayment term (years)	-	4	-	4	4
Average interest rate (%)	-	8	-	8	8
Other					
Fees and commission earned	3,873	-	-	3,873	5,433
Securities sold under repurchase agreements	(1,511,230)	(1,302)	(17,906)	(1,530,438)	(156,881)
Interest paid on repurchase agreements	(13,361)	(81)	(507)	(13,949)	(131,091)
Capital management account & Government securities fund (CMA & GSF)	-	(33,330)	-	(33,330)	(161,872)
Interest paid on CMA & GSF	-	(902)	-	(902)	(6,709)
Interest earned on reverse agreements	1,744	-	-	1,744	1,107
Due from banks and other financial institutions	2,244,751	-	-	2,244,751	637,171
Term deposits	1,050,217	-	-	1,050,217	2,974,655
Interest earned on term deposits	2,165	-	-	2,165	53,700
Interest earned from banks and other financial institutions	2,444	-	-	2,444	6,227
Other investments	802,641	-	-	802,641	-
Interest earned on other investments	10,589	-	-	10,589	-
Management fees paid to parent company	97,549	-	-	97,549	(49,041)
Pension and ESOP fees received from parent company	110,218	-	-	110,218	61,616
Other operating (expense)/income	(17,589)	-	-	(17,589)	35,538

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46. Related party transactions and balances (continued)

	The Company				
	Fellow subsidiaries	Directors and key management personnel	Connected companies	Total 2011	Total 2010
Loans					
Loans outstanding at beginning of year	-	5,332	-	5,332	12,985
Net loans issued/(repaid) during the year	-	2,962	-	2,962	(7,653)
Loans outstanding at end of year	-	8,294	-	8,294	5,332
Interest income earned	-	789	-	789	510
Average repayment term (years)	-	4	-	4	4
Average interest rate (%)	-	8	-	8	8
Other					
Fees and commission earned	3,873	-	-	3,873	5,433
Securities sold under repurchase agreements	(1,520,683)	(46,452)	(17,906)	(1,585,041)	(156,881)
Interest paid on repurchase agreements	(13,361)	(81)	(507)	(13,949)	(131,091)
Capital management account & Government securities fund (CMA & GSF)	(129)	(48,079)	-	(48,208)	(161,872)
Interest paid on CMA & GSF	(1)	(1,268)	-	(1,269)	(6,709)
Interest earned on reverse agreements	1,744	-	-	1,744	1,107
Due from banks and other financial institutions	2,244,751	-	-	2,244,751	637,171
Interest earned from banks and other financial institutions	2,444	-	-	2,444	6,227
Term deposits	1,050,217	-	-	1,050,217	2,974,655
Interest earned on term deposits	2,165	-	-	2,165	53,700
Other investments	802,641	-	-	802,641	-
Interest earned on other investments	10,589	-	-	10,589	-
Management fees paid to parent company	61,473	-	-	61,473	(49,041)
Pension and ESOP fees received from parent company	110,218	-	-	110,218	61,616
Other operating (expense)/income	(17,589)	-	-	(17,589)	35,538

	The Group and Company 2011	The Group and Company 2010
Key management compensation:		
Salaries and other short term benefits	71,305	54,159
Post employment benefits	4,074	2,850

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47. 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, that is immaterial to both the financial position and results of its operations.

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

	2011	2010
Number of shares	1,704,972	1,798,028
Fair value of shares	46,546	36,860

49. Managed funds

The subsidiary, Scotia Asset Management Limited 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, 2011, these funds aggregated 25,468,459 (2010: 15,482,586).

Management Listing

Lissant Mitchell
Chief Executive Officer*

Berisford Grey
Senior Vice President, Origination & Capital Markets

Paulo Almeida**
Vice President Business Support

Brian Frazer
Vice President, Asset Management and GM Scotia Asset Management (Jamaica) Limited

Karl McKenzie
Vice President, Business Support Group

Yvonne Pandohie
Vice President and Chief Financial Officer

Vanessa Reid-Boothe
Vice President, Sales and Service

Adrian Stokes
Vice President, Strategic Planning, Projects and Product Development

Andrea Tinker
Vice President, Reengineering Products

Monique Anthony
Assistant Vice President, Finance

Karlene Hosang-Bancroft
Assistant Vice President, Operations

Jason Morris
Assistant Vice President, Product Development

Phillip Nash**
Assistant Vice President, Information Technology

Adrian Reynolds
Assistant Vice President, Treasury and Trading

*Effective November 1, 2011

**Have been reassigned to another position within Scotiabank Group

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