Scotia Investments

Annual Report 2012

INNOVATION

CONTENTS

CUSTOMER CREED

Scotia Investments

We commit to you, our most valued customer, that we will always:

Treat you with the greatest consideration, respect and courtesy – We will:

Acknowledge you – Use eye contact, a warm greeting and a smile. Assess and anticipate your needs; Listen attentively to your requests or complaints; Offer an appropriate service response; Avoid jargon, technical terms and acronyms; Ensure that you feel comfortable in our environment; Thank you for your business.

Maintain Confidentiality – We will:

Never divulge information about you to any unauthorized third party; Be sensitive to your unique situation by showing understanding and compassion; Utilize discretion in handling your personal information.

Respond Punctually – We will:

Answer the telephone within 3 rings with a SMILE; Ensure our voicemail is cleared at least twice a day and messages returned within 2 hours of retrieval; Acknowledge letters, emails and faxes in writing within 24 hours of receipt; Ensure that you are acknowledged by an officer within 10 minutes of entering a branch; Keep appointments at the agreed time; Provide timely and accurate service to both our internal and external customers.

Take Responsibility – We will:

Identify ourselves, our organization and department by name; Show a positive attitude and willingness to help; Ensure that when you are making telephone enquiries you do not have to interface with more than two persons; Never pass you waiting without enquiring about your need; Take responsibility for providing the appropriate solutions, escalating only if necessary; Address enquiries, requests, referrals and problems promptly and efficiently; Follow through with you to ensure that you are satisfied with the resolution or solution.

Act Professionally – We will:

Adhere to rules and regulations governing the financial industry; Observe and adhere to Scotiabank Group's code of conduct, policies and procedures; Adhere to Scotiabank Group's dress code; Demonstrate thorough knowledge of products and services; Clearly and simply communicate appropriate financial solutions and alternative courses of action; Always demonstrate sincere interest in you; Carry ourselves with dignity both on and off the job; Leave out-of-office messages if we are away from office for more than 24 hours.

VISION STATEMENT

Our Vision:

To be the **leading Wealth Management provider,** delivering **innovative financial solutions** and **superior customer experience** by a highly skilled and dynamic team, while achieving **profitable growth** for all our stakeholders.

OUR STRATEGIC IMPERATIVES:

Sustainable Revenue Growth:

Your company remains focused on growing non-interest revenues by continuing to develop a diverse suite of fee based products and services that offer unique client value propositions. This effort will be supported by an expansion in our proven and trusted portfolio advisory approach to client interaction.

Customer Intimacy:

Customers are at the heart of everything we do and we are striving to better understand their needs to provide them with relevant solutions, appropriate advice and exceptional service. We are on a mission to create special experiences for our clients when interacting with them to generate high levels of customer satisfaction and strengthen brand loyalty.

Operational Efficiency:

Greater utilization of technology and streamlining of processes are ongoing initiatives within your company.

High Performance Team:

Our continuing strategy is to align employee objectives and business processes with our business strategy; focus on developing, recruiting and retaining top talent; re-evaluating compensation and rewards and recognition practices; building leadership bench strength and ensuring employees enjoy a good work life balance.

DIRECTORS' Report

The Directors submit herewith the Statement of Consolidated Revenue, Expenses, Unappropriated Profits, Assets and Liabilities of the Company for the year ended October 31, 2012.

The Consolidated Statement of Revenue and Expenses shows pre-tax profit for the year of $2,759 million, from which there has been provided $836 million for corporate income tax and deferred tax, leaving a balance of $1,923 million.

The appropriation of earnings detailed in the financial statements includes an interim dividend of 45 cents per stock unit payable to stockholders on record as at December 19, 2012 payable on January 14, 2013. This brings the total distribution for the year to $1.74 per stock unit compared with $1.42 per stock unit for the period ended October 31, 2011.

In view of the interim dividends paid, and to be paid, as mentioned above, the Directors do not recommend the declaration of a final dividend at the Annual General Meeting to be held on March 1, 2013.

Professor Stephen Vasciannie, Chairman of the Company, resigned from the Board of Directors on June 11, 2012. The Board wishes to express its appreciation to Professor Vasciannie for his invaluable contribution to the Company and wished him well in his future endeavors.

Mr. Bruce Bowen was appointed Chairman of the Company effective August 28, 2012, whilst Mr. Marcel Schroder and Mr. Jeffrey Hall were appointed to the Board on May 22, 2012 and on August 28, 2012, respectively.

The Auditors, KPMG, have signified their willingness to continue in office.

Your Directors wish to thank the Management and Staff of the Company for their performance during the year under review.

On behalf of the Board

B. F. Bowen
Chairman
November 27, 2012

Statement to SHAREHOLDERS

Lissant Mitchell
Chief Executive Officer

ON BEHALF OF THE BOARD OF DIRECTORS and the exceptional team at Scotia Investments Jamaica Limited (SIJL), I am pleased to share with you the financial results for the year ended October 31, 2012.

Net profit for the year was $1,923 million, which represents a decrease of 3.1% over the prior year. Earnings per share came in at $4.54 versus last year's performance of $4.69. The Balance Sheet of your company increased to $73,871 million from $72,854 million for the previous year, an increase of 1.4%. In keeping with its long term strategy, your company continued to diversify its earnings away from interest income towards a more balanced composition where it relies more on non-interest revenue for growth. Of note, Scotia Investments saw a 21.5% increase in non-interest income in line with its long term strategic objective to focus on fee and commission based revenue sources. These results were achieved with a moderate increase of 8.6% in operating expenses.

The financial results achieved this year were against the backdrop of an extremely challenging operating and competitive environment which impacted some of our business lines. There has been considerable uncertainty in the local market over the past year coupled with weakening global growth and volatile conditions emanating from the European debt crisis. These challenging conditions may continue into the next financial year. In particular, Jamaica has yet to complete negotiations with the International Monetary Fund (IMF) for a new agreement to curb a worsening balance of payments situation and improve confidence in the local exchange rate market. During the last quarter the net international reserves fell to its lowest levels prior to the Jamaica Debt Exchange (JDX), which in essence places a time premium on the IMF agreement.

Despite the challenging market conditions, the results this year show once again that Scotia Investments has been well served by its unique business model, prudent efficiency and expense management, and consistent execution of its strategic objectives. Perhaps most importantly, the employees of your company who have consistently executed the strategy are the authors of this success. They continue to deliver strong results year after year, and I want to personally thank each and every one of them and to say that I have great confidence that they will continue to be drivers of your company's success for many years to come.

Scotia Investments continued to reap successes on its strategy to diversify its revenue stream and reduce its dependency on net interest revenues, given a more challenging regulatory environment for the repo based balance sheet business in particular. A major new development this year has highlighted the prudence of pursuing our off balance sheet strategy, as the government initially announced a 20 basis points asset tax for financial institutions which was later reduced to 14 basis points. A second development, though not related specifically to balance sheet activity, is the pending Foreign Account Tax Compliance Act (FATCA), which is a US tax compliance initiative that will increase our overall cost of doing business.

We continued to grow our funds under management in both our Unit Trust and Mutual Fund categories. At the end of October 31, 2012 Scotia Investments managed 52% of the overall collective investment scheme market in Jamaica as well as 50% of the total Unit Trust market. Our total funds under management ended the year at $138 billion up from $135 billion the previous year, despite challenging market conditions.

In keeping with the off balance sheet strategy, your company's newest fund product, the Scotia Premium Money Market Fund launched at the end of the previous financial year, surpassed the J$1.4 billion funds under management. The success of this product in only a year is a testament to its unique value proposition and the investing public's faith in our long product innovation track record. Scotia Investments will continue to bring innovative products to market that target a specific client need that is currently under served, as product development will be a core part of our future success.

Another success story for Scotia Investments during the year was the momentum of the Capital Markets Unit. The unit has executed approximately US$500 million worth of deals including syndicated loans with the Scotiabank corporate banking team, local JMD and USD notes,

Scotia Investments continued to reap successes on its strategy to diversify its revenue stream and reduce its dependency on net interest revenues...

and a local USD bond. Perhaps more importantly, the Capital Markets team has gained the reputation as being the best for executing highly sophisticated innovative deals. I am confident that we will continue to grow this business line as we seek to establish your company as the premier destination for capital markets solutions.

Your company was also focused on executing initiatives aimed at improving efficiency and improved service delivery. During the year the Scotia Premium Fixed Income Fund and the Scotia Premium Fixed Income Fund were successfully converted to a web-based platform which already houses the Scotia Premium Money Market Fund and the Scotiabank Mutual Funds. This conversion project has allowed us to capitalize on the efficiencies of a centralized Caribbean platform. This solution supports the Caribbean growth strategy to increase operational efficiency, minimize operational risk, and streamline "like" processes for ease of training and control management. It will also allow the provision of consolidated funds/unit trust customer statements and enhance the oversight process.

During the year Scotia Investments also expanded its range of services provided for clients. We leveraged Scotiabank International Group to launch a local portfolio advisory service known as Portfolio Advisory Group (PAG). The local PAG leverages Scotiabank's Global Portfolio Advisory Group (GPAG) which has footprints in Canada, the United States and Latin America with experts on the ground in each region available to provide advice to clients covering regional and international markets by utilizing its global network. As such, we are better equipped to provide cutting edge insights into local, regional and international fixed income and equity markets directly from experts on the ground in these markets, rather than relying on third party information. You will hear more about this service as it swings into full gear during the new financial year.

As we look to the future our economic environment is still characterized by heightened concerns about the direction of local macroeconomic policies and the timing of a new IMF agreement. Even in a post IMF world, there will be challenges for the local economy given the weak global backdrop. Further, financial institutions have to contend with an increased regulatory burden and the increased cost of doing business. Our strategic response to the environment is premised on a number of pillars, which are;

1. ***Sustainable Revenue Growth***
2. ***Customer Intimacy***
3. ***Operational Efficiency***
4. ***High Performance Team***

To succeed under any circumstances, but particularly in challenging times, Scotia Investments will stay focused on two key success factors for the upcoming financial year – our customers and our employees.

At the heart of your company's strength is our straightforward, sustainable and proven business model that benefits customers and shareholders, and has stood the test of time. As part of the Scotiabank Group, your company's unwavering focus on executing its strategy has seen us through tough times over the years, including the most recent credit crunch and the JDX.

While some new local and global financial regulatory initiatives are on the horizon, Scotia Investments is well positioned to succeed in this evolving environment. Scotia Investments' capital strength will provide us with the flexibility to pursue our growth strategy. We are anchored in diversification for long term strength and shorter-term flexibility, providing us with the right business mix to balance stability and growth.

The operating environment may remain challenging and shrouded with uncertainties, but the Board, management team and I strongly believe that we have embarked on the right path to deliver long term shareholder value. The SIJL team will continue to work to ensure your company remains the premier financial institution where client expectations are exceeded and shareholder value is increased.

As we look forward to the new financial year, I want to recognize the continued support and guidance of the Board of Directors, all of whom have contributed to the success of your organization. I would also like to thank our former Chairman, Professor Stephen Vasciannie for the sage guidance he provided during his tenure. Our valued clients continue to provide us with unwavering support and our exceptional team members continue to be one of the organization's biggest assets. The SIJL team will continue to work to ensure SIJL remains the premier financial institution where client expectations are exceeded and shareholder value is increased.

Lissant Mitchell

Chief Executive Officer

Board of DIRECTORS

Bruce Bowen
Chairman

Mr. Bruce Bowen began his career with Scotiabank, Canada in 1990 in the International Banking Division. In 1993, he was transferred to the Cayman Islands. Over the following 15 years he was a senior executive in Operations in the Cayman Islands, Trinidad & Tobago, Jamaica and Puerto Rico where, in 2004, he held the post of President & CEO.

In each country in which he has worked, Mr. Bowen has been involved in charitable and private sector activities. He holds an Honours Bachelor of Business Administration degree from Wilfrid Laurier University in Waterloo, Ontario, Canada, and is the recipient of that University's 1984 Gold Medal for the top graduating grade point average.

Lissant Mitchell
CEO

Mr. Lissant Mitchell has over 19 years experience in the local financial industry. He joined Scotia Investments in October 2007 as SVP Treasury & Capital Markets and was promoted to Chief Operating Officer in October 2010. On November 2011 Mr. Mitchell was promoted to Senior VP Wealth Management for the Scotiabank Group and Chief Executive Officer for Scotia Investments Jamaica Limited. He has served as the President of the Primary Dealers Association and currently sits on the Scotiabank & Scotia Investments Asset & Liability Committees as well as the Group's Managed Funds Investment Committee. He is also a Director of Scotia Asset Management Jamaica Limited, Scotia Caribbean Income Fund, and the Jamaica Stock Exchange. Mr. Mitchell holds an MBA from the University of Manchester, and a BSc in Accounting and Economics from the University of the West Indies.

Barbara Alexander

Ms Barbara Alexander is the Managing Partner in the law firm Myers, Fletcher and Gordon. Ms Alexander's practice areas have been in banking and finance, international and local hotel development, real estate and commercial law. Ms Alexander is a Member of the Board of Directors of The Bank of Nova Scotia Jamaica Limited, Scotia Group Jamaica Limited, Scotia Investments Jamaica Limited, Scotia Jamaica Building Society and Scotia Asset Management Jamaica Limited, of which she is the Chairperson. Ms. Alexander is a graduate of the University of the West Indies, a member of the Board of Governors of CVSS/ United Way of Jamaica and a Director of The Arts Foundation of the Edna Manley College.

Anthony Chang

Mr. Anthony Chang was appointed to the Board of Directors of Scotia Investments Jamaica Limited on December 14, 2006.

He is the Chairman of Scotia Jamaica Life Insurance Company Limited and he also sits on the Board of Directors of Scotia Group Jamaica Limited and The Bank of Nova Scotia Jamaica Limited.

Mr. Chang also holds Directorships on a number of other Boards including Lasco Distributors Limited, Lasco Manufacturers Limited, Digicel Jamaica and Consolidated Bakeries Jamaica Limited.

He is a graduate of the Richard Ivey School of Business, University of Western Ontario. He is also the recipient of the Hubert H. Humphrey fellow at American University, Washington D.C. which was awarded by the Government of the United States of America. He has done professional courses with several organizations, some of which include York and Wharton Universities.

Angela Fowler

Mrs. Angela Fowler was appointed to the Board of Directors on July 25, 2007.

She is an Attorney-at-Law practicing in the areas of commercial law, estate and corporate tax planning, pensions and employee benefit schemes. She is currently the Deputy Chairman of the Jessie Ripoll Primary School Board, and is a former member of the University Hospital Board of Management and the Independent Schools' Committee of the Ministry of Education.

Jeffrey Hall

Mr. Jeffrey Hall was appointed to the Board of Directors of Scotia Investments Jamaica Limited on August 28, 2012. He is the Chief Executive Officer of Jamaica Producers Group Limited and has worked with that Company since 2002.

Mr. Hall is a member of the Board of Directors of Scotia Group Jamaica Limited and The Bank of Nova Scotia Jamaica Limited since November 26, 2007. He is also a director of Blue Power Group Limited, Agro-Investment Corporation, Institute of Jamaica, Kingston Wharves Limited, Jamaica Investment Promotions (JAMPRO). He has practiced as an Attorney-at-Law and has served as a Director of the Jamaica Stock Exchange and the Bank of Jamaica.

Mr. Hall is a graduate of Harvard Law School, Harvard University and Washington University. He holds a Bachelor's degree in Economics from the Washington University and a Masters in Public Policy from Harvard University.

Anna Law

Dr. Anna Law was appointed to the Board of Directors on July 25, 2007. Dr. Law is also a Director of The Scotia Jamaica Building Society and the Managing Director of Align International Limited.

She is an Orthodontist by profession. She is a First Class Honours graduate of Tufts University where she earned her Doctor of Medicine and a Bachelor of Science in Chemistry. She is also a graduate of the University of Washington, where she earned a Certificate in Orthodontic and a Masters in Dentistry. She is a member of various professional societies including the Jamaica Dental Association and the American Association of Orthodontists.

Philip Martin

Mr. Philip Martin has been a member of the Board of Directors since 1992 and was a senior partner and shareholder in Dehring Bunting and Golding Limited, now Scotia Investments Jamaica Limited. He is the Managing Director and Chief Executive Officer of Caribbean Fencing Limited, Deputy Chairman of Sportsmax Limited and International Media Content. He is an entrepreneur and business professional with years of experience in creating businesses spanning investments, media, real estate and agriculture. Mr. Martin has done several management courses at the College of Arts, Science and Technology, now The University of Technology. He serves on the boards of Caribbean Sports Marketing and Wealthy Investors Limited.

Marcel Schroder

Mr. Marcel Schroder joined Scotiabank's International Banking Division in 1998 and has served in several areas of the Company including, Marketing, Sales and Service, Sales Technology, Private Banking &Trust and International Wealth Management. He currently leads the International Asset Management department within Global Wealth Management with responsibilities of product design, product development and the Mutual Fund Business Units (both offshore and onshore).

He was appointed to the Board of Directors of Scotia Investments Jamaica Limited on May 22, 2012.

He has over 27 years of experience in the financial sector and has worked at other leading Canadian Banks and Trust Companies prior to joining Scotiabank.

Mr. Schroder obtained his Bachelor of Arts degree with a major in Economics from the University of Western Ontario, holds a Certificate in Financial Planning from the Canadian Institute of Financial Planning and is a member of the Trust Companies Institute, specializing in the areas of Mutual Funds, Financial Services and Mortgage Services.

Cathy Welling

Ms. Cathy Welling joined the board in November 2011 and was recently appointed Managing Director & Head of International Wealth & Pensions. In this role Ms. Welling is responsible for the distribution of Scotia's International Private Banking, Trust Services, Investment Management, Brokerage and Pension businesses outside Canada.

Prior roles with Scotiabank include: Managing Director & Head of Scotia Private Client Group (Canada); Managing Director Online Brokerage; and Managing Director Scotia Cassels Investment Counsel. Within these roles she has held a number of senior positions: President of Scotiatrust (Canada), Chairman of CPA Financial and she is an Executive Officer of Scotia Capital. She has also held several Director positions: Scotia Cassels Investment Counsel, Scotia Asset Management G.P., Scotiatrust (Canada), Montreal Trust, National Trust, Scotiatrust (Bahamas), CPA Securities and the WaterStreet Group Inc.

Ms. Welling holds a Bachelor of Arts degree from McMaster University, and completed the Executive Program at the Ivey School of Business, University of Western Ontario and holds the Partners, Directors and Officers certification.

Professor Stephen Vasciannie

Professor Stephen Vasciannie was the former Principal of the Normal Manley Law School. He was appointed a Director of Scotia Investments Jamaica Limited on December 14, 2006, and was a member of the Audit and Conduct Review Committee. Professor Vasciannie was a Director of Scotia Group Jamaica Limited, The Bank of Nova Scotia Jamaica Limited and Scotia Jamaica Life Insurance Company Limited.

He is a graduate of the Universities of Oxford, Cambridge and the University of the West Indies.

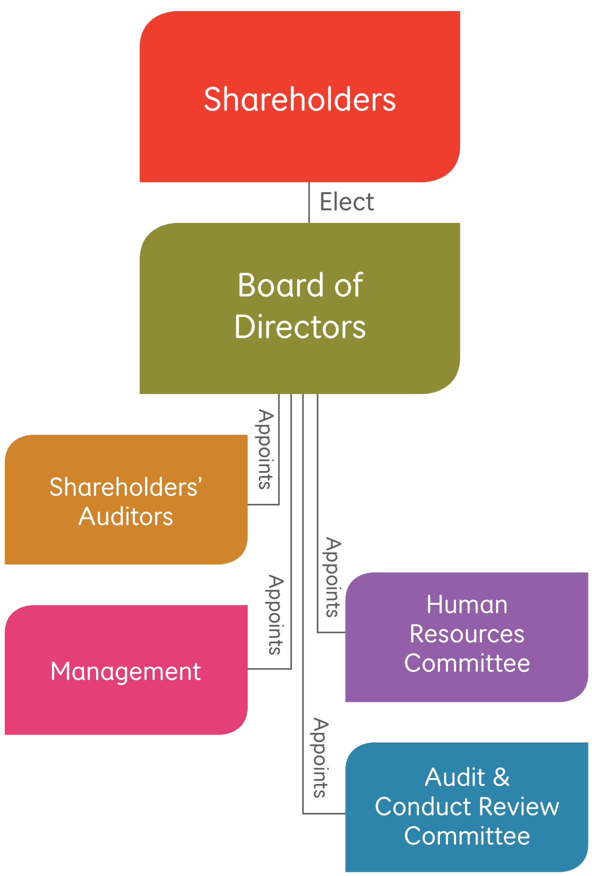
Professor Vasciannie resigned from the Board of Directors on June 11, 2012 to take up an assignment as Jamaica's Ambassador to the United States of America.


Scotia Investments*
Investing in You!
Invest Early
Time allows your investments to grow. The earlier you start to invest, the sooner you can begin to grow your investments. The decisions you make today can help you achieve your financial goals in the future.
Talk to a Scotia Investments advisor today about how you can begin Investing in You!
Find out more today.
Call 1-888-429-5745
or visit jamaica.scotiabank.com/mutualfunds
SCAN HERE

Corporate GOVERNANCE

Scotia Investments

CORPORATE GOVERNANCE STRUCTURE



INTRODUCTION

Scotia Investments Jamaica Limited (Scotia Investments) and its subsidiaries are committed to maintaining high standards of corporate governance to preserve shareholder value and confidence in the long term viability and profitability of the Company.

The Corporate Governance Policy outlines the criteria for selection of Board members, standards of business conduct and ethical behaviour, Board oversight and management, risk management, liquidity funding management and disclosure. This Policy is reviewed by the Board on an annual basis and incorporates various elements of the Private Sector Organization Code on Corporate Governance ("PSOJ Code") and in accordance with International Best Practices.

THE BOARD

As at October 31, 2012, the Board is a ten (10) member Board and the Company's Articles of Association provides the ability to increase the size of the Board. The current Directors of the Board are:

Mr. Bruce Bowen (Chairman), Mr. Lissant Mitchell (CEO), Ms. Barbara Alexander, Mr. Anthony Chang, Mrs. Angela Fowler, Mr. Jeffrey Hall, Dr. Anna Law, Mr. Philip Martin, Mr. Marcel Schroder and Ms. Cathy Welling. During the year, Professor Stephen Vasciannie resigned as the Non Executive Chairman of the Board on June 11, 2012, as he was selected to represent Jamaica as Ambassador to the United States of America, after serving as a Director of the Board of Scotia Investments for five years.

The majority of the Board is comprised of independent Directors to ensure that it is managed for the long term benefit of its stakeholders, shareholders, employees and customers. As at October 31, 2012, six (6) of the ten (10) members of the Board of Directors are non-executive independent Directors.

Under our Corporate Governance Policy, a Director is not considered independent if:

1. *The Director has been an employee of the Company within the last five years;*
2. *The Director is, or has been within the last three years, an employee or executive officer of any company within the Group or its parent company;*
3. *The Director has received or receives additional remuneration from the Company apart from a director's fee, participates in the company's share option plan or performance related pay scheme, or is a member of the Company's pension scheme;*
4. *The Director has close family ties with any of the Company's advisors, directors or senior employees;*
5. *The Director represents a significant shareholder;*
6. *The Director was a former Chief Executive Officer unless there has been a period of at least three years between ceasing employment with the Company and serving on the Board.*

BOARD SELECTION

Individuals who are selected to join our Board are considered based on the following criteria:-

- *Prominence in business, institutions and professions*
- *Integrity, honesty and the ability to generate public confidence*
- *Ability to demonstrate sound and independent business judgment*
- *Financial literacy*
- *Knowledge and appreciation of public issues and familiarity with local, national and international affairs*
- *Knowledge of the business of the Company*
- *The ability to devote sufficient time to the Board and Committee work*

The Table below highlights Independent/Non Independent Directors and their respective areas of expertise.

Board Expertise

Board Member	Independent (I)/ Non-Independent (NI)	General Management	Finance & Audit	Stategic Management	Banking	H.R. & Education	Legal
Barbara Alexander	I	√		√		√	√
Bruce Bowen	NI	√	√	√	√		
Anthony Chang	I	√	√	√			
Angela Fowler	I	√		√		√	√
Dr. Anna Law	I	√		√		√	
Philip Martin	I	√		√			
Lissant Mitchell	NI	√	√	√	√		
Cathy Welling	NI	√	√	√	√		
Marcel Schroder *	NI	√	√	√	√		
Jeffrey Hall **	I	√		√			√
Professor Stephen Vasciannie ***	I	√		√		√	√

*Appointed May 22, 2012 ** Appointed August 28, 2012 ***Resigned June 11, 2012

DUTIES AND RESPONSIBILITIES

The Board has an approved mandate which includes the following key duties and functions, some of which are delegated to sub-committees of the Board to:-

- *Develop the Company's corporate governance principles and practices;*
- *Oversee and approve the strategic direction of the Company, its succession planning and organization structure;*
- *Monitor and review the financial performance of the Company;*
- *Identify the principal business risk and review and approve key policies and practices (including credit risks, capital risk management, market risk management, investment management, liquidity and funding management) for the long term management of the Company;*
- *Oversee the integrity of the Company's internal controls and management information system; and*
- *Review the performance of executive management.*

ASSESSMENT OF DIRECTOR PERFORMANCE

The Board conducts an annual evaluation of Board performance during the year. This assessment allows individual Directors to evaluate the performance of other Directors and Chairpersons of the Board and its Committees, to comment on the operations of the Board and its Committees and on the level of information provided by Management. The results of this evaluation contribute significantly to the refinement of the corporate governance policy year-to-year.

DIRECTOR'S TENURE, RETIREMENT & APPOINTMENT

All Directors automatically retire from the Board at each Annual General Meeting after serving a term of one year. The Board may however recommend to shareholders that a Director be elected or re-elected (as the case may be) at the Annual General Meeting of the Company. The Board may appoint Directors during the year. Directors may be appointed to the Board prior to attaining the age of 70.

DIRECTOR EDUCATION

New Directors are provided with information on the Company and their duties and responsibilities and have the opportunity to meet with senior management, attend seminars and presentations on the Company's business and operations.

STANDARDS OF BUSINESS CONDUCT & ETHICAL BEHAVIOUR

Directors, officers and employees of the Company are expected to adhere to the Company's Guidelines for Business Conduct. These Guidelines outline the rules and expectations regarding proper conduct and ethical behaviour including following the law wherever the Company conducts business, avoiding conflicts of interests, honest conduct and integrity and ensuring that the Company's transactions and communications are accurate and confidential.

In addition, directors, senior management officers and their connected parties are subject to the Company's "Insider Trading Policy" which prohibits trading in the Company's securities during particular intervals and requires disclosure of all trades in the Company's securities by them or by their connected parties.

All employees and Directors of the Company are required to provide written certification of their compliance with the Company's Guidelines for Business Conduct.

DISCLOSURE

The Company is committed to providing timely, accurate and balanced disclosure of financial results, significant developments and other material information about the Company to shareholders, the Financial Services Commission and the Jamaica Stock Exchange.

BOARD COMMITTEES

The Board has two (2) established Committees; the Audit & Conduct Review Committee and the Human Resources Committee each with clearly defined terms of reference.

1. Audit & Conduct Review Committee

Members of the Audit & Conduct Review Committee are appointed by the Board which determines its terms of reference. In accordance with its terms of reference the Audit & Conduct Committee has oversight responsibility for the following areas and is reposed with the duty of critical review and recommendation to the Board, where appropriate:-

- *Reviewing the quarterly and consolidated financial statements of the Company to ensure the integrity of the Company's financial reporting, disclosures and system of internal control over financial reporting;*
- *Ensuring the Company's compliance with legal and regulatory requirements;*
- *Monitoring the Company's internal audit and external audits; and*
- *Developing and implementing policies to identify and resolve conflicts of interest which may arise from transactions conducted by the Company.*

Composition & Frequency of Meetings

The Audit & Conduct Review Committee meets quarterly and consists of five (5) independent members. The Committee members are Mr. Anthony Chang (Chair), Ms. Barbara Alexander, Mrs. Angela Fowler, Mr. Philip Martin and Mr. Jeffrey Hall.

2. The Human Resources Committee

Members of the Human Resources Committee are appointed by the Board which determines its terms of reference. This Committee has oversight for the following areas and is reposed with the responsibility of reviewing and making recommendations to the Board:-

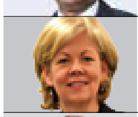
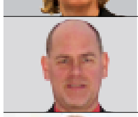
- *Compensation to be paid to Senior Executives and other Board appointed officers of the Company, the general criteria and design of the Company's incentive/bonus schemes and the basis of distribution of incentives;*
- *Review of the senior level organisational structure and staffing of the Company; and*
- *Approval of the incentive pay awarded to staff under the Company incentive/bonus scheme.*

Composition & Frequency of Meetings

The Human Resources Committee meets quarterly and consists of four (4) members. The Committee members are Ms. Barbara Alexander (Chair), Dr. Anna Law, Mr. Bruce Bowen and Mrs. Angela Fowler. Three (3) of the four (4) members of the Committee are Independent Directors.

BOARD & COMMITTEE MEETING REGISTER

The attendance of the Directors at Board, Committee and Annual General Meetings is reflected in the table below:-

		Position	AGM	Board Meeting	Audit & Conduct Review	Human Resources
	Number of Meetings for the Year		1	4	4	4
	Barbara Alexander	Non-Executive	1	4	4	4
	Bruce Bowen	Executive Chairman	1	4	-	3
	Anthony Chang	Non-Executive	1	3	3	-
	Angela Fowler	Non-Executive	0	4	3	-
	Anna Law	Non-Executive	0	4	-	4
	Philip Martin	Non-Executive	1	4	3	-
	Lissant Mitchell	Executive	1	4	-	-
	Cathy Welling	Executive	0	3	-	-
	Marcel Schroder *	Executive	-	1	-	-
	Jeffrey Hall **	Non-Executive	-	0	0	-
	Stephen Vasciannie ***	Non-Executive	1	2	-	2

*Appointed May 22, 2012 ** Appointed August 28, 2012 ***Resigned June 11, 2012

Website – The Corporate Governance Policy has been uploaded to Scotia Investment's Website at **http://www.scotiainvestments.jm.com** to provide investors and stakeholders with ready access to information on how our operations are governed.

Senior MANAGEMENT

Lissant Mitchell

CEO, Scotia Investments

As Senior Vice President of Wealth Management – Scotiabank Group, Lissant is responsible for the Group's Wealth Management Division, which includes Scotia Private Client Group and Scotia Investments, of which he is the Chief Executive Officer. With over 19 years experience in the local financial industry, he joined Scotia Investments in October 2007 as SVP Treasury & Capital Markets and was promoted to Chief Operating Officer in October 2010. He was promoted to Senior Vice President Wealth Management for the Scotiabank Group and Chief Executive Officer for Scotia Investments Jamaica Limited in November 2011. Lissant has served as the President of the Primary Dealers Association and currently sits on the Scotiabank & Scotia Investments Asset & Liability Committees, as well as the Group's Managed Funds Investment Committee. He is also a Director of Scotia Asset Management Jamaica Limited, Scotia Caribbean Income Fund, and the Jamaica Stock Exchange. Lissant holds an MBA from the University of Manchester, and a BSc in Accounting and Economics from the University of the West Indies.

Hugh Miller

SVP, Chief Operation Officer

Hugh Miller is responsible for strategically managing Scotia Investments' business and operational infrastructure which includes; Treasury & Trading, Corporate Sales & Service, Finance, Business Support as well as the company's operational projects. Subsequent to his role at Scotia Investments, Hugh was the Vice President of the Treasury Division at Scotiabank Group, and was charged with the responsibility of leading the Group's Treasury Operations, Investment and Trading activities along with the company's Foreign Exchange Trading activities. During his 18 years in the financial sector, he has held senior positions in the Stock Broking industry and the Commercial Banking sector. He joined Scotiabank in 1998 as the Manager, Securities Trading & Investments, and was later given the responsibility to oversee the company's Pensions & Asset Management unit. He holds a Bachelor of Science (B.Sc.) degree with honours in Economics (Accounting minor) from the University of the West Indies and is a Chartered Financial Analyst (CFA) Charterholder.

Berisford Grey

SVP, Origination & Capital Markets

Berisford Grey has over 10 years regional and international capital markets experience. He brings to Scotia Investments a wealth of experience in the regional markets, covering a wide range of activities, including private placements and bonds, acquisition financing, project financing, syndicated loans and international bond placements. Berisford also has significant experience in the European capital markets where he worked as an Associate at Fredell & Co. Structured Finance and originated and executed several securitization, sale and lease back, acquisition financing and asset warehousing transactions. Berisford holds an MBA (Entrepreneurial Finance) from Vlerick Leuven Management School, Belgium and an MSc. in Economics from the University of the West Indies. He has also completed Executive Leadership programme at the Wharton Business School.

Yvonne Pandohie

VP and Chief Financial Officer

Yvonne Pandohie was appointed Chief Financial Officer effective October 24, 2011. She joined Scotia Investments following her last appointment of Chief Auditor at Scotiabank; a post which she held from 2004. Yvonne has had a long and distinguishing career in Finance having worked as an external auditor prior to joining Scotiabank. She underwent advanced training in Scotiabank's Toronto offices in both the Corporate and Commercial Banking Business Unit and Audit Departments. She has also worked as Accounts Manager assigned to the Corporate & Commercial Banking Centre. Yvonne holds a MBA from Manchester Business School, is a Fellow of the Association of Chartered Certified Accountants and a Fellow of the institute of Chartered Accountants of Jamaica.

Senior Management *continued*

Vanessa Scott

VP, Sales & Service

Vanessa Scott is charged with driving the sales and delivery channel strategy of Scotia Investments and motivating her team to continue to provide exceptional service. She ensures that the team is trained and equipped to offer quality investment advice on the firm's full range of investment products. Vanessa has over twelve years banking and investment experience covering foreign exchange and fixed income trading, commercial and corporate credit loan structuring, deal origination and collections. Vanessa holds two First Class Honours degrees, one a MSc. in Marketing from the Zicklin School of Business and the other a BSc in Management Studies form the University of the West Indies.

Karl Mckenzie

VP, Business Support Group

Karl McKenzie is a career banker of 35 years, with extensive experience in operations, electronic banking services, project management and workflow processing. Karl joined Scotia Investments in August 2011 from his prior assignment of Senior Manager of Scotiabank's Business Service Centre, where he led a team of over 52 persons. In his current post, Karl is responsible for the Business Support Group which comprises Operations, Central Support Unit and Compliance. Karl holds a MBA in Financial Services from the Dalhousie University, Bachelor of Commerce in Financial Services from Nipissing University and is a Fellow of the Institute of Canadian Bankers.

Jason Morris

VP, Business Analytics, Portfolio Advisory & Product Development

Jason joined Scotia Investments in March 2010 as AVP Product Development and was promoted to VP, Business Analytics, Portfolio Advisory and Product Development in June 2012. He is a CFA charter holder with over 10 years experience in developing investment strategies for local and international capital markets. In his current role Jason is responsible for developing and managing the firm's strategic plan, executing business strategic initiatives, providing investment strategy advice to internal and external clients, developing and executing new investment product initiatives and overseeing the investment research team. Jason is a member of the Private Sector Organization of Jamaica's (PSOJ) Economic Policy Committee and is a past Director of the Statistical Institute of Jamaica (STATIN). Jason serves as a Justice of the Peace for the Parish of Kingston.

Andrea Tinker

VP, Reengineering Projects

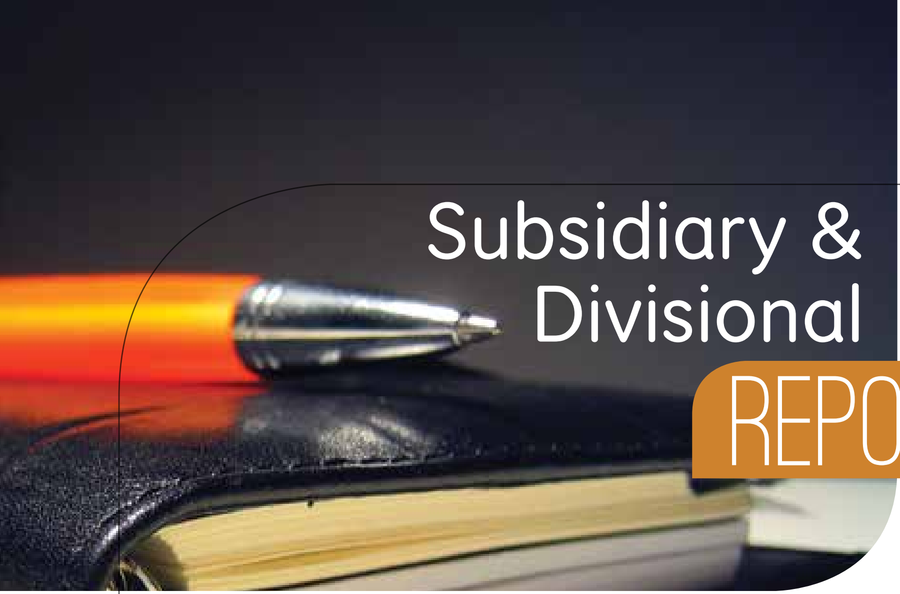
Andrea Tinker joined Scotia Investments in March 1993 and served as Chief Financial Officer for Scotia Investments for the last 6 years. In her new role, she will oversee an important system transition that will enhance the first class customer service offered at Scotia Investments.

Andrea is a member of the Association of Chartered Certified Accountants with over 20 years in the accounting profession. She is also a Director of Scotia Caribbean Income Fund.

Brian Frazer

VP, Asset Management and GM, Scotia Asset Management (Jamaica) Limited

Brian Frazer has over 14 years of experience in the financial services industry and has a wide range of experience in trading, treasury, asset management, risk management, operations and product development. In his current role of Vice President, Asset Management, Brian is responsible for developing the strategic direction and focus for the Investment Management, Corporate Trust, Mutual Funds and Unit Trust business lines. He leads an investment management team that currently manages in excess of US$800 million on behalf of Mutual Funds, corporate clients and individual investors. Brian earned an undergraduate degree in Accounting and Economics at The University of the West Indies and has received professional training in accounting, asset/liability and risk management both locally and overseas. He is a Chartered Financial Analyst (CFA) Charter holder, and a member of the CFA Institute and the CFA Society of Trinidad and Tobago. He is also a Director of the Pension Funds Association of Jamaica.



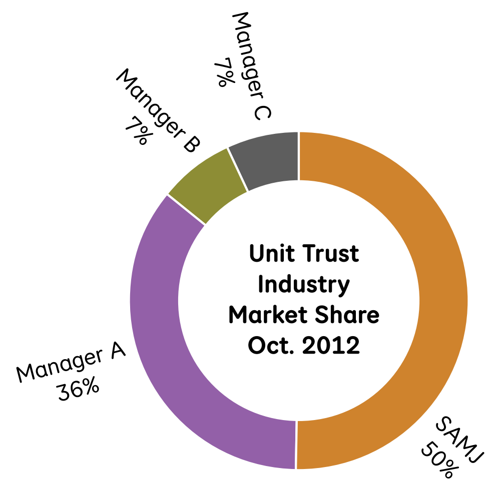
Subsidiary & Divisional REPORTS

SCOTIA ASSET MANAGEMENT (JAMAICA) LIMITED

During the year, Scotia Asset Management (Jamaica) Limited (SAMJ) successfully completed the conversion of all of its Unit Trust products to a single international platform. This platform will ultimately improve the company's operational efficiencies and offer increased benefits to investors in the Unit Trust Funds. The year-end also marks the one-year anniversary since the launch of the Scotia Premium Money Market Fund, which through consistent and strategic advertising, combined with good fund performance, has increased by $1.3 billion to $1.4 billion.

With the regulatory changes introduced in the last two years and impending changes to the Collective Investment Schemes (CIS) regulation, the Unit Trust industry experienced a number of strategic transformations during the year, which included product development, as well as merger and acquisition activities. This resulted in the total number of Unit Trust Funds in the industry increasing from thirteen (13) to eighteen (18), thereby fostering the growth of the market by approximately 36%.

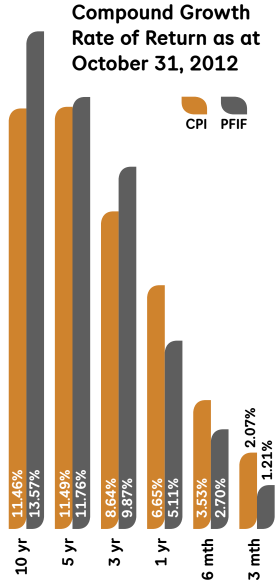
As at October 31, 2012, the Unit Trust Industry stood at J$42.98 billion with SAMJ controlling 50%, with Assets Under Management (AUM) of $21.6 billion compared to $20 billion as at the end of October 2011. During the fiscal year, SAMJ contributed $315 million to the revenues of Scotia Investments Jamaica Limited compared to $289 million the previous year.



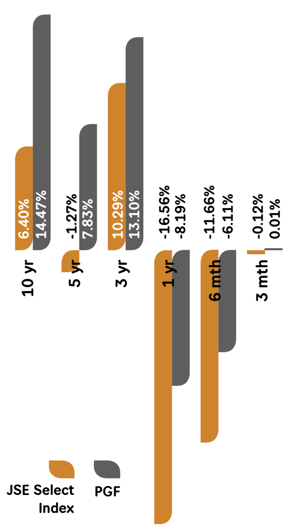
Scotia Premium Money Market Fund (SPMMF)

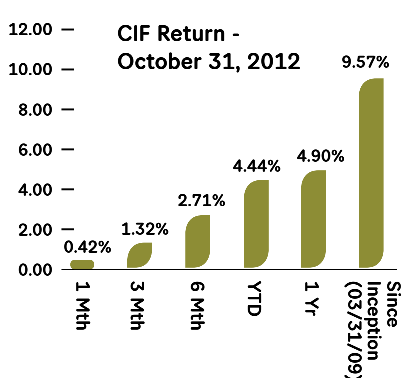
The Scotia Premium Money Market Fund was launched in October 2011, and after one year of subscription to the public, the Net Asset Value (NAV) stood at $1.4 billion as at October 31, 2012. SPMMF is the first Money Market Unit Trust Fund of its type offered in Jamaica with attractive features that include no lock-up period, no encashment fee, quarterly cash flow and safety of capital. The Fund's NAV per share remains at its original issue price of $100. Accordingly, the return to investors is through the Fund's dividend yield, which was 5.11% for the 12 month ended September 2012.

Compound Growth Rate of Return as at October 31, 2012



Compound Growth Rate of Return as at October 31, 2012





Scotia Premium Fixed Income Fund (SPFIF)

The Scotia Premium Fixed Income Fund had a Net Asset Value of $18.3 billion as at October 31, 2012, maintaining its dominance as the largest Unit Trust Fund in Jamaica. Moreover, the Fund accounted for 56% of the $33 billion Fixed Income Unit Trust market.

During the year, the Fixed Income market proved challenging to generate returns that exceeded inflation as market rates registered a significant increase, as much as 200 basis points, resulting in the erosion of some of the increase in market value of the assets in the Fund. While the upward pressure on market rates was expected and the Fund Managers employed strategies to temper its effects, the return on the Fund was still impacted. Accordingly, the Fund's 12 month return and calendar year-to-date returns were 5.11% and 4.20%, respectively, whilst inflation for the corresponding periods were 6.65% and 5.27%, respectively.

Scotia Premium Growth Fund (SPGF)

The Scotia Premium Growth Fund stood at $1.8 billion as at October 31, 2012, representing 36% of the $5 billion Equity-based Unit Trust market.

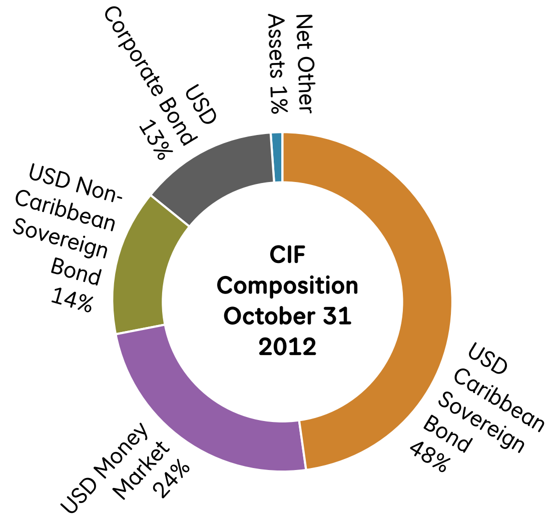
During the period, investor confidence deteriorated amidst concerns about the state of the local economy. This led to a lack lustre performance of the local stock market and resulted in declines in all Equity-based Unit Trust Funds. While this allowed the Fund Managers to take advantage of significant under-valuations in certain stocks, the SPGF registered a 12 month return of -8.19% and a calendar year-to-date return of -9.16%. These returns compare favourably to the returns of the JSE Select Index of -16.56% and -16.08%, respectively.

Scotia Caribbean Income Fund (SCIF)

Scotia Caribbean Income Fund is still the only Mutual Fund of its kind being offered to the public in Jamaica with Net Asset Value (NAV) of US$64 million as at October 31, 2012. Despite the reductions in inflows to the Fund, it grew by 4% when compared to its NAV of US$61 million as at October 31, 2011 and has recorded a tax-free return of 4.90%, constituted by a dividend yield of 2.07% and a capital gain of 2.83%.

Investors adopted a more cautious approach during the year because of the prolonged resolution of the European sovereign debt crisis and the impact that it would likely have on emerging markets and other economies. Economic data in the developed markets also suggested that the global economic recovery would be longer than expected. This resulted in lower inflows to the Fund during the year when compared to 2011. In light of the lingering uncertainties, the Fund Manager maintained its investment strategy to overweight in cash to minimize risk to shareholders.

The Fund continues to provide investors with a consistent and stable tax-free income stream and during the year shareholders received quarterly distributions totalling US$0.07567. This is consistent with the Fund's investment objectives which our Fund Managers will continue to pursue within the framework of diversifying the portfolio, as well as providing attractive growth potential for shareholders.



SCOTIA INVESTMENTS ASSET MANAGEMENT DIVISION

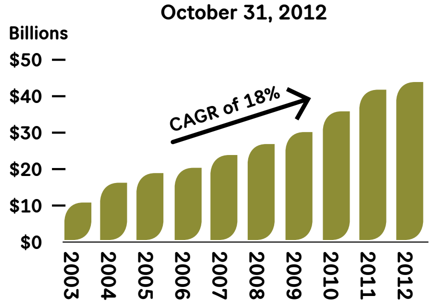
Investment Management Services

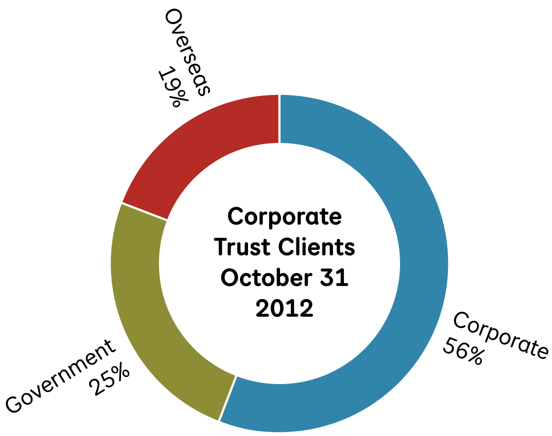
The Asset Management Unit (AMU) had funds under management of $46.1 billion as at October 31, 2012, a growth of 3.6% compared to the $44.5 billion under management at the end of the previous year. Pension funds grew to $45.7 billion while foundations, personal trust and investment management accounts amounted to $457.3 million.

The challenging economic conditions during the year had a significant impact on the market values of the funds under management. With the uncertainties surrounding the December 2011 general elections and the Government's difficult fiscal situation, investors demanded higher interest rates on Treasury Bills and government instruments though interest rates on benchmark Bank of Jamaica Certificates of Deposit were held constant. In anticipation of increase in interest rates, we implemented strategies to minimize the impact of decline in value of the fixed income portfolios. The stock market also grappled with lower confidence levels as investors awaited a new IMF Agreement resulting in declines in all Indices. This also negatively affected our funds under management, however our core strategy of holding fundamentally strong stocks enabled us to outperform the benchmark JSE Select Index during the period.

Revenues from investment management as at October 31, 2012 contributed $163 million to the overall revenues of Scotia Investments Jamaica limited. This represents a 3.7% increase compared to prior year revenues. The Unit will continue its focus on growing revenues by expanding its investment management services and exploring additional product offerings to support and/ or complement our existing services.

SIJL Growth of Pension Funds Under Management
October 31, 2012

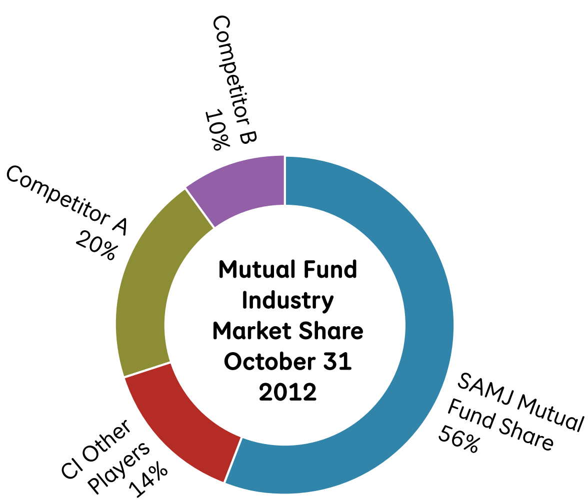




Corporate Trust

The Corporate Trust division was involved in a number of Capital Markets' deals this year. This additional business enabled the division to significantly increase its footprint in the Corporate Trust market and expand our client base.

The unit has J$4.86 billion in Assets Under Administration (AUA) from which it generated revenues of J$31.3 million. The Corporate Trust business is ideally positioned for further growth in the new financial year as we will continue to leverage the strong international brand, our expertise in escrow and administrative agent services to increase our client base.



Mutual Funds

Investors continue to have access to the largest selection of Mutual Fund offerings in the market through Scotia Investments Jamaica Limited (SIJL). SIJL maintains its dominance in this product segment with a market share of 56% of the mutual fund market in Jamaica (as at October 2012). The Funds (excluding the Caribbean Income Fund) have a net asset value in excess of US$33.2 million (as at October 2012). Whilst SIJL maintains its dominance in the local mutual fund market, there was lower than expected sales generated during the year due to negative impact of the political uncertainties and economic challenges faced by the United States and the Eurozone.

However, with concerns about the pace of the depreciation of the local currency against the US dollar, investors have been increasing their portfolios exposure to US dollar as a hedge against further depreciation. In light of the fact that our suite of Mutual Fund products are denominated in US dollars, it has renewed investors' interest and as such, we have seen an increase in sales during the latter part of the financial year. We continue to emphasize the importance of diversification to investors, which can be gained through the addition of Mutual Funds to their portfolios.

BUSINESS ANALYTICS, PORTFOLIO ADVISORY AND PRODUCT DEVELOPMENT

The Unit, formerly known as Strategic Planning, Projects and Product Development was re-organized to focus on Business Analytics, Portfolio Advisory Services and Product Development. The re-organized unit is now more closely aligned with the firm's overall strategic business objectives. The Unit's main responsibilities revolve around leading the firm's strategic planning process and developing, prioritizing, managing and executing strategic business initiatives. It is also responsible for providing research, insights and recommendations on financial markets. Finally, the unit is responsible for creating new investment fund products, expanding the range of brokerage products and providing advisory services for corporate clients who want exposure to international capital markets.

Over the past year, we have optimized the firm's business strategy in line with the medium-term outlook for the business environment, by introducing new tools to the strategic planning process. This is an ongoing process and we are confident that SIJL has a robust strategic framework and business model that will allow it to respond to changing market dynamics, while exploring new opportunities to achieve its strategic business objectives.

The major initiative the unit embarked on this past year was the recent launch of a local portfolio advisory service called the Portfolio Advisory Group (PAG). This service provides advice on investment strategy, cutting edge insights, fixed income and equity research designed for high net-worth and corporate clients seeking exposure to international markets. We also provide portfolio advisory services and customized asset allocation for corporate clients via the Asset Management Unit.

The local PAG leverages Scotiabank's Global Portfolio Advisory Group (GPAG) which has footprints in Canada, the United States and Latin America with experts on the ground in each region available to provide advice to clients covering regional and international markets by utilizing its global network. As such, we are better able to provide cutting edge insights into local, regional and international fixed income and equity markets directly from experts on the ground in these markets, rather than relying totally on third party information.

As a direct result of the PAG, we expanded the range of fixed income brokerage products offered to clients.

The PAG coverage of international markets, in combination with our formal econometric models and statistical techniques

Over the past year we have optimized the firm's business strategy… by introducing new tools to the strategic planning process.

used to evaluate the Jamaican economy continues to set us apart from the competition by providing our clients with unrivalled value-added insights and services. With regards to local insights, our local equity analysts, Gail Ansine and Najja Daley, won two of the three quarterly Jamaica Stock Exchange Analyst competitions for the current fiscal year.

Finally, Product Development remains a major strategic focus of the unit. In keeping with SIJL's objective to focus on off balance sheet products, we are working on a number of initiatives to broaden the product range for our clients in the coming year, which will give clients more unique options to tailor their investments to meet their respective risk appetites.

We are pleased to report that SJIL continued to be a dominant player in money market activities.

TREASURY & TRADING

The Treasury & Trading unit delivered another year of solid performance in 2012 despite the challenging market environment. The team executed trades for our clients in both the local and regional markets and in so doing, we were able to meet our clients' goals and objectives within their prescribed risk/reward framework. Our continued focus on client intimacy and service delivery during the year was a key success factor in our performance and this was evident in our four main trading lines. Our in-depth knowledge of the market coupled with our prudent risk management enabled us to navigate the changing landscape and to take full advantage of opportunities when they occurred.

We are pleased to report that SIJL continued to be a dominant player in money market activities. Our Primary Dealer Index Score, according to the Bank of Jamaica (BOJ), was among the highest in the industry, highlighting our continued role, in supporting the BOJ Open Market Operations and Government of Jamaica (GOJ) Primary Market offerings. Our Securities trading operations was centered on the firm's key off balance sheet strategy. We also increased our trading activites in the global markets; more so in the emerging and frontier markets. As a result, we were able to create wealth for our clients and diversify their revenue streams, utilizing our international reach and capabilities. Our decision to streamline the business into corporate and retail trading was another success story during the year as we were able to provide tailored trading solutions to each segment. This has set the platform for more innovative trading solutions as we seek to expand the universe of traded securities to include assets from Europe and Asia for the coming financial year.

The Equities trading business line continues to generate good revenues for the firm. We have identified this business line as a growth area for 2013 despite the bearish outlook. We continue to pride ourselves as being among the leading brokerage houses in making markets in locally issued stocks, however we believe our clients will also benefit immensely from exposure to globally traded issues. To this end, we will seek to leverage our Scotia International footprint, thereby providing our clients with the opportunity to diversify their portfolio allocations and revenue streams.

Trading in Foreign Exchange was another area of success, due to our renewed thrust on client delivery. We maintained our focus of providing our retail and corporate clients with personalized service in satisfying their foreign exchange needs especially in an environment of increased demand and lower levels of supply during the year.

...during the year the Unit trust portfolio was migrated to a new, more efficient system.

BUSINESS SUPPORT UNIT

Business Support

During 2011/2102 the department's major focus was on improving the internal efficiency of the department and company and to improve the processes. As a result, during the year the Unit Trust portfolios were migrated to a new, more efficient system. The department also embarked on a client records initiative (CIF clean-up project), wherein the records for our clients were updated. This project was done with two goals in mind, one to ensure we had the correct addresses and personal information of our clients as well as to prepare for the migration of data in our system conversion exercises.

Facilities

The Unit continues to ensure that both internal and external clients are safe. As a result, the primary areas of focus during the year were to ensure that the facilities were adequately maintained and that they were safe and comfortable. Several areas within the company were refurbished; these include Montego Bay branch, Finance, Asset Management and Operation Support and the Compliance work area.

The Business Continuity Plans were reviewed and revamped to ensure that Scotia Investments is adequately prepared in the event of a disaster.

The Unit continues to... ensure that there is compliance both with the regulatory requirements as well as Scotiabank's policies and procedures.

Compliance

The department continues to ensure that there is full compliance with laws and regulations. A new senior manager was employed during the year to support the expansion of the Asset Management business as well as Capital Markets. The Compliance Unit continues to undertake regular reviews of risk controls and procedures, client suitability and trade suitability to ensure that there is compliance both with the regulatory requirements as well as Scotiabank's policies and procedures.

HUMAN RESOURCES

At Scotia Investments Jamaica Limited, the Human Resources team ensures that effective methods of goal setting, communication and empowerment through responsibility, are combined to build employee ownership of the organization. Scotia Investment's organizational culture and climate provide an enabling environment which ensures that our team members have the behavioral and technical competencies along with the commitment to serve our internal and external customers.

The Human Resource Department supports the organization by managing a range of activities which includes rewards and recognition, performance management, employee career development, and succession planning. The Department's main focus during 2012 included the further leveraging of the support provided by the Scotiabank Group's Human Resource Division, while concurrently improving the internal service provided to the Scotia Investments family of employees.

CAPITAL MARKETS UNIT

Insight, Innovation, Execution

Our Capital Markets Unit is part of the Caribbean Capital Markets Group which covers the English Speaking Caribbean from Jamaica to Trinidad. The Capital Markets Unit seeks to satisfy the financing needs of our large corporates, governments and investor clients by offering them innovative financing solutions with unmatched dedication to execution and superior service. SIJL Capital Markets leverages the strong local, regional and international capabilities of the

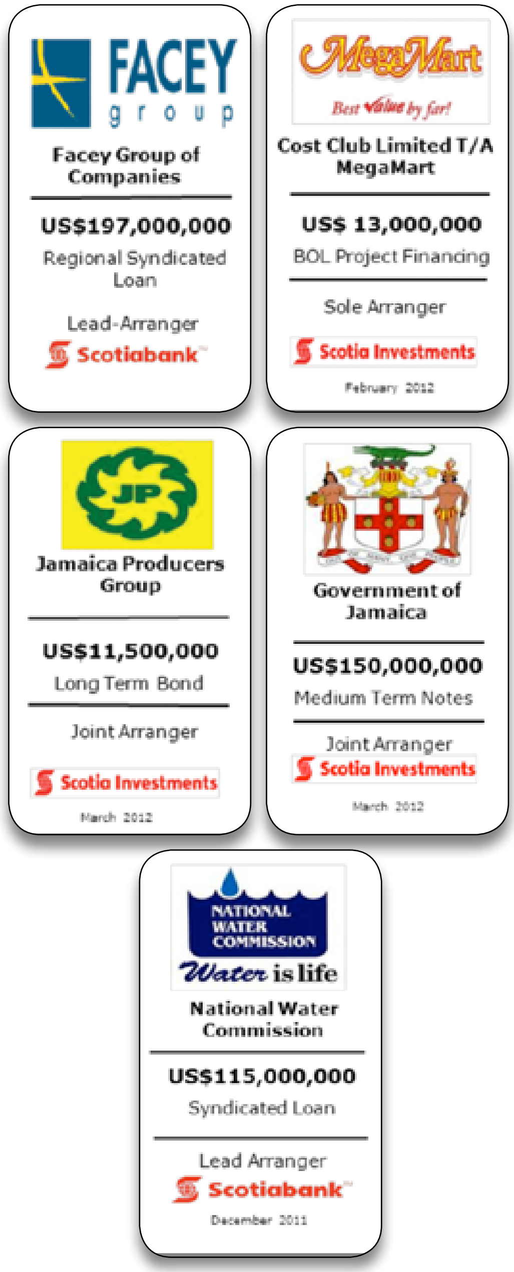
Scotia Group to ensure that our clients have access to leading investment banking expertise and the international capital markets; a wide spectrum of financing possibilities, strong balance sheet and cutting-edge products.

The fiscal year ending October 2012 represented the second year of operations of our Capital Markets business. During the year, the Unit was able to successfully close approximately US$ 500 million in transactions. These also included a wide cross-section of fund raising activities: syndicated loans (with Scotiabank Corporate Banking Team), local Notes Offering (US$ & J$) and structured financing solutions (Build Own Lease Financing). The wide spectrum of solutions offered to our clients illustrates the depth of expertise, dedication to innovation and unmatched execution platform that characterizes our Capital Markets business. Highlighted at right are some of the key transactions executed during the fiscal year:

- ***Syndicated Loans:*** *The Facey and NWC deals represent actualization of a key strategic imperative to collaborate with Scotiabank's Corporate Team to deliver a strong value proposition to our corporate banking clients in Jamaica and throughout the region.*
- ***Build-Own-Lease Structures:*** *The MegaMart transaction demonstrates our financial engineering capability and creativity which is unmatched in the local market. Innovative solutions such as these are the key pillars of our capital markets value proposition to issuers and investors.*
- ***Jamaican Dollar and US Dollar Notes/Bond Offering:*** *The execution of Notes for GOJ, Jamaica Producers, and other clients represent our efforts to drive the development of the local debt capital markets by encouraging more corporates to raising financing by bonds issues and other debt instruments.*

In addition to the successes mentioned above, the Unit also achieved a satisfactory internal audit and is working to implement the suggestions to improve governance coming out of the audit review. To strengthen the resources of the Unit, a Senior Manager Capital Markets was hired in March of this year.

Despite the current economic challenges which will lead to low demand for large projects-financing in Jamaica, the Capital Markets Unit continues to build its pipeline, execute innovative transactions and strives to establish its reputation as a leader in the Jamaica debt capital markets.



FINANCE UNIT

Throughout 2012, the Finance Unit continued to effectively carry out its mandate of ensuring the integrity of financial reporting and compliance with all financial, management and regulatory reporting requirements.

The dynamic changes which took place in our operating environment throughout the year made our role even more critical in monitoring periodic results against budget, as we sought to aid management in making timely and successful strategic decisions.

As we look ahead to 2013, we will continue to focus on improving the efficiency and effectiveness of our financial reporting processes to support the Group's growth objectives and new product lines.

SALES & SERVICE UNIT

We launched the 2012 financial year with a Sales Retreat entitled **"New Year, New You."** The retreat challenged sales team members to hone their skills and invest in themselves, especially given the demanding financial environment. We launched the Chairman's Club recognition program, which at the close of 2012, saw it's first six inductees, who embody excellence and passion in becoming their clients' most trusted financial advisors.

Throughout the year, against the backdrop of a very challenging financial market, team members benefited from on-going training in our suite of products, investment strategies, Portfolio Advisory Group conferences, as well as accreditation to sell our Scotiabank Mutual Funds. The team delivered a very credible performance, growing our recently launched Scotia Premium Money Market Fund to over $1.4 billion by the end of the year.

We extended use of our training and accreditation plan, finalized in 2011, to the recruitment and training of new team members. Our team members benefited from workshops led by our International Wealth Management team which focused on proprietary sales tools, as well as other courses to enhance the skill sets of some team members. In many instances, we were able to facilitate client interaction with the Scotia Asset Management fund managers, the Portfolio Advisory Group

(SIJL) and the International Products Group (IWM), bringing to bear the full competencies of the Scotiabank Group to our clients' portfolios.

Our advisory based approach to investing was extended to our clients and the public at large through a financial literacy campaign called **"Investing In You"**, to educate consumers, using four underlying principles for investing - Start Early, Invest Regularly, Continue to Invest and Diversify.

This year, we continued the quarterly feedback survey from our clients, as well as on-going action planning to improve survey results. Additionally, we launched a monthly feedback tool for some of our higher traffic branches in order to provide more timely feedback to the team on ways to improve on the customer experience.

We continued our Service Stars program, aimed at recognizing and rewarding members who go above and beyond. We also revamped the Eclipse Reward and Recognition program to include awards for service. At the branch level, team members worked with their Scotiabank group peers and developed robust reward and recognition programs for those teams who referred clients with an investment need to SIJL.

The New IFDS platform represents first world standards for fund processing and will ensure that we are able to offer new services to our clients who invest in our Unit Trust Funds.

Corporate PROFILE

Scotia Investments Jamaica Limited continues to offer the widest array of wealth management products and services which includes:

- **Unit Trust and Mutual Funds (including US and Canadian dollar Mutual Funds)**
- **Stockbrokerage & Equity Trading Service**
- **Capital Market Services**
- **Pension & Asset Management Services**
- **Money Market Investment Products**
- **Trust Services**
- **Cambio Services**

As the market leader in asset management services, Scotia Investments collectively has 50.2% of the Unit Trust market as a result of our high performance Funds: the Scotia Caribbean Income Fund, the Scotia Premium Fixed Income Fund, the Scotia Premium Growth Fund and the Scotia Premium Money Market Fund our newest Fund on the market.

The senior management team led by our Chief Executive Officer and an experienced Board of Directors provide strategic direction and ensure that the highest standards of business practices are observed. At Scotia Investments our talented team of professionals continuously receive comprehensive training and deliver our suite of products and services to build our customers' financial portfolio. Our Investment advisors are accredited both locally and internationally by the Financial Services Commission and the Canadian Securities Institute respectively.

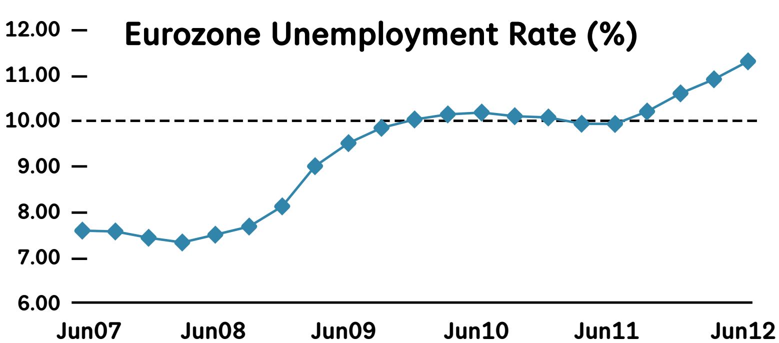
Scotia Investments continues to dedicate its resources to providing a satisfying customer experience through our four main branches, one sub branch and Investment Advisors positioned in 32 Scotiabank locations. This commitment to serving our customers is also available via other delivery channels such as our website and our Wealth Contact Centre which readily provide customers with information on a daily basis.

2012 YEAR IN REVIEW

THE INTERNATIONAL MARKET

Global markets continued to be affected by the ongoing Eurozone crisis in financial year 2012, with Greece, Spain and Italy faced by large budget deficits, unsustainable debt burdens, economic contraction and youth unemployment rates north of a staggering 30%. As a result, government borrowing costs soared to unsustainable levels for some Eurozone countries amid mounting fears of Greece exiting from the Eurozone during the first half of the fiscal year.

As various attempts by the European Central Bank (ECB) and lack of policy cohesion among Eurozone policy makers failed to lower borrowing costs to sustainable levels during the fiscal first half, Greece was eventually forced to restructure its debt in June and apply for a second bailout package in as many years. As the Eurozone crisis dragged on, its impact was felt right across the world, from China and the BRIC countries to the USA and emerging markets.

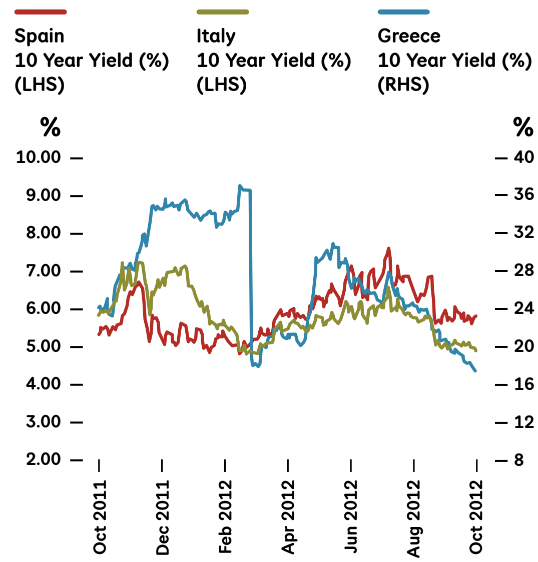


Source: Bloomberg

Heading into the second half of the fiscal year, Eurozone contraction and a generally weak global economy resulted in a deceleration of Chinese growth to below 8%, the lowest in more than a decade. Emerging market countries, especially commodity producers also saw a deceleration in growth, while the US saw below trend growth and weak employment levels. The US was also faced with the uncertainty of a "fiscal cliff" due to gridlock among US lawmakers, with expiring tax breaks and automatic spending cuts to take effect at the start of 2013. As a result, many businesses chose to defer hiring and capital expenditure decisions, resulting in further weakness in employment levels.

As we entered the fourth quarter of the fiscal year the most powerful global central banks were stirred into action in an attempt to save the global economy. First, the European Central Bank announced an unlimited sterilized bond buying program to reduce Eurozone borrowing costs during the first week of September. The following week the US Federal Reserve announced an unlimited asset purchase program of US$40 billion per month and extended its pledge to keep interest rates low until at least 2015. A week and a half later, Japan expanded its bond asset purchase program.

While markets celebrate another round of cheap money that will likely create a floor under asset prices, it remains to be seen whether this will be the panacea for global markets, given already record low interest rates.

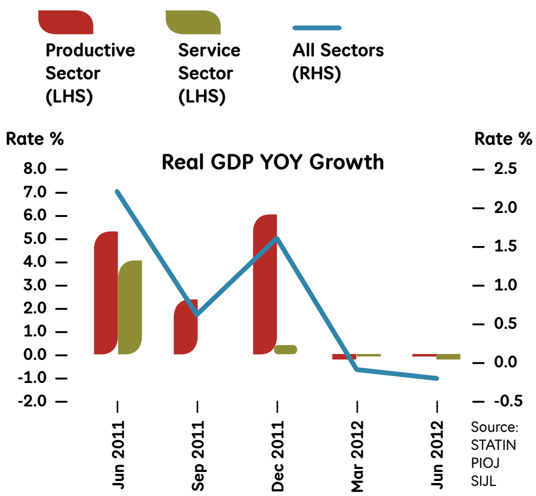


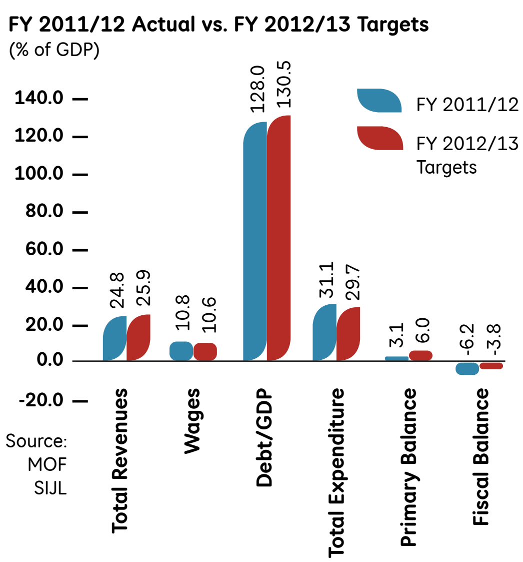
THE JAMAICAN MARKET

Political Environment and IMF Agreement

The start of the fiscal year was characterized by a general election, which resulted in a change of administration and a new Prime Minister, followed closely by local government elections which also saw a change of administration.

The new administration's central focus was to prepare and deliver a new budget for the 2012/13 fiscal year and prepare to negotiate a new agreement with the International Monetary Fund (IMF), as the previous deal had been in abeyance for some time. A new IMF deal is critical to Jamaica's future and centers around a credible medium term program to balance the budget by 2015/16 and reduce the country's debt burden to 100% of Gross Domestic Product (GDP) within the same time frame. The policy reform area of a new deal focuses on tax reform, pension





reform and public sector reform, all three of which, albeit challenging, will be critical to Jamaica's economic fortune over the medium term. The Government began negotiations with the IMF in September, with the hope to conclude a new deal as soon as possible.

Gross Domestic Product (GDP)

The local economy failed to maintain the economic momentum which ensued over calendar 2011 when real GDP advanced 1.3% to record the first year of positive growth since the recession of 2008. At the turn of calendar year 2012, real GDP amounted -0.1% and -0.2% for the first and second quarters respectively. This resulted from weak performances in the Goods Producing and Services industries which both posted first half declines.

For the Goods Producing sector, Agriculture has recorded a stellar first half performance bolstered by more favourable weather conditions and continued government support in the areas of marketing, irrigation and extension services. Mining posted the biggest declines on the heels of lower bauxite and alumina production resulting from operational issues at one alumina refinery. Similarly, Construction and Manufacturing reflected weaknesses on all fronts. The Hotels and Restaurants sub-sector remains the bellwether for the Services industry, recording the only meaningful advance.

Economic growth is anticipated to remain subdued for 2013 hurt by the deteriorating global economic landscape. Furthermore, the anticipated reduction in public consumption from a new IMF agreement could also constrain future economic potential.

Fiscal Accounts

Central government's fiscal position reflected marked deterioration for FY 2011/12. The primary balance declined to 3.1% from the 4.5% for the previous year. This ensued from a weak showing on the revenue front with tax revenue growing at 3.6%, its lowest rate in two decades. The fiscal balance saw no improvement, remaining at -6.2% but fell short of the budgeted -4.6%.

In a move to put the debt on a sustainably downward trajectory and secure a deal with the IMF, the new government has carved this fiscal year's budget targeting a primary balance of 6.0% of GDP. To achieve this, a tax package totaling J$19.4 billion was implemented among other revenue measures coupled with significant expenditure restraint.

Nonetheless, for the first four months of FY 2012/13 data out of the Ministry of Finance (MOF) showed the primary balance trailing plan by J$0.5 billion and resulted primarily from relatively weaker than anticipated growth in tax revenue. Despite the fact that most tax measures would have already been effective, tax collection which accounts for 90% of Central Government revenue grew at a slower pace of 5.5% versus the 6.3% budgeted and the 8.1% for the similar period last year. Interestingly, growth in tax revenue continues to trend below the projected 15.8% required to meet the 6% primary balance target for the fiscal year 2012/13. More positively though, the fiscal balance for the period outperform planned numbers by J$2.2 billion as all expenditure items fell below their budgeted numbers. Year-to-date, total expenditure is better than budget by J$4.2 billion.

With the growth in tax revenue for the past twelve months running at 2.6% year-over-year as at August 2012, reaching the desired 15.8% could prove challenging given the current economic landscape. In light of this, the government is therefore likely to implement significant expenditure restraint. However, cuts to productive primary expenditure items could affect revenue collections thereby pushing the government further away from its target. The government may therefore need further revenue measures that have negligible effect on domestic demand.

Inflation

For the financial year under review, movements in monthly headline inflation levels were dominated by variation in food and utility costs. The first three months of the year saw headline inflation constant at 0.4% before doubling to 0.8% in February 2012 on the heels of rising oil prices fueled by mounting geopolitical tensions. Subsequent to that, inflation fluctuated between a band of 0.6% and 0.5% up to June 2012. However, lower mobile call rates resulted in a negative inflation print of -0.3% for the month of July, the lowest since February 2011.

As at August 2012, all inflation measures treaded lower than the comparable period of 2011. Calendar year-to-date inflation stood at 3.3% marginally below the 3.9% for the similar period of the previous year while fiscal year-to-date inflation amounted to 1.6%, well below the 3.6% for 2011. Point-to-point headline inflation amounted to 5.4% against the 7.7% inflation rate for the analogous period last year.

The mounting geopolitical tension between Israel and Iran presents upside risk to domestic prices given the possible consequence a confrontation poses for oil prices. Also, food inflation is expected to continue trending higher near term due to the lag effect of supply shortages of key commodities from the recent drought in the US mid west. This is exacerbated by the continued monetary easing by major world Central Banks which is likely to drive funds into high yielding commodity contracts causing prices to rise further.

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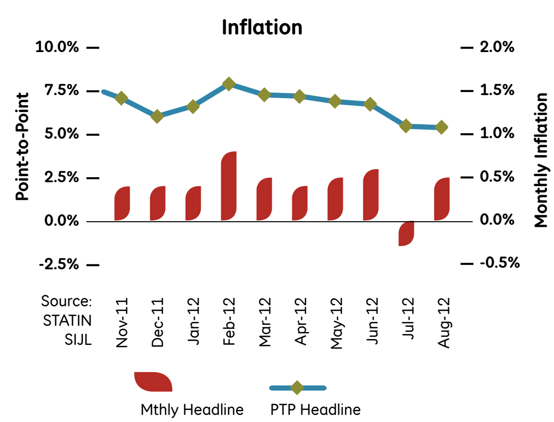
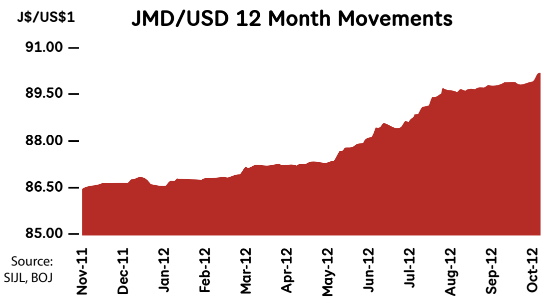


Foreign Exchange

For the period November 1, 2011 to October 9, 2012, the Jamaican dollar lost 4.31% of its value or J$3.73 to its US dollar counterpart. The Jamaican dollar closed the period at an average selling rate of J$90.33/US$1. For the first half of the financial year under review, the local currency experienced mild depreciation averaging 0.16% monthly. Subsequent to that, the Jamaican dollar came under significant pressure with average monthly depreciation reaching 0.89% for the three months May to July. However, the pace of depreciation then slowed to 0.14% for August. This has protracted into October with month-to-date depreciation of 0.44%.

The Bank of Jamaica (BOJ) intervened in the foreign exchange market on numerous occasions due to strong demands for the US dollar resulting in the Net International Reserve (NIR) declining by US$ 774.36 million to reach US$1.26 billion as at the end of September 2012. At current levels, the NIR is adequate to finance 14.13 weeks of goods and services imports, nearing the international benchmark of 12 weeks.

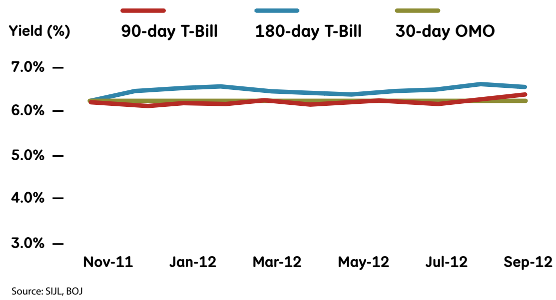


For the period, the local currency lost versus the British Pound, depreciating by 4.66% or J$6.46. Similarly, the Jamaican dollar lost 6.82% or J$5.90 to the Canadian dollar as the exchange rate moved from J$86.48 at November 1, 2011 to $92.38 at the end of the period.

Exchange Rates - JAD	November 1, 2011	October 9, 2012	% Change
POUND	138.63	145.09	4.66%
CAD	86.48	92.38	6.82%

The future trajectory of the JMD/USD currency pair hinges primarily on how soon the government can ink a new deal with the IMF.

Domestic Money Market



The period under review saw no rate action from the BOJ. The Central Bank maintained its OMO interest rate at 6.25% due to significant upside inflation risks induced by higher energy prices in addition to increased pressure on the local currency emanating partly from uncertainty surrounding a new IMF agreement.

However, market-determined interest rates inched higher for the period. The average yield on the 90-day Treasury bill (T-bill) tenor commenced the period at 6.22% showing mild fluctuation throughout to reach 6.36% as at September 2012. Similarly, the 180-day inched higher by 30 basis points to finish the period at 6.57%.

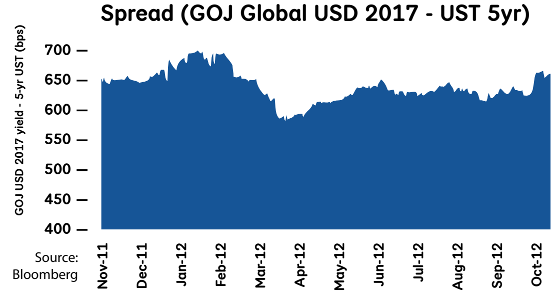
The prolonged IMF negotiations and the likely impact for the stability of the Jamaica dollar presents future upside risks to domestic interest rates. On the other hand, downward movements in interest rates are constrained by near term inflationary pressures.

Global Bond Market

Negative investor sentiments driven by the ongoing debt crisis in the Euro zone in addition to concerns regarding Jamaica's ability to secure a new deal with the IMF continue to bear on the global bond market. For the period, there were slight upward movements in the prices on the shorter duration bonds reflecting investors' preference to stay on the shorter end of the bond curve. On the other hand, longer duration bonds saw marginal decline in prices.

The intensification of the sovereign debt crisis in the Euro zone and the resultant fear generated will continue to fuel a general pull back from investors, thereby suppressing bond prices. Therefore, future sustained recovery in bond prices hinges on a resolution to the sovereign debt quandary that Europe now grapples with.

Spread (GOJ Global USD 2017 - UST 5yr)



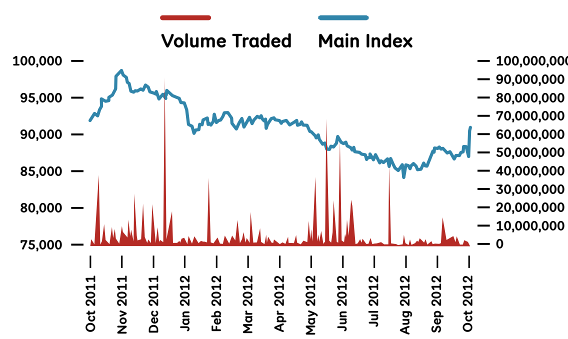
Source: Bloomberg

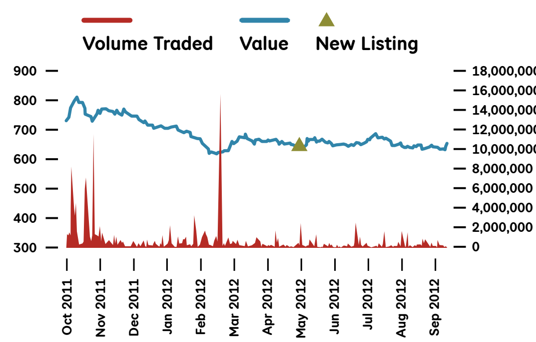
Stock Market

For the financial year, the Jamaica Stock Exchange (JSE) Main Index registered a 7.39% decline. Movement in the main index came amidst a very challenging economic environment. Notwithstanding historically low interest rates, the JSE Main Market underwent significant downward pressure due mainly to investor reticence created by the inability of the government to finalize an agreement with the IMF.

The JSE Junior Market also fell, reversing the stellar performance it posted in the prior year to decline by 11.1% to end at 650.64 points. There was one new entrant to the Junior Market during the year.

For the next financial year we expect the finalization of an agreement with the IMF to be a huge determinant of the performance of the stock market. The outlook for the economy spells potential challenges for many of the listed companies and may result in decreased profitability for the market which could further pressure stock prices. The Junior Market, although facing a similar threat, may potentially outperform the Main index as a number of new listings come to market and help to push up the overall index.





Chairman's CLUB

In 2011, the Chairman's Club was launched. Sponsored by the then Chairman, Professor Stephen Vaccianne, the club recognizes excellence in sales performance. Inductees into the club must demonstrate a keen understanding of the investment strategies needed to develop client portfolios and must maintain professional standards in customer experience and operational risk control. They are role models among their peers and lead the pack in the achievement of their sales targets.

Our current Chairman, Mr. Bruce Bowen, is pleased to welcome the following sales team members to the 2011-2012 cohort of the Chairman's club:

Jillian Evans
Senior Investment Advisor, Signature Investments.

Kenisha Dwyer-Powell
Investment Advisor, Mandeville Branch.

Odeon Wilmot
Senior Investment Advisor, Montego Bay Branch.

Odessah Wade
Investment Advisor, Kingston Branch.

Paula Brown
Financial Advisor, Scotia Private Client Group.

Richard Bertram
Financial Advisor, Scotia Private Client Group.

ECLIPSE AWARDS 2012

The Eclipse Awards is a reward and recognition programme designed to recognize sales and support team members on a quarterly and annual basis for outstanding performance in sales, service and support. We congratulate the 2011-2012 winners:

1. **ECLIPSE SALES PERSON OF THE YEAR**
   Kenisha Dwyer-Powell, Investment Advisor, Mandeville Branch.
2. **ECLIPSE SERVICE PERSON OF THE YEAR**
   Denise Jones, Relationship Officer, Savanna-la-mar Sub Branch.
3. **ECLIPSE SUPPORT AWARD**
   Miguel Lewis, Relief Investment Representative, Kingston Branch.
4. **ECLIPSE BROKERAGE CHAMPION OF THE YEAR**
   Latoya Virgo, Investment Advisor, Montego Bay Branch.
5. **ECLIPSE MUTUAL FUNDS CHAMPION OF THE YEAR**
   Shauna Duncan, Senior Investment Advisor, Signature Investments.
6. **ECLIPSE BOND CHAMPION OF THE YEAR**
   Jillian Evans, Senior Investment Advisor, Signature Investments.
7. **ECLIPSE BRANCH OF THE YEAR**
   Mandeville Branch and the Savanna-la-mar Sub Branch.

Employee OF THE YEAR 2012

Marcia Thompson, Business Support Unit

The Employee of the Year is a peer nominated award, with the winner being chosen from all Employees of the Quarter.

The 2012 Employee of the Year, Marcia Thompson, consistently provides the most suitable solutions to service issues as they arise and also offers each customer her undivided attention. Her desire is always to have every customer need met and their expectations exceeded. Marcia's peers describe her as the most dependable, efficient and informed member of staff within the service delivery chain.

Corporate Social RESPONSIBILITY

At Scotia Investments, we are deeply committed to enhancing the lives of fellow Jamaicans through our focus on Sports and Education. We recognize that as an organization, we are an integral part of the communities that we serve. Our staff members have demonstrated that they are passionate about our Education and Sports projects which provide a fertile environment for the nurturing and development of young Jamaican talent. We have continued to support various Education and Sports Outreach programmes throughout the year, some of which are outlined below.

EDUCATION OUTREACH

Trench Town Reading Centre

Our involvement and partnership with the Trench Town Reading centre over the last four years is the result of an engaging and robust partnership with the community, which allows our volunteers to donate their time through several projects aimed at improving the lives of the children who reside there. Over the last four years, our volunteers have organized and worked tirelessly with the community to execute the Annual Spelling Bee Competition which galvanizes the participation of the children and the community alike.

The Trench Town Reading centre continues to serve over 200 children from the neighbouring communities of West Kingston. The reading centre provides homework facilities, a community library, daily reading sessions and art and craft classes.

Keisha Brooks, Senior Manager Corporate and Proprietary Trading (left) carefully pronounces a word for one of the spellers as Scotiabank Scholar Jerome King and Roslyn Ellison-Trench Town Reading Centre Director look on at the Trench Town Reading Centre Spelling Bee Competition hosted in October 2012.

National Children's Home

The plight and condition of the children who reside in various children's homes across the island demands the serious attention of various stakeholders and corporate entities in our society. The Scotia Investment staff members saw a growing need for the maintenance of the physical infrastructure at the National Children's Home and have been providing support to ensure that the physical and social needs of the children are being met. The institution houses over 100 children from the parishes of Kingston, St Andrew and St Catherine.

Caribbean Christian Center for the Deaf

Over the last three years, we have supported various initiatives that seek to improve the welfare of the children at the Caribbean Christian Center for the Deaf. Our team of volunteers has continued to work with the center on an ongoing basis to provide assistance through the staging of an Easter Treat and "Back to School" projects that provided much needed school supplies for the students over the last year.

SPORTS OUTREACH

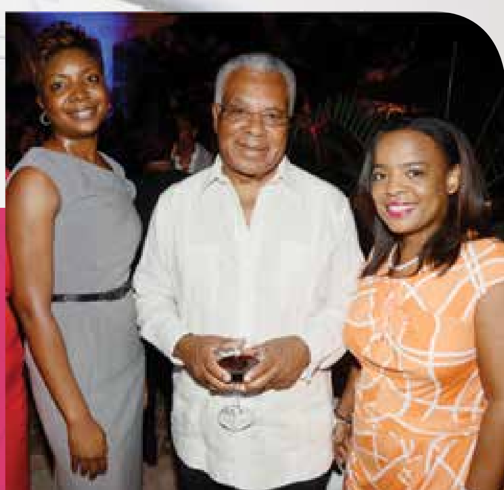
Scotia Investments partnered with the our international Scotia Wealth Division to support the development of sports through the hosting of the annual Golden Cleats Awards in association with the Jamaica Amateur Athletic Association (JAAA). The Golden Cleats Awards recognizes the top performing athletes and coaches in the country, based on annual performances both locally and internationally. The Golden Cleats Awards continues to provide us with an excellent platform to demonstrate our support for the National Athletics programme through our sponsorship of the Awards Luncheon and our donation of funding for the purchase of various high tech sports equipment.

Lissant Mitchell officially hands over the national high jump bag to Dr. Warren Blake- President of the JAAA at the National Trials for the 2016 Olympics held at the National Stadium in 2012, as members of the JAAA management team (from l-r) Alfred Francis, Marie Tavares, Ludlow Watt and Hugh Reid President of Scotia Insurance look on. The equipment purchased was as a result of the cash donation made at the Scotiabank Group Golden Cleats Awards.

Our MOMENTS

Lissant Mitchell , CEO of Scotia Investments (centre) shares a light moment with Scotia Investments Board members, Professor Stephen Vasciannie (left) and Bruce Bowen (right), at the Scotia Investments Annual General Meeting, hosted in March 2012 at the Jamaica Pegasus Hotel.

John Jackson, guest speaker at the Scotia Investments Investors Forum hosted at the Half Moon Hotel in November 2011, addresses the audience, as the Scotia Investments team (from l-r) Lissant Mitchell, Vanessa Scott, Adrian Stokes and Brian Frazer listen keenly.



Client Clifton Stone shares camera time with Scotia Investments ladies Sherene Todd - AVP Signature Investments, and Vanessa Scott - VP Sales & Service, at the Signature Soiree event hosted at the Devon House East Lawns on May 10, 2012

Brian Frazer - VP Asset Management and General Manager - Scotia Asset Management (Jamaica) Limited, confidently crossed the finish line at the Sigma Corporate Run hosted in New Kingston in March 2012

Richard Azan - Member of Parliament for North West Clarendon; Bruce Bowen - President & CEO of Scotiabank; Gassan Azan Jr. - Chairman & CEO of the MegaMart Wholesale Club; Dr. the Hon. Peter Phillips - Minister of Finance; and Peter Bunting - Member of Parliament for Central Manchester, break ground for the MegaMart Mandeville store. Scotia Investments financed the building of the fourth MegaMart store using the build-own-lease (BOL) model.

Xandria Wauchope-Lee - Senior Manager, External Sales Scotia Investments, talk "backgammon" with Andrew Issa - Tournament Coordinator, at the Strawberry Hill 7th Annual Backgammon Tournament hosted on November 6, 2012

(From l-r) Vanessa Scott - VP Sales & Service, and Prudence Brown - President of the Manchester Business School Alumni, join Ambassador Paola Amadei, Head of Delegation of the European Union in Jamaica, in light conversation at the alumni's annual lecture series hosted at the Courtleigh Hotel & Suites in October 2012.

Lissant Mitchell – CEO, Scotia Investments, with awardee John O. Minott - Director of Jamaica Standard Products, and Wendy Freckleton - President of the Manchester Chamber of Commerce (MCC), at the MCC Annual Awards Ceremony and Banquet sponsored by Scotia Investments in January 2012.

FINANCIAL HIGHLIGHTS

2012

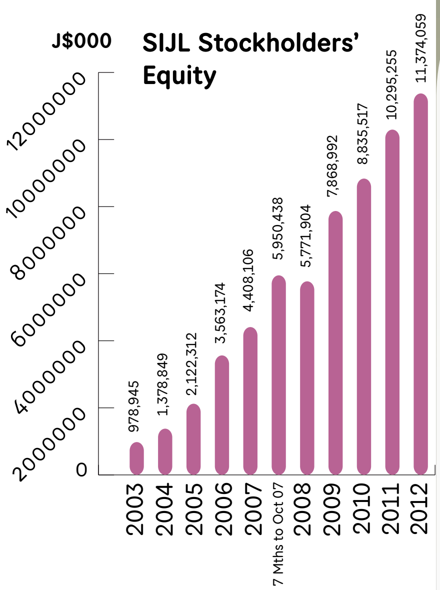
	2003 J$ ('000)	2004 J$ ('000)	2005 J$ ('000)	2006 J$ ('000)	2007 J$ ('000)
Profit and Loss Account					
Gross Operating Revenue	3,544,374	4,540,765	4,069,059	4,157,027	4,228,630
Net Interest Revenue	279,042	320,434	630,313	773,844	854,915
Other Operating Revenues	473,165	871,722	1,026,682	1,041,599	745,971
Other Operating Expenses	509,850	644,549	846,042	929,014	930,863
Net Profit attributable to members	239,418	538,595	802,642	882,319	702,955
Balance Sheet					
Total Assets	22,106,116	23,652,828	28,422,734	30,572,360	37,749,263
Total Liabilities	21,127,171	22,273,979	26,300,422	27,009,186	33,341,157
Total Stockholders' Equity	978,945	1,378,849	2,122,312	3,563,174	4,408,106
Total Funds Under Management	22,851,218	24,564,132	30,697,330	31,720,431	38,519,109
Outstanding Shares*	122,129,514	276,825,714	290,385,731	303,194,744	309,258,639
Key Financial Ratios					
Earnings per share (cents)	1.96	1.95	2.76	2.85	2.27
Book Value per share	8.02	4.98	7.31	11.75	14.25
Efficiency Ratio	68%	54%	51%	51%	57%
Return on Average Equity	45%	55%	58%	42%	20%
Return on Average Asset	1%	2%	3%	3%	2%
Net Profit Growth (% growth)	33%	125%	49%	10%	-20%
Asset Growth (% growth)	58%	7%	20%	8%	23%
Equity Growth (% growth)	84%	41%	54%	68%	24%
Average Equity	754,770	1,178,897	1,750,581	2,842,743	3,985,640
Average Assets	18,052,881	22,879,472	26,037,781	29,497,547	34,160,812
Net Revenue	752,207	1,192,156	1,656,646	1,815,443	1,630,965

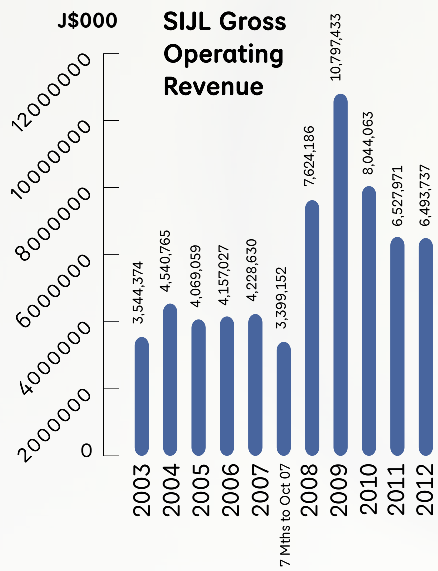
**Weighted average number of ordinary stock*

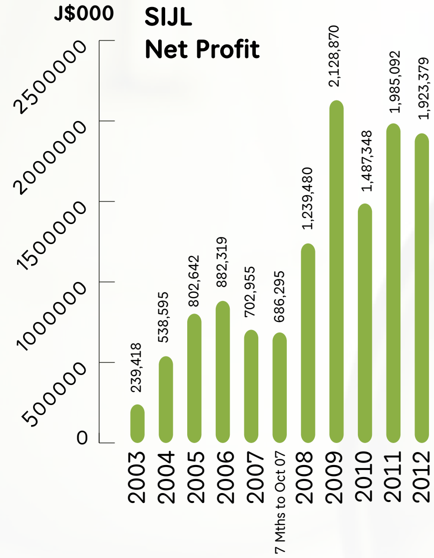
7 Mths to Oct-2007 J$ ('000)	2008 J$ ('000)	2009 J$ ('000)	2010 J$ ('000)	2011 J$ ('000)	2012 J$ ('000)
3,399,152	7,624,186	10,797,433	8,044,063	6,527,971	**6,493,737**
724,633	1,960,014	3,359,099	3,105,843	2,816,466	**2,812,148**
340,353	642,217	657,105	701,072	1,065,049	**1,294,014**
595,607	1,062,059	1,360,236	1,228,395	1,260,446	**1,368,359**
686,295	1,239,480	2,128,870	1,487,348	1,985,092	**1,923,379**
56,352,603	65,996,518	74,010,727	70,974,893	72,854,001	**73,871,395**
50,402,165	60,224,614	66,323,735	62,139,376	62,558,746	**62,497,336**
5,950,438	5,771,904	7,686,992	8,835,517	10,295,255	**11,374,059**
84,480,969	96,790,241	109,433,421	118,884,463	135,213,981	**138,302,969**
374,364,997	423,194,765	423,194,765	423,194,765	423,194,765	**423,194,765**
1.83	2.93	5.03	3.51	4.69	**4.54**
15.89	13.64	18.16	20.88	24.33	**26.88**
57%	41%	34%	33%	32%	**33%**
14%	21%	32%	18%	20%	**17%**
1%	2%	3%	2%	3%	**3%**
**67%	5%	72%	-30%	33%	**-3%**
49%	17%	12%	-4%	3%	**1%**
35%	-3%	33%	15%	17%	**10%**
5,179,272	5,090,005	6,729,448	8,261,255	9,565,386	**10,834,657**
47,050,933	51,872,891	70,003,623	72,492,810	71,914,447	**73,262,698**
1,053,094	2,599,695	3,944,492	3,672,952	3,907,622	**4,127,582**

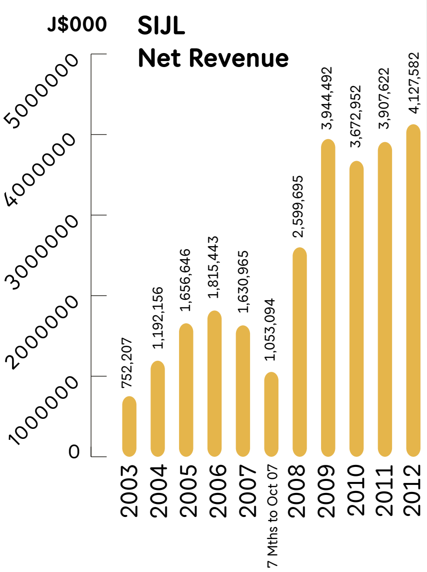
***Based on annualised Net profit after tax for 7 months ended Oct 2007*

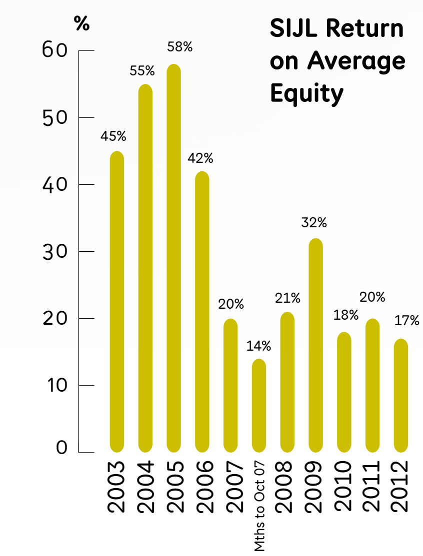
FINANCIAL HIGHLIGHTS 2012











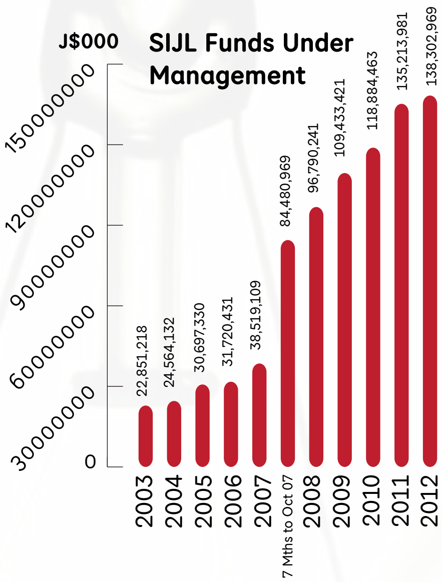
Stockholders' Equity
Stockholders' Equity represents the equity stake currently held on the books by a firm's ordinary shareholders. It is calculated either as a firm's total assets minus its total liabilities or as share capital plus retained earnings minus treasury shares.

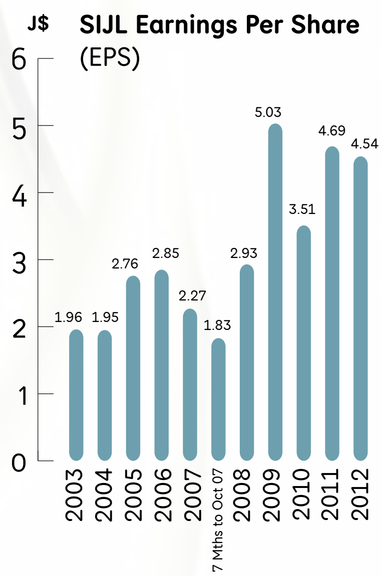
Return on Average Equity
A measure of a company's profitability that indicates the profit per unit of equity invested in the company. Return on Equity is often calculated by dividing net income by average shareholders' equity. Average shareholders' equity is calculated by adding the shareholders' equity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

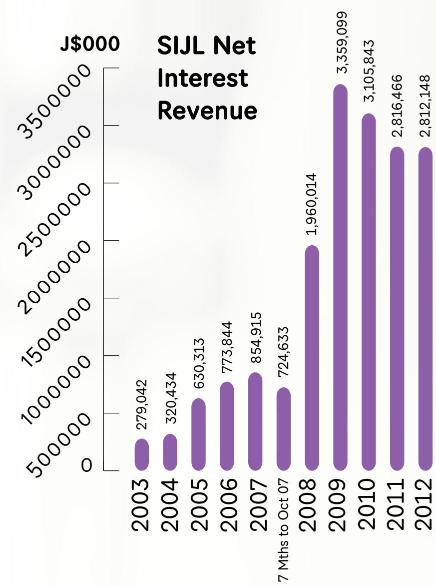
Return on Assets (ROA)
An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. ROA is calculated by dividing a company's annual earnings by its total assets. ROA tells what earnings were generated 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.

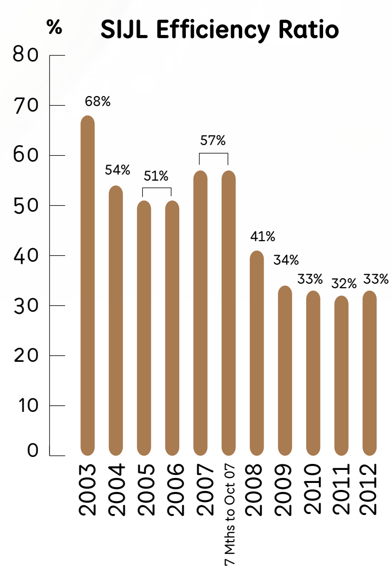
Earnings Per Share (EPS)
The portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share are generally considered to be the single most important variable in determining a share's price. EPS is also a major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

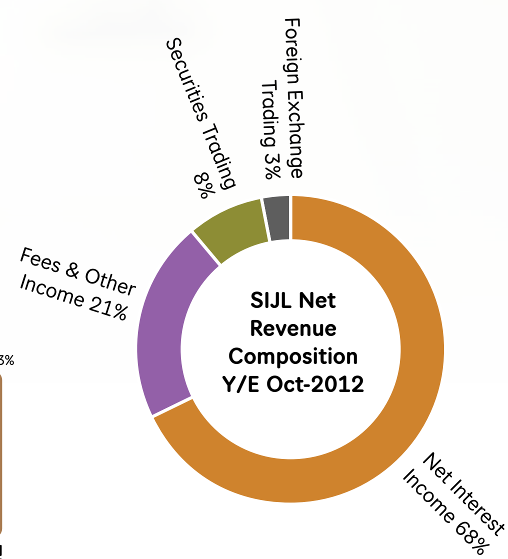
Efficiency Ratio
A ratio used to evaluate the overhead structure of a financial institution. The efficiency ratio gives us a measure of how effectively a company is operating. Efficiency is usually an acceptable measure of profitability as the more efficient companies are those that are able to generate increased revenues 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 company 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 earned 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.





Management Discussion & ANALYSIS

PRINCIPAL ACTIVITIES

Scotia Investments Jamaica Limited (Scotia Investments) is a subsidiary of Scotia Group Jamaica Limited (Scotia Group) and offers a wide range of wealth management and brokerage products in Jamaica. Scotia Investments is a licensed securities dealer by the Financial Services Commission; a member of the Jamaica Stock Exchange; and a designated primary dealer by the Bank of Jamaica.

STRATEGIC DIRECTION

Our strategy remains squarely focused on building upon the strength of a re-aligned business model, centered on the four key business lines of Treasury and Trading Operations, Retail Brokerage, Capital Markets and Asset Management Services. This will allow us to achieve one of the main tenets of our re-aligned business model, as we continue to reduce our reliance on net interest income by diversifying our revenue streams. This will entail the ongoing development of a diverse range of products and services, with unique value propositions that will strengthen existing client relationships and build new ones. We remain committed to the long term vision of generating revenues in a diversified manner, to produce an adequate risk adjusted return for all our stakeholders.

Strategic Imperatives

We have streamlined our long term strategic imperatives to more closely align with our business objectives over the next three to five years. The four key strategic imperatives that will build a solid foundation of strengths are:

1. *Sustainable Revenue Growth*

   We remain focused on growing non-interest revenues by developing a diverse suite of fee based products and services that offer unique client value propositions. We will continue to pursue this strategy through the introduction of new fund products, an expanded range of brokerage products, and a wider range of client services to deepen existing client relationships while targeting new client acquisitions. At the same time we will continue to maintain strong capital ratios for our remaining balance sheet business.

2. Customer Intimacy

Customers are at the heart of everything we do and we are striving to better understand their needs to provide them with relevant solutions, appropriate advice and exceptional service. We are on a mission to create special experiences for our clients during interactions to generate high levels of customer satisfaction and strengthen brand loyalty.

We will continue to pursue this objective through enhancements to our customer relationship management system, strengthening our sales management training and coaching process, re-organizing our sales and service structure and expanding the range of tools and services used in client interactions.

3. Operational Efficiency

Operating efficiently and cost effectively is an important part of our culture, and is also a competitive advantage. We will continue this thrust through the implementation of a new IT platform, process re-engineering initiatives, reviewing current business practices and utilizing appropriate alternative delivery channels. We will also continue to enhance our risk management and corporate governance capabilities and benchmark our key performance indicators against our peer group and international best practice standards.

4. High Performance Team

The single most important ingredient to executing our strategy is permanently embedding a high performance culture in the firm's DNA to drive high levels of employee satisfaction and engagement. Implementing this strategy will require us to:

- **Align employee objectives and business processes with our business strategy;**
- **Focus on developing, recruiting and retaining top talent to build a competitive advantage;**
- **Re-evaluate compensation, rewards and recognition practices to ensure incentives are aligned with performance and employee and shareholder interests; and**
- **Build leadership bench strength to ensure effective execution of strategic initiatives and ensuring employees enjoy a good work life balance.**

Customers are at the heart of everything we do and we are striving to better understand their needs to provide them with relevant solutions, appropriate advice and exceptional service.

Scotia Investments recorded after tax results of $1.92 billion for the financial year compared to $1.98 billion for the same period last year.

FINANCIAL RESULTS OVERVIEW

Scotia Investments recorded after tax results of $1.92 billion for the financial year compared to $1.98 billion for the same period last year. The results marked another year of solid performance within a year characterized by challenging market conditions emanating from uncertainty over the timing of a new agreement with the International Monetary Fund, a new tax package during the 2012/13 budget debates, flat economic growth and increased exchange rate volatility during the last quarter of the financial year. The results were driven primarily by executing our strategy to grow sustainable fee-based revenues, while effectively managing operating costs.

	2012	2011
	$000's	$000's
Total Assets	73,871,395	72,854,001
Liabilities under repurchase agreements	45,684,047	46,211,465
Shareholder's equity	11,374,059	10,295,255
Net profit after tax	1,923,379	1,985,092
Return on equity	17%	20%
Earnings per share (cents)	454	469
Dividend per share (cents)	174	142

FINANCIAL PERFORMANCE

Total Revenues

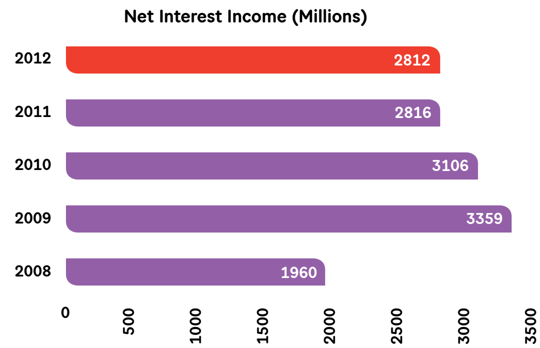
Total revenue, comprising of net interest income and other revenues totalled $4.12 billion for the year, an increase of $212 million or 5% over the same period last year. The increase was influenced primarily by growth in fee-based revenue, improved foreign exchange trading income and the recovery of an outstanding claim that was previously fully provided for.

Net Interest Income

Net interest income was $2.8 billion in 2012, the same as that earned last year. Earning asset yields continued to trend downward throughout the year in line with the lower interest rate environment. However the overall results were indicative of good control over spreads.

Interest income earned for the year was $5.2 billion, a decrease of $263 million from the previous year. Average yields on J$ earning assets decreased from 8.42% last year to 8.10% this year, while the average volumes stood at $44.6 billion, marginally higher than the $44.3 billion last year. The average yields on our US$ earning assets decreased from 7.29% last year to 6.87% this year however the average volumes increased by 9.5% to US$270.9 million.

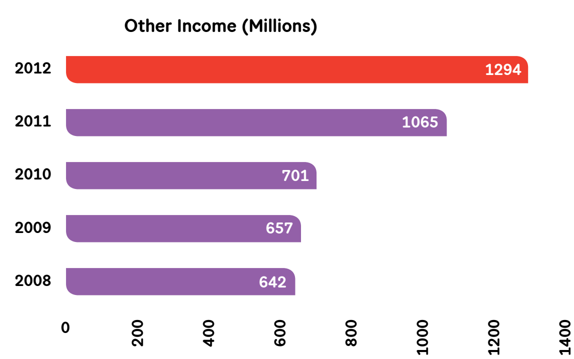
Interest expense decreased by $259 million to $2.38 billion as at the year end. The company's net interest margin on its J$ earning assets portfolio was 2.63% down from 2.81% at the end of the previous year indicative of thinner margins in the lower interest rate environment. The net interest margin on the company's US$ earning assets portfolio also showed a reduction from 5.06% last year to 4.72% this year.



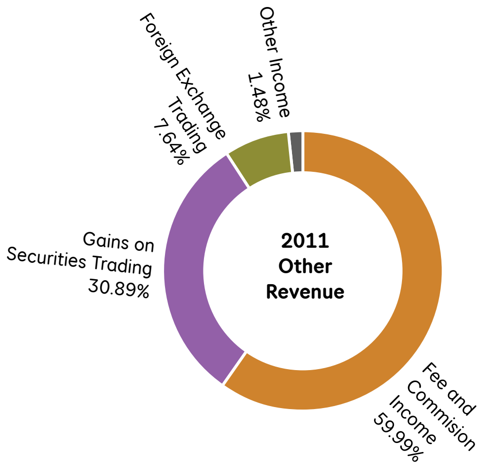
	2012	2011
	$000's	$000's
Interest Income	5,199,723	5,462,922
Interest expense	(2,387,575)	(2,646,456)
Net Interest Income	**2,812,148**	**2,816,466**

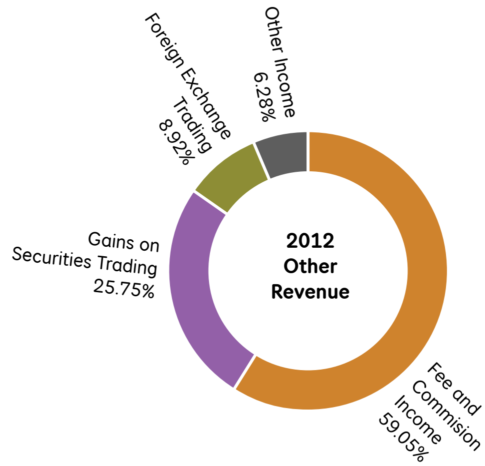
Other Income

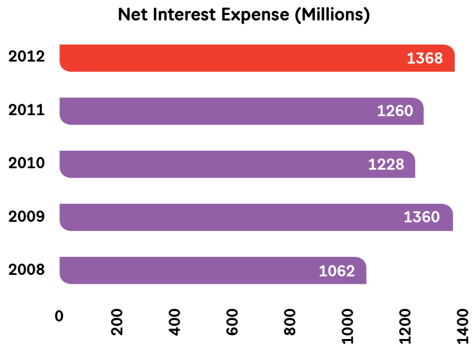
Other income, which represents all non-interest income, is comprised mainly of fee and commissions, foreign exchange trading income, gains on securities trading and other revenues. Other income was $1.29 billion for the year, up $229 million relative to the $1.06 million for the same period last year. The overall increase was boosted by a growth of 20% or $125 million in fee and commission income year over year. This was impacted primarily by deals closed through our Capital Markets division as well as continued growth in our Unit Trust Funds.

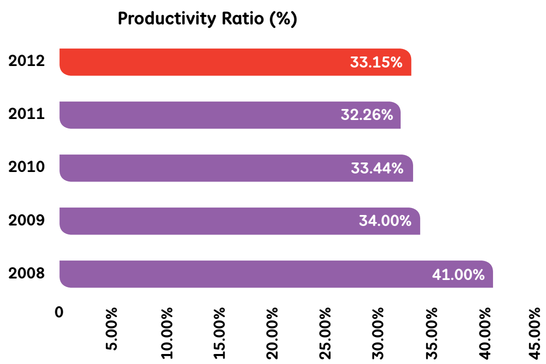


The larger portion of Other Income came from fee based revenue, which contributed approximately 59% compared to 60% for last year.









Non-Interest Expenses

Non-interest expenses were $1.37 billion in 2012, up $108 million or 9% from last year. The movement was driven largely by increased asset tax based on the new tax package announced in May 2012, and increases in operating costs. Throughout the year, the company continued its focus on expense management which is part of a wider Scotia Group strategic imperative.

At the end of the year, our productivity ratio (operating expense as a percentage of total revenue) was 33.15% up from the 32.26% last year. The increased asset tax would be the main contributor to the increase in the productivity ratio as without its impact, our productivity ratio would be 31.09%.

Salaries and employee benefits comprise the largest component of our total expenses and this was marginally lower than last year. Property expenses including depreciation decreased by $20.8 million or 16% and was driven mainly by consolidation of premises. Other expenses increased by $135 million or 33% due in part to a general increase in operating costs, the ongoing changeover to a new operating system as well as the increase in asset tax of $85 million.

	2012	2011
	$000's	$000's
Salaries and other staff benefits	715,595	720,073
Property expenses, including depreciation	111,488	132,353
Other expenses	541,276	408,020
Non-Interest Expense	**1,368,359**	**1,260,446**

Taxes

At the end of this financial year, the provision for income and deferred taxes was $835 million up $174 million from last year. The expense was in keeping with recorded profits for this financial year and the reduction of tax free income.

Credit Quality

The company's non-performing loans as at October 31, 2012 totalled $732 million a decrease of $35.8 million or 5% from 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 $371 million up $18 million or 5% from the $353 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 (2011: 50.7%).

Summary of quarterly results

The quarterly results reflect stable earnings across each quarter and the company achieved steady growth in shareholder's equity throughout 2012.

	2012				2011			
($MILLIONS)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross Operating Income	1,608	1,653	1,602	1,629	1,693	1,625	1,636	1,574
Total Operating Income	1,004	1,068	1,022	1,033	962	996	1,004	953
Operating Expenses	338	319	327	384	307	322	324	307
Net Profit	499	536	476	412	467	466	475	577
Earnings per share (cents)	$1.18	$1.27	$1.13	$0.97	$1.10	$1.10	$1.12	$1.36
ROE (percentage)	19.09%	19.86%	17.17%	14.57%	20.73%	19.92%	19.50%	22.84%
Total Assets	73,503	73,374	72,116	73,871	70,852	71,104	71,587	72,854
Stockholder's Equity	10,618	10,973	11,238	11,374	9,167	9,558	9,930	10,295

FINANCIAL CONDITION

Total assets increased by $1 billion or 1.4% to $73.8 billion as at October 31, 2012.

Assets

Total assets increased by $1 billion or 1.4% to $73.8 billion as at October 31, 2012. Growth took place primarily in the investment securities held by the Group.

Cash Resources

Cash resources stood at $1 billion as at October 31, 2012 compared to $3.1 billion at the end of last year. These balances are retained at levels which allow us to honour cash outflow obligations and respond effectively to unexpected circumstances and they fluctuated in the course of normal business activities.

Securities

Total investment securities increased 4.4% to $69.8 billion over the year. Pledged assets, mainly relating to securities sold under repurchase agreements and the capital management accounts, stood at $65.4 billion and represented 93.73% of total investment securities at year-end.

	2012		2011	
	$000's	%	$000's	%
Financial assets at fair value through statement of profit and loss	175,313	0.25	356,168	0.53
Pledged assets	65,441,552	93.73	66,365,262	99.24
Investment securities: available-for-sale	4,200,586	6.02	153,954	0.23
Total securities	**69,817,451**	**100.00**	**66,875,384**	**100.00**

Loans

Loans after allowances for impairment losses amounted to $428 million, up marginally from the $426 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.

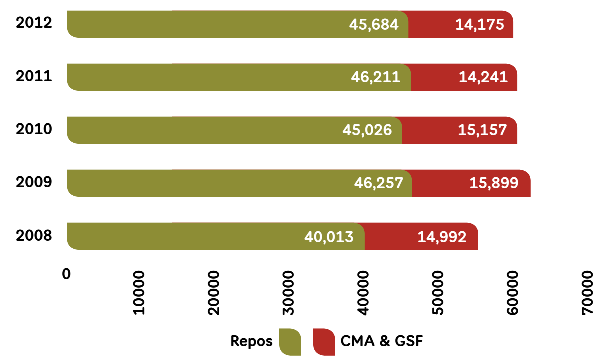
Liabilities

Total liabilities at the end of the financial year were $62.5 billion, the same as at the end of prior period.

Obligations related to repurchase agreements, capital management and government securities funds

Securities sold under repurchase agreements were $45.7 billion at the end of the financial year while capital management and government securities funds were $14.1 billion. Repo liabilities reflected an upward growth due primarily to increases in US$ cash inflows from institutional clients.

Repurchase Agreements and Capital Management Accounts (Millions)



Funds under Management

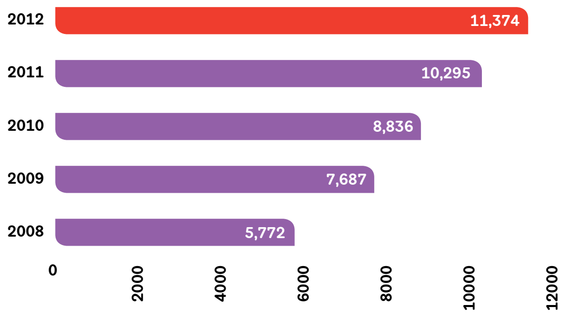
Scotia Investments continues to hold a strong position in the provision of investment management services. In addition to the $59.8 billion in client funds under management on the Balance Sheet at 31 October 2012, we manage an Off-Balance Sheet portfolio of approximately $78.5 billion. Further we had custodial arrangements for assets totalling $24.8 billion.

The funds included in the Off-Balance Sheet portfolio are managed on a non-recourse basis on behalf of investors and for which the Group has no equitable rights or interest. Included in the portfolio are:

- Fund managed through our unit trusts and mutual funds totalling $27.4 billion at the end of October 2012, up $2 billion or 7.6% over the $25.4 billion last year. This movement was driven by a combination of volume growth due to increased net sales across all Funds as well as an appreciation in the value of the assets of these Funds.
- Our new Scotia Money Market Fund which was launched late last year saw strong inflows, ending the year in excess of $1.4 billion. We also continued to see positive inflows Our Scotia Premium Fixed Income Fund and our Caribbean Income Fund (CIF) had surpassed US$64 million at the end of October 2012.
- Other funds over which the Group provides investment management advisory and trustee services to third parties totalled $51.1 billion. This represented an increase of $2.3 billion over last year. The increase was influenced by additional contributions to the funds as well as an appreciation in the value of the assets of the funds.

Our new Scotia Money Market Fund which was launched late last year saw strong inflows, ending the year in excess of $1.4 billion.

Shareholder's Equity (Millions)



The strength of our capital base is evident with total shareholders' equity standing at $11.3 billion at the end of the year.

Shareholders' Equity

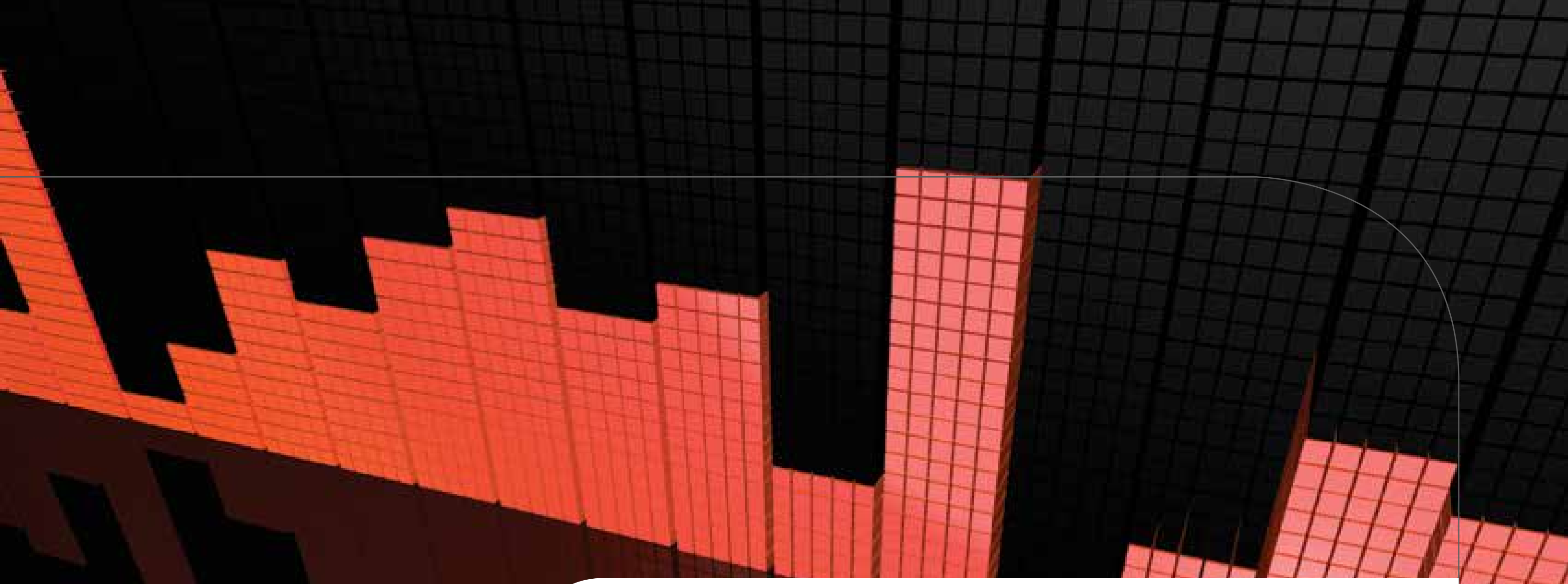
The strength of our capital base is evident with total shareholders' equity standing at $11.3 billion at the end of the year. This represented an increase of $1.08 billion or 10.4% over the equity reported as at the end of last year. The improvement over prior period was influenced primarily by retained earnings.

Shareholders' Return

During the financial year dividends totaled $1.74 per share up 22.5% from the $1.42 per share for last year. We continue to provide stable, long-term returns for our shareholders whilst ensuring that the payment of dividends is in keeping with our capital adequacy requirements.

Capital Management

Scotia Investments has continued to maintain a strong capital adequacy position and at the end of October 2012 this ratio remains solid at 36.67%. 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.



RISK MANAGEMENT

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are predictable and consistent with the company's strategies and risk appetite, and that there is an appropriate balance between risk and reward in maximizing shareholder returns. To this end, Scotia Investments utilizes a comprehensive risk management framework to identify, monitor, evaluate and manage the principal risks assumed in the business activities.

The risk management framework includes risk principles, organisational structures, 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 perpetuated throughout Scotia Group Jamaica Limited (Scotia Group) and its affiliates.

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 company.

Scotia Investments has a comprehensive risk management framework to identify, monitor, evaluate and manage the principal risks assumed in the business activities.

RISK MANAGEMENT FRAMEWORK

The Scotia Investment's risk management framework consists of three key elements, which is consistent with the framework for Scotia Group:

- **Risk Governance,**
- **Risk Appetite, and**
- **Risk Management Techniques**

Risk governance - The Company has a well-established risk governance structure, with an active and engaged Board of Directors supported by an experienced senior management team, and the Scotia Group centralized risk management function that is independent of the business lines. Decision-making is highly centralized through a number of senior and

executive risk management committees. The Board approves key risk policies, limits, strategies, and risk appetite and receives quarterly updates on the key aspects of the company's risk profile and performance of the portfolio against defined goals. The Scotia Group's Internal Audit department reports independently to the Board (through the Audit and Conduct Review Committee) on the effectiveness of the risk governance structure and risk management framework.

Risk appetite - The Company's Risk Appetite Framework governs risk taking activities on an enterprise-wide basis. It consists of four components, and combines qualitative as well as quantitative terms of reference to guide the company in determining the amount and types of risk it wishes to prudently undertake.

Risk management techniques - Effective risk management includes techniques that are integrated with the company's strategies and business planning processes. Risk management techniques are regularly reviewed and updated to ensure consistency with risk-taking activities, and relevance to the business and financial strategies of the company.

CREDIT RISK

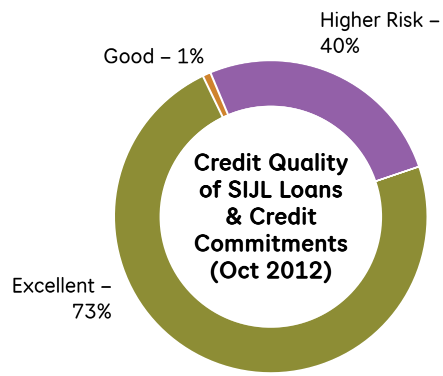
Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour a financial or contractual obligation to the Group. Credit risk is created in the Scotia Investments' direct lending operations, and in its funding, investment and trading activities where counterparties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

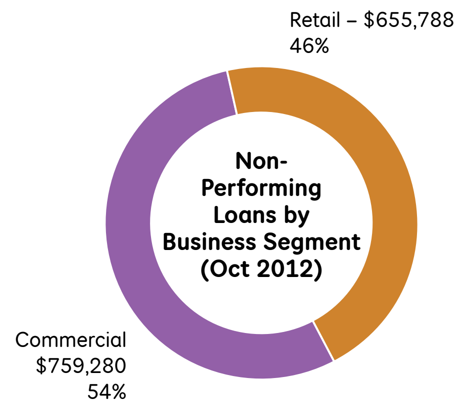
The Credit Risk framework for Scotia Investments' seeks to support business outcomes that are consistently within the risk tolerance of the company. Doing this involves ensuring that target markets and product offerings are well defined and understood; risk parameters for new underwritings and for the 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.

Scotia Investments' credit risk management revolves around Group credit risk policies, business specific policies, a defined credit risk strategy and risk appetite, business ownership in managing risks, and centralised Group expertise to assist in identification, guidance, and oversight of credit risk elements including adjudication of large loans and/or management of exception exposures.

Scotia Investments' credit portfolio includes personal, private sector, and sovereign borrowers. Private sector exposure is generally secured by marketable securities. The credit risk approaches applied meet the objectives of client friendly yet risk appropriate credit adjudication and lending standards. Scotia Investments' periodically reassesses its credit risk policies and methodologies and makes enhancements when necessary.

The credit quality of the Scotia investment portfolio is summarized in the charts at right.





MARKET RISK

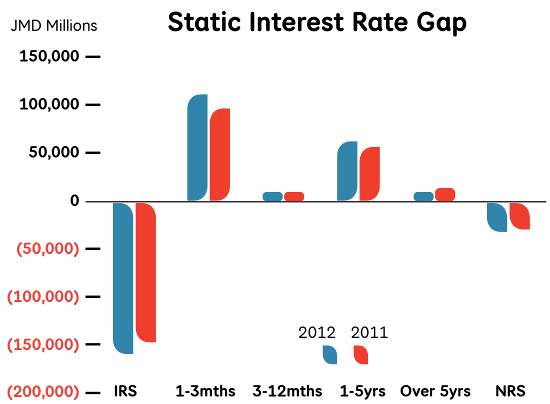
Market risk is the risk of loss from changes in market prices and rates (including interest rates, credit spreads, equity prices, and foreign exchange rates), the correlations among them, and their levels of volatility.

The Board of Directors reviews and approves market risk policies and limits annually. The Asset & Liability Committee (ALCO) oversees the application of the framework set by the Board, and monitors the company's market risk exposures and the activities that give rise to these exposures. The Board of Directors establishes specific operating policies, and sets limits at the product, portfolio, business unit and business line levels, and for the company in total. Limits are reviewed at least annually.

The Scotia Group's Market Risk Management unit provides independent oversight of all significant market risks, supporting the ALCO with analysis, risk measurement, monitoring, reporting, proposals for standards and support for new product development. To ensure compliance with policies and limits, market risk exposures are independently monitored on a continuing basis, by Market Risk Management and by the Treasury Back Office support units. They provide senior management, business units, and the ALCO with a series of daily, weekly and monthly reports of market risk exposures by business line and risk type.

Interest Rate Risk

The company actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk is managed in accordance with Board-approved policies and limits, which are designed to control the risk to income and economic value of shareholders' equity. The income limit measures the effect of a specified change in interest rates on the company's annual net



The company mitigates the effect of foreign currency exposures by financing its foreign currency assets with borrowings in the same currencies.

interest income, while the economic value limit measures the impact of a specified change in interest rates on the present value of the Company's net assets. Interest rate exposures in individual currencies are also controlled by gap limits.

Gap analysis, simulation modeling, sensitivity analysis and Value at Risk (VaR) are used to assess exposures and for planning purposes. Interest rate risk exposure calculations are generally based on the earlier of contractual re-pricing or maturity of the company's assets and liabilities. Common shareholders' equity is assumed to be non-interest rate sensitive.

The interest rate risk exposure for the company is summarized in Note 37.

Foreign currency risk

Foreign currency risk arises from foreign currency operations. The company mitigates the effect of foreign currency exposures by financing its foreign currency assets with borrowings in the same currencies. The differences between foreign currency assets and liabilities are reflected in either positive or negative spot positions. Spot position limits are approved by the Board at least annually, and the ALCO reviews and manage these positions.

The foreign currency risk exposure for the Company is summarized in Note 37.

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. This is a key strategy employed to reduce the impact of non-performance of a specific class of assets.

The equity risk exposure for the Company is summarized in Note 37.

LIQUIDITY RISK

Liquidity risk is the risk that the Company is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, payments due under derivative contracts, settlement of securities borrowing and repurchase transactions, and lending and investment commitments.

Effective liquidity risk management is essential in order to maintain the confidence of clients and counterparties, and to enable the core businesses to continue to generate revenue, even under adverse circumstances.

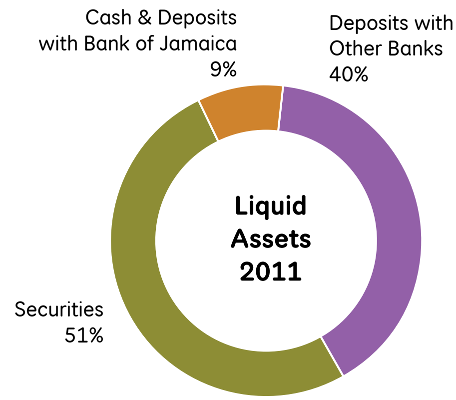
Liquidity risk is managed within the framework of policies and limits that are approved by the Board of Directors. The Board receives reports on risk exposures and performance against approved limits. The Asset & Liability Committee (ALCO) provides senior management oversight of liquidity risk and meets monthly to review the company's liquidity profile.

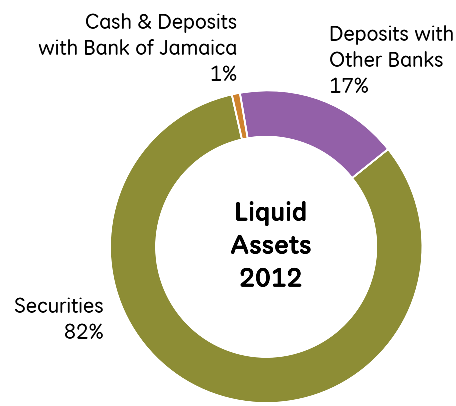
The key elements of the liquidity risk framework are:

- **Measurement and modelling:** the company's liquidity model measures and forecasts cash inflows and outflows, including off-balance sheet cash flows on a daily basis. Risk is managed by a set of key limits over the maximum net cash outflow by currency over specified short-term horizons (cash gaps) and a minimum level of core liquidity.
- **Reporting:** independent oversight and reporting of all significant liquidity risks through analysis, risk measurement, stress testing, monitoring and reporting.
- **Contingency planning:** the company maintains a liquidity contingency plan that specifies an approach for analyzing and responding to actual and potential liquidity events. The plan outlines the governance structure for the management and monitoring of liquidity events; processes for effective internal and external communication; and identifies potential counter measures to be considered at various stages of an event. The liquidity contingency plan is approved by the Board of Directors.
- **Funding diversification:** the company actively manages the diversification of its client liabilities by source, type of client, instrument, and term.
- **Core liquidity:** the company maintains a pool of highly liquid assets that can be readily sold, or pledged to secure borrowings, under stressed market conditions or due to company specific events.

Liquidity Profile

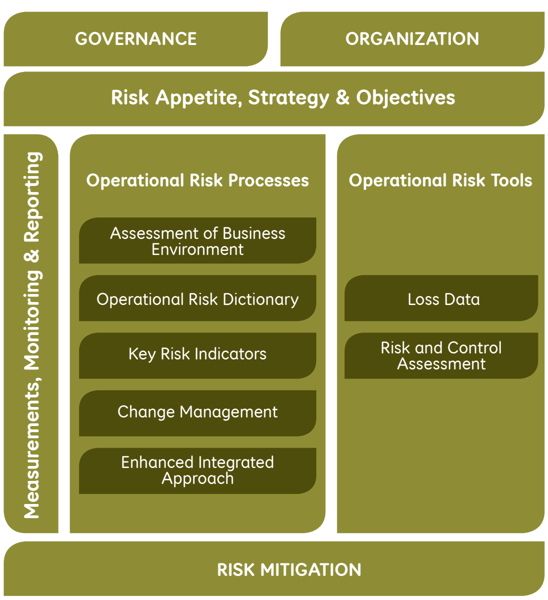
The company maintains large holdings of cash and cash equivalents to support its operations. These assets generally can be sold or pledged to meet the company's obligations. As at October 31, 2012, cash and cash equivalents were $5.50 billion, compared to $6.50 billion as at October 31, 2011.





OPERATIONAL RISK

Scotia Investment has adopted the policies, processes and assessment methodologies utilized by Scotia Group to ensure that operational risk is appropriately identified and managed with effective controls.



Operational risk is the risk of loss, whether direct or indirect, to which the company is exposed due to inadequate or failed internal processes or systems, human error, or external events. Operational risk includes legal and regulatory risk, business process and change risk, fiduciary or disclosure breaches, technology failure, financial crime and environmental risk. It exists in some form in every business and function. The impact of Operational risk may not only result in financial loss, but also regulatory sanctions and damage to the company's reputation.

Scotia Investment has adopted the policies, processes and assessment methodologies utilized by Scotia Group to ensure that operational risk is appropriately identified and managed with effective controls. The governing principles of the Group's operational risk management program include:

- A clear, effective and robust governance structure with well defined, transparent and consistent lines of responsibility. The Operational Risk Management Framework is based on the three lines of defense operating model:
  - *The Business Line owns the operational risks in their operations;*
  - *Operational Risk and Control functions provide independent oversight and develop the methodologies, policies, process and tools to support the Operational Risk Management Framework; and*
  - *Internal Audit provides independent validation of the effectiveness of framework.*
- Senior Management within the Business Lines is responsible for implementing the Operational Risk Management Framework to ensure the ongoing management of operational risks;
- Processes are developed and implemented with a goal of managing and mitigating operational risk and as a result, minimizing operational risk losses;
- All material operational risks, including risks due to new products/services or changes to existing products/ services, are identified, managed, measured, monitored and reported;
- Operational Risk Management information is meaningful and is leveraged in business decision-making;

- The Operational Risk Management Policy is approved by the Board on an annual basis; and
- The Group has established contingency and business continuity plans to ensure its ability to operate on an ongoing basis and assist in limiting losses in the event of severe business disruption.

The Scotia Group Operational Risk Management Framework sets out an integrated approach to identify, assess, control, mitigate and report operational risks.

REPUTATIONAL RISK

Reputational risk is the risk that negative publicity regarding Scotia Investment's conduct, business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.

Negative publicity about an institution's business practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Negative publicity and attendant reputational risk frequently arise as a by-product of some other kind of risk management control failure.

Reputational risk is managed and controlled throughout the Scotia Group by codes of conduct, governance practices and risk management programs, policies, procedures and training. Many relevant checks and balances are executed through the company's well-established compliance program and operational risk management. 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.

Reputational risk is managed and controlled throughout the Scotia Group by codes of conduct, governance practices and risk management programs, policies, procedures and training.

Shareholdings as at 31 October, 2012

10 Largest Shareholders as at 31 October 2012

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	7,577,526	1.79
Trading A/C - National Insurance Fund	7,021,597	1.66
MF&G Trust & Finance Ltd A/C# 528	3,263,448	0.77
JPS Employees Superannuation Fund	2,149,200	0.51
Gerald W. Purdy	1,958,688	0.46
JCSD Trustee Services Ltd. A/C #76579-02	1,797,006	0.42
Guardian Life Limited	1,582,166	0.37
SJIML A/C #831	1,505,695	0.36
TOTAL	**367,414,574**	**86.82**

Shareholdings of Senior Management & Connected Parties as at 31 October 2012

SENIOR MANAGEMENT AND CONNECTED PARTIES

Last Name	First Name	Total Shareholding	Direct	Connected Parties
Anthony	Monique	0	0	0
Frazer	Brian	838	838	0
Grey	Berisford	0	0	0
Hosang-Bancroft	Karlene	0	0	0
James	Marie	0	0	0
McKenzie	Karl	0	0	0
Miller	Hugh	0	0	0
Mitchell	Lissant	4,000	4,000	0
Morris	Jason	0	0	0
Pandohie	Yvonne	0	0	0
Scott	Vanessa	4,715	4,715	0
Tinker	Andrea	981	981	0

Shareholdings of Directors & Connected Parties as at 31 October 2012

DIRECTORS AND CONNECTED PARTIES

Last Name	First Name	Total Shareholding	Direct	Connected Parties
Alexander	Barbara	0	0	50,000
Bowen	Bruce	7,590	7,590	0
Chang	Anthony	0	0	0
Fowler	Angela	0	0	0
Hall	Jeffrey	0	0	0
Law	Anna	1,000	1,000	0
Martin	Philip	100	100	0
Mitchell	Lissant	4,000	4,000	0
Schroeder	Marcel	0	0	0
Welling	Cathy	0	0	0

Shareholding Mix as at 31 October 2012

SHAREHOLDINGS	NUMBER OF SHARE-HOLDERS	TOTAL SHARES HELD	HOLDING %
Up to 500	491	137,731	0.03
501 to 2,000	793	1,009,722	0.24
2,001 to 5,000	589	2,091,884	0.49
5001 to 10,000	320	2,482,522	0.59
10,001 to 50,000	421	9,966,728	2.36
50,001 to 100,000	95	7,191,428	1.70
100,001 to 250,000	69	11,366,019	2.69
250,001 to 500,000	20	7,738,690	1.83
Over 500,000	29	381,210,041	90.08
TOTAL	2,827	423,194,765	100.00

Ordinary Shareholders as at 31 October 2012

CATEGORY	NUMBER OF SHARE-HOLDERS	NUMBER OF UNITS
Insurance Companies	13	8,708,875
Pension Funds	34	12,485,927
Individual	2,632	31,606,803
Other	148	370,393,160
TOTAL	2,827	423,194,765

Financial Statements

KPMG
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INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA INVESTMENTS JAMAICA 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 71 to 154, which comprise the group's and the company's statements of financial position as at October 31, 2012, the group's and the company's statements of 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal controls as management determines are 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 the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Members of
SCOTIA INVESTMENTS JAMAICA LIMITED

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Scotia Investments Jamaica Limited as at October 31, 2012, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, 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 27, 2012

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Revenue and Expenses
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2012	2011
Net interest income and other revenue			
Interest from loans and deposits with banks		356,891	578,041
Interest from securities		4,842,832	4,884,881
Total interest income	6	5,199,723	5,462,922
Interest expense	6	(2,387,575)	(2,646,456)
Net interest income		2,812,148	2,816,466
Impairment adjustment on loans	23	21,420	33,868
Net interest income after impairment losses on loans and leases		2,833,568	2,850,334
Net fee and commission income	7	764,091	638,898
Net foreign exchange trading income	8	115,433	81,343
Net gains on financial assets	9	333,202	328,994
Other revenue	10	81,288	15,814
		1,294,014	1,065,049
		4,127,582	3,915,383
Expenses			
Salaries, pension contributions and other staff benefits	11	715,595	720,073
Property expenses, including depreciation		111,489	132,353
Amortisation of intangible assets	28	611	2,696
Other operating expenses		540,664	405,324
	12	1,368,359	1,260,446
Loss on disposal of subsidiary	13 (c)	-	(7,761)
Profit before taxation	14	2,759,223	2,647,176
Taxation	15	(835,844)	(662,084)
Profit for the year	16	1,923,379	1,985,092
EARNINGS PER STOCK UNIT (expressed in $ per share)	17	4.54	4.69

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Comprehensive Income
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2012	2011
Profit for the year	16	1,923,379	1,985,092
Other comprehensive income:			
Unrealised (losses)/gains on available-for-sale securities		(227,120)	72,125
Realised losses on available-for-sale securities		(195,144)	(42,155)
Amortisation of fair value reserve on financial instruments reclassified to loan and receivable		56,692	65,589
Other comprehensive (loss)/income before tax		(365,572)	95,559
Taxation on other comprehensive income	29(a)	237,561	(52,610)
Other comprehensive (loss)/income, net of tax		(128,011)	42,949
Total comprehensive income for the year attributable to stockholders of the company		1,795,368	2,028,041

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Financial Position
October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2012	2011
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call at, Bank of Jamaica	18	36,653	539,295
Government and bank notes other than Jamaican	18	15,086	19,382
Amounts due from other financial institutions	18	234,647	320,855
Accounts with parent and fellow subsidiaries	18, 19	725,444	2,284,757
		1,011,830	3,164,289
Financial assets at fair value through profit or loss	20	175,313	356,168
Pledged assets	21	65,441,552	66,365,262
Loans, after allowance for impairment losses	22	427,670	426,490
Investment securities			
Available-for-sale	25	4,200,586	153,954
Other assets			
Customers' liabilities under guarantees		1,880,486	1,522,497
Taxation recoverable		452,101	655,985
Sundry assets	26	161,247	103,402
Property, plant and equipment	27	56,309	39,887
Intangible assets	28	64,301	53,966
Deferred tax assets	29(b)	-	12,101
		2,614,444	2,387,838
		73,871,395	72,854,001

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Financial Position (Continued)
October 31, 2012
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2012	2011
LIABILITIES			
Capital management fund and government securities fund	21, 30	14,174,566	14,241,114
Other liabilities			
Promissory notes	31	-	2,436
Guarantees issued		1,880,486	1,522,497
Securities sold under repurchase agreements	21	45,684,047	46,211,465
Other liabilities	32	292,328	187,465
Taxation payable		356,072	53,972
Deferred tax liabilities	29 (b)	73,654	292,654
Assets held in trust on behalf of ESOP participants		36,183	47,143
		48,322,770	48,317,632
STOCKHOLDERS' EQUITY			
Share capital	33	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	34	(24,647)	103,364
Capital reserve	35	22,075	22,075
Reserves for own shares-ESOP	36	(42,806)	(54,137)
Unappropriated profits		9,507,534	8,312,050
		11,374,059	10,295,255
		73,871,395	72,854,001

The financial statements on pages 71 to 154 were approved for issue by the Board of Directors on November 27, 2012 and signed on its behalf by:

__________ Director Bruce Bowen	__________ Director Anthony Chang
__________ Director Lissant Mitchell	__________ 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, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	Share capital	Cumulative remeasurement result 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	16	-	-	-	-	1,985,092	1,985,092
Other comprehensive income:							
Unrealised gains on available-for-sale investments, net of taxes	34	-	41,903	-	-	-	41,903
Realised gains on available-for-sale securities, transferred to statement of revenue and expenses		-	(28,105)	-	-	-	(28,105)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	24	-	29,151	-	-	-	29,151
Total comprehensive income for the year		-	42,949	-	-	1,985,092	2,028,041
Transactions with owners of the company:							
Dividends	40	-	-	-	-	(558,617)	(558,617)
Own shares sold by ESOP	36	-	-	-	(9,686)	-	(9,686)
Balances at October 31, 2011		1,911,903	103,364	22,075	(54,137)	8,312,050	10,295,255

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Changes in Stockholders' Equity (Continued)
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	Share capital	Cumulative remeasurement result from available-for-sale financial assets	Capital reserve	Reserve for own shares	Un-appropriated profits	Total
Balances at October 31, 2011		1,911,903	103,364	22,075	(54,137)	8,312,050	10,295,255
Total comprehensive income for the year:							
Profit for the year	16	-	-	-	-	1,923,379	1,923,379
Other comprehensive income:							
Unrealised loss on available-for-sale investments, net of taxes	34	-	(134,074)	-	-	-	(134,074)
Realised losses on available-for-sale Investments, transferred to statement of revenue and expenses		-	(130,096)	-	-	-	(130,096)
Amortisation of fair value reserve on financial Instruments reclassified to loans and receivables	24	-	136,159	-	-	-	136,159
Total comprehensive income for the year		-	(128,011)	-	-	1,923,379	1,795,368
Transactions with owners of the company:							
Dividends	40	-	-	-	-	(727,895)	(727,895)
Own shares sold by ESOP	36	-	-	-	11,331	-	11,331
Balances at October 31, 2012		1,911,903	(24,647)	22,075	(42,806)	9,507,534	11,374,059

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Cash Flows
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2012	2011
Cash flows from operating activities			
Profit for the year		1,923,379	1,985,092
Items not affecting cash:			
Interest income	6	(5,199,723)	(5,462,922)
Interest expense	6	2,387,575	2,646,456
Impairment loss on loans	23	(21,420)	(33,868)
Depreciation	27	13,402	18,742
Amortisation of intangible assets	28	611	2,696
Income tax charge	15	805,182	600,845
Gain on disposal of property, plant and equipment		-	(1,006)
Loss on disposal of subsidiary	13	-	7,761
Deferred taxation	15, 29(a)	30,662	61,239
		(60,332)	(174,965)
Changes in operating assets and liabilities:			
Amount due from other banks		(76,533)	(21,410)
Pledged assets		2,059,208	(1,475,508)
Loans, leases		20,513	14,769
Capital management and government securities fund		(66,264)	(915,202)
Securities sold under repurchase agreements		(506,020)	1,307,605
Taxation recoverable		147,458	(262,238)
Other assets		(415,832)	(632,569)
Promissory notes		(2,376)	(5,510)
Financial assets at fair value through profit or loss		179,407	(226,776)
Other liabilities		451,892	535,519
		1,731,121	(1,856,285)
Interest received		5,165,322	5,495,025
Interest paid		(446,655)	(1,060,276)
Income tax paid		(2,409,318)	(2,768,708)
Net cash provided/(used)by operating activities		4,040,470	(190,244)

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Cash Flows (Continued)
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2012	2011
Net cash provided/(used) by operating activities (page 77)		4,040,470	(190,244)
Cash flows from investing activities			
Investment securities		(4,359,980)	52,861
Disposal of subsidiary	13	-	8,173
Shares acquired for ESOP		11,331	(9,686)
Purchase of property, plant and equipment	27	(29,824)	(6,612)
Purchase of intangible assets	28	(10,946)	(27,025)
Proceeds from disposal of property, plant and equipment		-	1,360
Net cash (used)/provided by investing activities		(4,389,419)	19,071
Cash flows from operating and investing activity		(348,949)	(171,173)
Cash flows from financing activity			
Dividends	40	(727,895)	(558,616)
Effect of exchange rate changes on cash and cash equivalents		76,533	21,409
Net decrease in cash and cash equivalents		(1,000,311)	(708,380)
Cash and cash equivalents at beginning of year		6,497,695	7,206,075
Cash and cash equivalents at end of year	18	5,497,384	6,497,695

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Revenue and Expenses
Year ended October 31, 2012
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2012	2011
Net interest income and other revenue			
Interest from loans and deposits with banks		356,115	565,019
Interest from securities		4,842,831	4,884,881
Total interest income	6	5,198,946	5,449,900
Interest expense	6	(2,388,053)	(2,646,213)
Net interest income		2,810,893	2,803,687
Impairment adjustments on loans	23	21,420	33,668
Net interest income after impairment adjustments on loans and leases		2,832,313	2,837,355
Fee and commission income	7	358,273	298,172
Net foreign exchange trading income	8	110,777	80,872
Net gains on financial assets	9	334,234	308,909
Other revenue	10	1,947,141	117,367
		2,750,425	805,320
		5,582,738	3,642,675
Expenses			
Salaries, pension contributions and other staff benefits	11	715,595	713,192
Property expenses, including depreciation		117,593	135,995
Amortisation of intangible assets	28	611	2,250
Impairment loss on subsidiary	12(i)	1,585,627	-
Other operating expenses		450,430	333,060
	12	2,869,856	1,184,497
Gain on disposal of subsidiary	13(c)	-	13,994
Profit before taxation	14	2,712,882	2,472,172
Taxation	15	(732,976)	(580,702)
Profit for the year	16	1,979,906	1,891,470

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Comprehensive Income
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2012	2011
Profit for the year	16	1,979,906	1,891,470
Other comprehensive income:			
Unrealised (loss)/gains on available-for-sale securities		(227,120)	72,125
Realised (loss)/gains on available-for-sale securities		(195,144)	(42,155)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivable		56,692	65,589
Other comprehensive (loss)/income before tax		(365,572)	95,559
Taxation on other comprehensive income/(loss)	29(a)	237,561	(52,610)
Other comprehensive (loss)/income, net of tax		(128,011)	42,949
Total comprehensive income for the year attributable to stockholders of the company		1,851,895	1,934,419

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Financial Position
October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2012	2011
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call, at Bank of Jamaica	18	36,653	539,295
Government and bank notes other than Jamaican	18	15,086	19,382
Amounts due from other financial institutions	18	231,470	317,774
Accounts with parent and fellow subsidiaries	18, 19	711,136	2,244,751
		994,345	3,121,202
Financial assets at fair value through profit or loss	20	22,649	218,217
Pledged assets	21	65,441,552	66,365,262
Loans, after allowance for impairment losses	22	427,670	426,490
Investment securities			
Available-for-sale	25	4,200,586	153,954
Investment in subsidiaries	12(i)	441,138	2,026,312
Other assets			
Customers' liabilities under guarantees		1,880,486	1,522,497
Taxation recoverable		445,220	653,609
Sundry assets	26	119,749	69,468
Property, plant and equipment	27	42,238	20,130
Intangible assets	28	38,188	27,853
		2,525,881	2,293,557
		74,053,821	74,604,994

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Financial Position (Continued)
October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2012	2011
LIABILITIES			
Capital management and government securities fund	21, 30	14,175,062	14,241,242
Other liabilities			
Amounts due to subsidiaries		427,232	2,191,428
Promissory notes	31	-	2,436
Guarantees issued		1,880,486	1,522,497
Securities sold under repurchase agreements	21	45,805,787	46,220,984
Other liabilities	32	252,979	144,013
Taxation payable		324,807	-
Deferred tax liabilities	29(a)	73,590	292,516
		48,764,881	50,373,874
STOCKHOLDERS' EQUITY			
Share capital	33	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	34	(24,647)	103,364
Capital reserve	35	24,615	24,615
Unappropriated profits		9,202,007	7,949,996
		11,113,878	9,989,878
		74,053,821	74,604,994

The financial statements on pages 71 to 154 were approved for issue by the Board of Directors on November 27, 2012 and signed on its behalf by:

_____ Director
Bruce Bowen

_____ Director
Anthony Chang

_____ Director
Lissant Mitchell

_____ 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, 2012

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	Share capital	Cumulative remeasurement result from available-for-sale financial assets	Capital reserve	Unappropriated profits	Total
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	16	-	-	-	1,891,470	1,891,470
Other comprehensive income:						
Unrealised gains on available-for-sale investments, net of tax	34	-	41,903	-	-	41,903
Realised gains on available-for-sale-securities transferred to statement of revenue & expenses		-	(28,105)	-	-	(28,105)
Amortisation of fair value reserve on financial instruments classified to loans and receivable	24	-	29,151	-	-	29,151
Total comprehensive income for the year		-	42,949	-	1,891,470	1,934,419
Transactions with owners of the company:						
Dividends paid	40	-	-	-	(558,617)	(558,617)
Balances at October 31, 2011		1,911,903	103,364	24,615	7,949,996	9,989,878
Total comprehensive income for the year:						
Profit for the year	16	-	-	-	1,979,906	1,979,906
Other comprehensive income:						
Unrealised gains on available-for-sale investments, net of tax	34	-	(134,074)	-	-	(134,074)
Realised gains on available-for-sale-securities transferred to statement of revenue & expenses	24	-	136,159	-	-	136,159
Amortisation of fair value reserve on financial instruments classified to loans and receivable		-	(130,096)	-	-	(130,096)
Total comprehensive income/(loss) for the year		-	(128,011)	-	1,979,906	1,851,895
Transactions with owners of the company:						
Dividends paid	40	-	-	-	(727,895)	(727,895)
Balances at October 31, 2012		1,911,903	(24,647)	24,615	9,202,007	11,113,878

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Cash Flows
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2012	2011
Cash flows from operating activities			
Profit for the year		1,979,906	1,891,470
Items not affecting cash:			
Interest income	6	(5,198,946)	(5,449,900)
Interest expense	6	2,388,053	2,646,213
Impairment losses	23, 12(i)	1,564,207	(33,668)
Depreciation	27	7,716	12,048
Amortisation of intangible asset	28	611	2,250
Gain on disposal of property, plant and equipment		-	(1,006)
Gain on disposal of subsidiary	13	-	(13,994)
Income tax charge	15	714,341	519,432
Deferred taxation	15, 29(a)	18,635	61,270
		1,474,523	(365,885)
Changes in operating assets and liabilities:			
Amounts due from other banks		(76,309)	(21,354)
Pledged assets		1,996,631	(1,475,508)
Loans and leases		20,513	18,626
Capital management and government securities fund		(65,897)	(915,116)
Securities sold under repurchase agreements		(393,983)	1,308,106
Taxation recoverable		151,962	(244,050)
Other assets		(408,269)	(620,764)
Amounts due to subsidiaries		(1,764,196)	(20,672)
Promissory notes		(2,376)	(5,510)
Financial assets at fair value through profit or loss		194,120	(206,691)
Other liabilities		466,958	539,535
		1,593,677	(2,009,283)
Interest received		5,164,546	5,476,314
Income tax paid		(333,107)	(1,014,016)
Interest paid		(2,409,611)	(2,768,492)
Net cash provided/(used) by operating activities		4,015,505	(315,477)

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Cash Flows (Continued)
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2012	2011
Cash provided/(used) by operating activities (page 84)		4,015,505	(315,477)
Cash flows from investing activities			
Investment securities		(4,297,404)	52,845
Investment in subsidiaries		(453)	(90)
Proceeds from disposal of subsidiary	13	-	18,000
Purchase of property, plant and equipment	27	(29,824)	(6,612)
Purchase of intangible assets	28	(10,946)	(27,025)
Proceeds from sale of property, plant and equipment		-	1,360
Net cash flow (used)/provided by investing activities		(4,338,627)	38,478
Cash flows from operating and investing activities		(323,122)	(276,999)
Cash flows from financing activity			
Dividends paid	40	(727,895)	(558,617)
Effect of exchange rate changes on cash and cash equivalents		76,308	21,354
Net decrease in cash and cash equivalents		(974,709)	(814,262)
Cash and cash equivalents at beginning of year		6,454,608	7,268,870
Cash and cash equivalents at end of year	18	5,479,899	6,454,608

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

Notes to the Financial Statements
Year ended October 31, 2012
(*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	Unit trust and fund management services	100%	Jamaica
Billy Craig Investments Limited	Non-trading	100%	Jamaica
Scotia Jamaica Investment Management 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) Inc	Fund management	100%	St. Lucia

Asset Management Company Limited which was a wholly-owned subsidiary, was sold during the last financial year (see note 13).

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 50,460 (2011: 44,686). This is stated after taking account of a liability of 62,351 (2011: 61,696) due to the Company.

2. Summary of significant accounting policies

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

(a) Statement of compliance and basis of preparation:

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the Jamaican Companies Act.

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

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements, viz:

IFRS 7, *Financial Instruments: Disclosures* - This adoption led to some changes in the qualitative and quantitative disclosures relating to credit risk. The changes are reflected in note 37 to these financial statements:

(i) Disclosure of the amount of the group's 'maximum exposure to credit risk without considering any collateral held' is now made only if the carrying amount of the financial asset does not already reflect such exposure.

(ii) The disclosure of the nature and carrying amount of collateral obtained by the group as a result of a debtor's default (a foreclosure), including policies for using the financial and non-financial assets that cannot be converted into cash immediately, is now required to be made only for collateral obtained and still held at the end of the reporting period.

(iii) Where the terms of a financial asset that was not past due and not impaired were renegotiated, the carrying amount was disclosed; this is no longer required.

(iv) The disclosure of the description of collateral held as security and other credit enhancements in respect of financial assets that are past due or impaired, including an estimate of their fair value, is no longer required. The collateral for all financial assets held, not just past due or impaired, is disclosed.

2. **Summary of significant accounting policies (continued)**

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

(i) Statement of compliance (continued)

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.

- IFRS 9, *Financial Instruments,* is effective for annual reporting periods beginning on or after January 1, 2015 (previously January 1, 2013). The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard 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 may have on its 2016 financial statements.

- IFRS 10, *Consolidated Financial Statements* (effective for annual reporting periods beginning on or after January 1, 2013) supersedes IAS 27 *Consolidated and Separate Financial Statements* and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008). The Group is assessing the impact that this standard may have in its 2014 financial statements.

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 11, *Joint Arrangements* and *IAS 28 Investments in Associates* and *Joint Ventures (2011)* (effective for annual reporting periods beginning on or after January 1, 2013) removes from *IAS 31 Jointly Controlled Entities*, those cases which, although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations and are now called joint operations. The remainder of IAS 31, now called *Joint Ventures,* removes the free choice of equity accounting or proportionate consolidation and requires that the equity method be used. The Group is assessing the impact that this standard and amendments may have in its 2014 financial statements.

- IFRS 12, *Disclosure of Interest in Other Entities* (effective for annual reporting periods beginning on or after January 1, 2013) contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. 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. The Group is assessing the impact that this standard may have in its 2014 financial statements.

- IFRS 13 *Fair Value Measurement* 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 IFRS, 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 standard is effective for annual reporting periods beginning on or after January 1, 2013. The Group is assessing the impact that this standard may have in its 2014 financial statements.

- *Improvements to IFRS 2009-2010* cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2013. The main amendments applicable to the group are as follows:

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* is amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.

- *IAS 16 Property, Plant and Equipment* – The standard is amended to clarify that the definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether spare parts, stand-by equipment and servicing equipment should be accounted for under the standard. If these items do not meet the definition, then they are accounted for using *IAS 2 Inventories*.

- *IAS 32 Financial Instruments: Presentation* – The standard is amended to clarify that *IAS 12 Income Taxes* applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

- *IAS 34 Interim Financial Reporting* is amended to require the disclosure of a measure of total assets and liabilities for a particular reporting segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The Group is assessing the impact that these amended standards will have on its 2014 financial statements when they become effective.

(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.

2. **Summary of significant accounting policies (continued)**

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

(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 group'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.

(b) Basis of consolidation:

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is at the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus
- if the business combination is achieved in stages, the fair value of the pre-existing interest in the acquired entity; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date.

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

(ii) Subsidiaries

Subsidiaries are those entities controlled by the company. The consolidated financial statements include the financial statements of all subsidiaries, including an Employees Share Ownership Plan (ESOP) classified as a special purpose entity (note 36), made up to October 2012. The results of the ESOP are not material to the Group.

The company and its subsidiaries are collectively referred to as "Group".

(iii) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(iv) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealised gains arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

(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.

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, and amortization of premium on instruments bought at a premium.

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.

2. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(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.

(f) Taxation

Taxation on the profit or loss for the year comprises current and deferred taxes. Current and deferred taxes are recognised as tax expense or benefit in the income statement 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.

2. Summary of significant accounting policies (continued)

(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.

(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.

2. **Summary of significant accounting policies (continued)**

(g) Financial assets and liabilities (continued)

(iii) Measurement (continued)

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.

(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 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.

2. **Summary of significant accounting policies (continued)**

(h) Financial assets (continued)

(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.

(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. Financials 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.

2. Summary of significant accounting policies (continued)

(i) Impairment of financial assets (continued)

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.

(j) Investment in subsidiaries

Investment in subsidiaries are stated at cost less impairment losses.

2. Summary of significant accounting policies (continued)

(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.

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.

2. **Summary of significant accounting policies (continued)**

(o) Leases

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.

(p) Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

A party is related to the company, if:

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan established for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

2. **Summary of significant accounting policies (continued)**

(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.

(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.

2. **Summary of significant accounting policies (continued)**

(r) Impairment of non-financial assets (continued)

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 expensed when incurred.

(i) Pension obligations

The Company operates a defined-contribution pension scheme (see note 11), the assets of which are held in a trustee-administered fund. 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.

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 45) 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 and other institutions. These assets, and income arising thereon, are excluded from these financial statements, as they are not assets of the Group.

2. Summary of significant accounting policies (continued)

(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.

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.

3. Critical accounting estimates and judgements in applying accounting policies

(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.

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.

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(Expressed in thousands of Jamaican dollars unless otherwise stated)

6. Net interest income

	The Group		The Company	
	2012	2011	2012	2011
Interest income:				
Deposit with banks and other financial institutions	123,584	308,735	122,807	308,110
Investment securities	4,801,597	4,828,057	4,801,597	4,828,057
Income on financial assets at fair value through the statement of revenue and expenses	21,776	32,538	21,776	32,538
Reverse repurchase agreements	19,458	24,286	19,458	24,286
Loans	233,308	269,306	233,308	256,909
	5,199,723	5,462,922	5,198,946	5,449,900
Interest expense:				
Repurchase agreements	2,071,525	2,264,480	2,072,003	2,264,237
Capital management and government securities fund	316,050	381,976	316,050	381,976
	2,387,575	2,646,456	2,388,053	2,646,213
Net interest income	2,812,148	2,816,466	2,810,893	2,803,687

7. Fee and commission income

	The Group		The Company	
	2012	2011	2012	2011
Asset management fees	608,300	556,410	203,271	218,372
Structured financing fees	79,373	-	79,373	-
Credit related fees	4,062	4,271	4,062	4,271
Trust fees	31,324	23,515	31,324	23,515
Stock brokerage fees	18,585	23,768	18,585	23,768
Other	22,447	30,934	21,658	28,246
	764,091	638,898	358,273	298,172

8. Net foreign exchange trading income

Net foreign exchange trading income is comprised primarily of gains and losses arising from foreign currency trading activities.

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(Expressed in thousands of Jamaican dollars unless otherwise stated)

9. Net gains on financial assets

	The Group		The Company	
	2012	2011	2012	2011
Equity securities held for trading	(3,804)	25,170	(2,772)	5,085
Other equity securities	26,617	77,311	26,617	77,311
Debt securities held for trading	176,211	220,376	176,211	220,376
Debt securities available-for-sale	134,178	6,137	134,178	6,137
	333,202	328,994	334,234	308,909

10. Other revenue

	The Group		The Company	
	2012	2011	2012	2011
Dividend income from subsidiary	-	-	1,865,853	101,369
Other	81,288	15,814	81,288	15,998
	81,288	15,814	1,947,141	117,367

11. Salaries, pension contributions and other staff benefits

	The Group		The Company	
	2012	2011	2012	2011
Wages and salaries	586,131	577,411	586,131	571,854
Payroll taxes	44,430	46,624	44,430	46,057
Pension contributions	20,732	21,580	20,732	21,337
Other staff benefits	64,302	74,458	64,302	73,944
	715,595	720,073	715,595	713,192

12. Expenses by nature

	The Group		The Company	
	2012	2011	2012	2011
Salaries, pension contributions and other staff benefits (note 11)	715,595	720,073	715,595	713,192
Property expenses, including depreciation	111,489	132,353	117,593	135,995
Transportation and communication	10,787	9,092	10,787	9,092
Marketing and advertising	61,039	71,399	58,665	69,400
Management and consultancy fees	112,407	95,357	71,705	55,085
Stationery	15,595	10,064	15,595	10,042
Amortisation of intangible asset	611	2,696	611	2,250
Impairment loss on subsidiary [note (i)]	-	-	1,585,627	-
Other operating expenses	340,836	219,412	293,678	189,441
	1,368,359	1,260,446	2,869,856	1,184,497

(Expressed in thousands of Jamaican dollars unless otherwise stated)

12. Expenses by nature (continued)

(i) The recoverable amount of the company's investment in each subsidiary is reviewed annually for impairment. The impairment review at the end of the year resulted in an impairment loss of $1,585,627 being recognised.

13. Disposal of subsidiary

In the prior year, the Group sold its 100% shareholdings in Asset Management Company Limited. This subsidiary contributed profit before tax of $1,515 to the Group for that year.

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

	2012	2011
Cash and cash equivalents	-	5,822
Hire purchase contracts receivable	-	46,011
Other assets	-	5,132
Other liabilities	-	(35,209)
Net assets disposed of	-	21,756

(b) Net cash inflow on disposal of subsidiary:

	2012	2011
Proceeds from sale	-	18,000
Less: cash and cash equivalents in subsidiary sold	-	(5,822)
Less: transaction costs	-	(4,005)
Net cash inflow	-	8,173

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

	The Group		The Company	
	2012	2011	2012	2011
Consideration received	-	18,000	-	18,000
Net assets disposed of	-	(21,756)	-	-
Transaction costs	-	(4,005)	-	(4,005)
Elimination of investment in subsidiary	-	-	-	(1)
(Loss)/gain on disposal	-	(7,761)	-	13,994

(Expressed in thousands of Jamaican dollars unless otherwise stated)

14. Profit before taxation

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

	The Group		The Company	
	2012	2011	2012	2011
Auditors' remuneration				
Current year	12,403	12,103	8,164	7,630
Prior year	100	95	100	-
Depreciation	13,402	18,742	7,716	12,048
Amortisation of intangible assets	611	2,696	611	2,250
Directors' emoluments				
- Fees	5,580	5,580	4,871	3,873
- Other	16,381	12,347	16,381	12,347
Gain on sale of property, plant and equipment	-	(1,006)	-	(1,006)
Operating lease rentals	61,693	68,946	61,693	68,946

15. Taxation

(a) Taxation charge

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

	The Group		The Company	
	2012	2011	2012	2011
Current income tax:				
Income tax at 33⅓%	806,376	600,845	714,318	519,432
Adjustment in respect previous years	(1,194)	-	23	-
	805,182	600,845	714,341	519,432
Deferred income tax [note 29 (c)]	18,561	61,239	18,635	61,270
Adjustment in respect previous years	12,101	-	-	-
	30,662	61,239	18,635	61,270
	835,844	662,084	732,976	580,702

(b) Taxation losses, subject to agreement by the Commissioner of Taxpayer Audit and Assessment, available for set-off against future taxable profits, amounted to 9,497 (2011: 8,722) for the Group.

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

15. Taxation

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

	The Group		The Company	
	2012	2011	2012	2011
Profit before taxation	2,759,223	2,647,176	2,712,882	2,472,172
Taxation at 33⅓%	919,741	882,392	904,294	824,057
Adjusted for the effects of:				
Income not subject to tax				
- Tax free investments	(105,472)	(234,670)	(105,472)	(234,670)
- Exempt revenue	(1,121)	(6,978)	(622,810)	(38,738)
Expenses not deductible for tax purposes	31,856	5,603	31,166	4,766
Other charges and allowances	(820)	30,052	525,821	25,287
Different tax rates of subsidiaries operating in other jurisdictions	(19,247)	(14,315)	-	-
Adjustment in respect of prior years	10,907	-	(23)	-
Taxation expense	835,844	662,084	732,976	580,702

16. Net profit for the year and unappropriated profits attributable to stockholders

(a) Net profit for the year is dealt with in the financial statements of Group entities as follows:

	2012	2011
The Company	1,979,906	1,891,470
The Subsidiaries	(56,527)	93,622
	1,923,379	1,985,092

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

	2012	2011
The Company	9,202,007	7,949,996
The Subsidiaries	305,527	362,054
	9,507,534	8,312,050

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(Expressed in thousands of Jamaican dollars unless otherwise stated)

17. 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.

	2012	2011
Net profit attributable to stockholders	1,923,379	1,985,092
Weighted average number of ordinary stock units in issue ('000)	423,195	423,195
Basic earnings per stock unit (expressed in $ per share)	4.54	4.69

	Units '000	Units '000
Weighted average number of ordinary stock units:		
Issued ordinary stock units at October 31	423,195	423,195
Effect of owned shares held by ESOP during the year	(1,257)	(1,705)
Weighted average number of ordinary stock units held during the year	421,938	421,490
Earnings per ordinary shares in issue excluding ESOP holdings (expressed in $ per share)	4.56	4.71

18. Cash and cash equivalents

	The Group		The Company	
	2012	2011	2012	2011
Cash and balances with central bank	36,653	539,295	36,653	539,295
Government and bank notes other than Jamaican	15,086	19,382	15,086	19,382
Amounts due from other financial institutions	234,647	320,855	231,470	317,774
Accounts with parent and fellow subsidiaries	725,444	2,284,757	711,136	2,244,751
Government of Jamaica treasury bills and bonds	4,486,301	3,336,494	4,486,301	3,336,494
	5,498,131	6,500,783	5,480,646	6,457,696
Less: accrued interest receivable on Bank of Jamaica Certificates of Deposit and amounts due from other financial institutions	(747)	(3,088)	(747)	(3,088)
	5,497,384	6,497,695	5,479,899	6,454,608

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

19. 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.

20. Financial assets at fair value through profit or loss

	The Group		The Company	
	2012	2011	2012	2011
Government of Jamaica securities	8,249	191,499	8,249	191,499
Quoted shares	14,351	25,221	14,351	25,221
Units in unit trusts	152,664	137,951	-	-
	175,264	354,671	22,600	216,720
Accrued interest	49	1,497	49	1,497
	175,313	356,168	22,649	218,217

21. Pledged assets

Assets are pledged to other financial institutions and as collateral under repurchase agreements with counterparties. All repurchase agreements mature within twelve months.

	The Group			
	Asset		Related liability	
	2012	2011	2012	2011
Investment securities and securities purchased under resale agreements:				
Clients	44,736,094	44,151,249	39,681,409	38,691,455
Other financial institutions	6,500,267	7,954,589	6,002,638	7,520,010
	51,236,361	52,105,838	45,684,047	46,211,465
Capital management & government securities funds:	14,205,191	14,259,424	14,174,566	14,241,114
	65,441,552	66,365,262	59,858,613	60,452,579

	The Company			
	Asset		Related liability	
	2012	2011	2012	2011
Investment securities and securities purchased under resale agreements:				
Clients	44,736,094	44,151,249	39,681,409	38,691,455
Other financial institutions	6,500,267	7,954,589	6,124,378	7,529,529
	51,236,361	52,105,838	45,805,787	46,220,984
Capital management & government securities funds	14,205,191	14,259,424	14,175,062	14,241,242
	65,441,552	66,365,262	59,980,849	60,462,226

(Expressed in thousands of Jamaican dollars unless otherwise stated)

21. Pledged assets (continued)

Included in pledged assets are the following categories of assets:

	The Company and Group	
	2012	2011
Deposits with financial institutions including resale agreements	4,087,048	1,050,261
Loans	127,633	136,502
Government issued securities:		
Fair value through profit or loss	331,610	2,137
Available-for-sale	38,194,404	40,626,625
Loans and receivable	11,778,869	11,900,753
Held-to-maturity	9,289,394	10,989,928
Unitised funds		
Available-for-sale	774,221	845,826
Other		
Available-for-sale	858,373	813,230
	65,441,552	66,365,262

(i) Included in pledged assets are the following amounts which are regarded as cash equivalents for the purposes of the statement of cash flows:

	The Company and Group	
	2012	2011
Debt securities with an original maturity of less than 90 days	4,486,301	3,336,494

(ii) The fair value of collateral held pursuant to reverse repurchase agreements is $418,429 (2011:$89,518).

22. Loans, after allowance for impairment losses

	The Company and Group	
	2012	2011
Business and Government	750,791	714,952
Personal	47,906	64,508
Interest receivable	347	74
Total	799,044	779,534
Less: allowance for impairment losses [note 22(b)]	(371,374)	(353,044)
	427,670	426,490

(Expressed in thousands of Jamaican dollars unless otherwise stated)

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

(a) Loans on which interest is suspended amounted to $731,635 (2011:$695,854) for the company and the group. These loans are included in the financial statements at their estimated net realisable value of 360,305 (2011: 342,860) for the company and group.

(b) Loans receivable include loans to Runaway Bay Developments Limited amounting to US$7,986 and J$5,015 (2011: US$7,896 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 (2011: US$2,351) in favour of other creditors. Interest will accrue at 8% (2011: 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 (2011: 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	
	2012	2011
Neither past due nor impaired	67,061	83,606
Impaired loans more than 90 days	731,635	695,854
Interest receivable	348	74
Gross loan portfolio	799,044	779,534
Less: allowance for impairment losses	(371,374)	(353,044)
	427,670	426,490

Based on historical default rates, the group believes that no impairment allowance is necessary in respect of loans less than 90 days past due.

(ii) Renegotiated loans

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

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

During the year, there were no renegotiated loans.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

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

(b) (Continued)

(iii) Repossessed 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. Repossessed collateral is not recognized on the Group's statement of financial position.

The Group had no repossessed collateral at the reporting date (2011: None).

23. Impairment losses on loans

	The Group		The Company	
	2012	2011	2012	2011
Total impaired loans	731,635	695,854	731,635	695,854
Provision at beginning of year	353,044	365,554	353,044	365,554
Credited during the year	135	(15,678)	135	(16,105)
Bad debts written off	-	(481)	-	-
Translation differences on foreign currency provisions	18,195	3,595	18,195	3,595
Eliminated on disposal of subsidiary	-	54	-	-
Allowance at end of year	371,374	353,044	371,374	353,044
(Credited)/provided during the year	135	(15,678)	135	(16,105)
Recoveries of bad debts	(21,555)	(18,190)	(21,555)	(17,563)
	(21,420)	(33,868)	(21,420)	(33,668)

Allowance for impairment losses:

A loan, is classified as impaired if its carrying value exceeds the present value of the cash flows expected in future periods from interest repayments, principal repayments and proceeds of liquidation of collateral. Allowances for credit losses are made on all impaired loans. Uncollected interest not accrued in these financial statements on impaired loans was estimated at $1,194 as at October 31, 2012 (2011: 24,103) for the company and the group.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

23. Impairment adjustments on loans (continued)

Allowance for impairment losses (continued):

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

	The Company and Group	
	2012	2011
Allowance based on accounting standard - IAS 39	371,374	353,044

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

24. Reclassification of financial assets

On October 1, 2008, the Company reclassified Government of Jamaica Global Bonds that were included in pledged assets from available-for-sale to loans and receivables in accordance with paragraph 50E of IAS 39. The standard required that such reclassification be made at the fair value of the instruments at the date of reclassification.

On December 1, 2010, the market was determined to be active again and the Group opted to retain the classification of these securities as loans and receivables.

The carrying and fair value of these securities as at October 31, 2012 were as follows:

	The Company and Group			
	2012		2011	
	Carrying value	Fair value	Carrying value	Fair value
Debt Securities:				
US$ denominated GOJ Global Bonds	11,213,598	11,723,578	10,791,648	11,524,547
EURO denominated GOJ Global Bonds	260,504	274,722	808,262	914,696

(a) Fair value gains/(losses) excluding deferred tax liabilities of 65,465 (2011: 103,259) were recognised in other comprehensive income in relation to the above investments reclassified in 2008.

(b) Fair value gains of 416,986 (2011: 559,542) 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 the reporting date.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

24. Reclassification of financial assets (continued)

(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 are $18,055,447.

Presented below are the estimated amounts of undiscounted cash flows expected to be recovered from the reclassified securities:

	The Company and Group			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Reclassified debt securities	-	-	69	17,986

25. Investment securities

	The Company and Group	
	2012	2011
Available-for-sale		
Government of Jamaica	3,842,941	137,467
Unquoted	8,782	15,778
Treasury bills	295,929	-
	4,147,652	153,245
Interest receivable	52,934	709
	4,200,586	153,954

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		The Company	
	2012	2011	2012	2011
Accounts receivable and prepayments	152,856	102,113	111,357	68,195
Other	8,391	1,289	8,391	1,273
	161,247	103,402	119,748	69,468

(Expressed in thousands of Jamaican dollars unless otherwise stated)

27. Property, plant and equipment

	The Group				
	Land & building	Leasehold improvements	Furniture, fixtures, motor vehicles & equipment	Capital work-in-progress	Total
Cost:					
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
Additions	-	148	26,837	2,839	29,824
Transfer	-	3,037	-	(3,037)	-
October 31, 2012	3,146	88,002	308,057	-	399,205
Accumulated depreciation:					
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
Charge for the year	74	3,479	9,849	-	13,402
October 31, 2012	1,383	80,375	261,138	-	342,896
Net book values:					
October 31, 2012	1,763	7,627	46,919	-	56,309
October 31, 2011	1,837	7,921	29,931	198	39,887
October 31, 2010	1,911	6,837	43,623	-	52,371

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(Expressed in thousands of Jamaican dollars unless otherwise stated)

27. Property, plant and equipment (continued)

	The Company			
	Leasehold improvements	Furniture, fixtures, motor vehicles & equipment	Capital work-in-progress	Total
Cost:				
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
Additions	148	26,837	2,839	29,824
Transfers	3,037	-	(3,037)	-
October 31, 2012	52,732	191,788	-	244,520
Accumulated depreciation:				
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
Charge for the year	2,365	5,351	-	7,716
October 31, 2012	46,314	155,968	-	202,282
Net book values:				
October 31, 2012	6,418	35,820	-	42,238
October 31, 2011	5,598	14,334	198	20,130
October 31, 2010	3,400	22,520	-	25,920

(Expressed in thousands of Jamaican dollars unless otherwise stated)

28. Intangible assets

	The Group			The Company
	Goodwill	Computer software	Total	Computer software
Cost:				
October 31, 2010	26,113	127,509	153,622	113,209
Additions during the year	-	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
Additions	-	10,946	10,946	10,946
October 31, 2012	26,113	163,571	189,684	149,271
Amortisation:				
October 31, 2010	-	123,985	123,985	110,131
Amortisation 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
Amortisation for the year	-	611	611	611
October 31, 2012	-	125,383	125,383	111,083
Net book values:				
October 31, 2012	26,113	38,188	64,301	38,188
October 31, 2011	26,113	27,853	53,966	27,853
October 31, 2010	26,113	3,524	29,637	3,078

29. Deferred tax assets and liabilities

Deferred income taxes are calculated on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using an effective tax rate of 33 1/3%.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Deferred tax assets and liabilities (continued)

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

	The Group		The Company	
	2012	2011	2012	2011
Balance at the beginning of the year	(280,553)	(166,704)	(292,516)	(178,636)
Recognised in the statement of revenue and expenses (note 15(a))	(30,662)	(61,239)	(18,635)	(61,270)
Recognised in other comprehensive income:				
Available-for-sale investments fair value re-measurement	237,561	(52,610)	237,561	(52,610)
Balance at the end of the year	(73,654)	(280,553)	(73,590)	(292,516)

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

	The Group		The Company	
	2012	2011	2012	2011
Deferred income tax assets:				
Vacation leave accrued	7,743	6,252	7,743	6,252
Accelerated tax depreciation	7,325	23,051	7,325	13,461
Available-for-sale investments	154,744	-	154,744	-
Tax value of unutilised losses	-	2,511	-	-
Deferred income tax liabilities:				
Interest receivable and interest payable, net	(243,402)	(229,411)	(243,402)	(229,411)
Accelerated tax depreciation	(64)	(138)	-	-
Available-for-sale investments	-	(82,818)	-	(82,818)
Net deferred tax liability	(73,654)	(280,553)	(73,590)	(292,516)
This comprises:				
Net deferred tax assets	-	12,101	-	-
Net deferred tax liability	(73,654)	(292,654)	(73,590)	(292,516)
	(73,654)	(280,553)	(73,590)	(292,516)

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Deferred tax assets and liabilities (continued)

(c) The deferred tax charge comprises the following temporary differences and related tax:

	The Group		The Company	
	2012	2011	2012	2011
Vacation leave accrued	1,492	2,096	1,492	2,096
Accelerated tax depreciation	(15,652)	1,928	(6,136)	1,897
Tax value of utilised losses	(2,511)	-	-	-
Interest receivable	(13,991)	(65,263)	(13,991)	(65,263)
	(30,662)	(61,239)	(18,635)	(61,270)

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 223,700 (2011: 216,747).

30. 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 underlying 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.

31. Promissory notes

	The Company and Group	
	2012	2011
0% (2011: 5.25%) Jamaica dollar	-	2,376
	-	2,376
Interest payable	-	60
	-	2,436

The Group has not had any defaults of principal, interest or other breaches with respect to its liabilities during the year. The notes were repaid during the year.

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

32. Other liabilities

	The Group		The Company	
	2012	2011	2012	2011
Accrued liabilities	138,564	39,955	129,768	33,673
Other	153,764	147,510	123,211	110,340
	292,328	187,465	252,979	144,013

33. Share capital

	Number of units		Total	
	2012	2011	2012	2011
Authorised:				
Ordinary shares of no par value	1,200,000,000	1,200,000,000		
Issued and fully paid:				
Ordinary stock units	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.

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

This represents the unrealised surplus or deficit on the revaluation of available-for-sale investments and the unamortised gains relating to securities reclassified to loans and receivables.

35. Capital reserve

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

36. 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, 2012 was 1,257,215 (2011: 1,704,972). Based on the bid price, less a 10% discount normally allowed to staff, the value of those stock units at year end was 35,215 (2011: 46,546).

37. 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.

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.

37. Financial risk management (continued)

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.

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.

37. Financial risk management (continued)

Credit risk management (continued)

The Group further manages 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 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.

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-

(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Financial risk management (continued)

Credit risk management (continued)

(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, 2012 relating to loans and advances and the associated impairment provision for each of the Group's internal rating categories:

	The Company and Group	
	2012	2011
	%	%
Excellent	73.2	70.4
Good	0.8	1.1
Higher Risk	26.0	28.5
	100.0	100.0

The following table presents an analysis by rating agency designation of debt and similar securities, other than loans, based on Standard & Poor's ratings or their equivalent as at October 31, 2012:

	The Company and Group	
	2012	2011
AAA+ to AA+	269,029	243,867
A to A+	36,985	-
BBB+ to BB+	192,945	189,294
BB to B-	63,560,341	64,514,234
Lower than B-	4	4
	64,059,304	64,947,399

(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Financial risk management (continued)

Credit risk management (continued)

(ii) Credit quality (continued)

	The Company and Group	
	2012	2011
Deposits with Bank of Jamaica	-	502,312
Financial assets at fair value through statement of revenue and expenses	8,298	192,995
Investment securities:		
Available-for-sale	4,129,227	138,176
Pledged assets:		
Held for trading	318,104	-
Loans and receivables	42,063,811	11,766,377
Held-to-maturity	5,862,011	8,544,327
Available-for-sale	11,677,853	43,803,208
	64,059,304	64,947,395

Collateral and other credit enhancements held against loans

It is the Group's practice to lend on the basis of the customer's ability to meet their obligations out of their cash flow resources rather than rely on the value of security offered as collateral. Nevertheless, the collateral is an important mitigant of credit risk, depending on the customer's standing and the type of product, some facilities are granted on an unsecured basis. For other facilities, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default the Group may utilise the collateral as a source of repayment. In such cases the collateral is used to settle all debt obligations to the Group, and excess value is returned to the borrower.

The Group holds collateral against credits to borrowers primarily in the form of cash, motor vehicles, real estate, charges over business assets such as premises, inventory and accounts receivable and charges over financial instruments such as debt securities and equities. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when credits to borrowers are individually assessed as impaired.

The estimated fair value of the collateral with enforceable legal right pursuant to the agreements for outstanding loans and guarantees is $1,826,223 (2011: $1,552,929) for the Group and Company.

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Financial risk management (continued)

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 2012	Total 2011
Agriculture, fishing and mining	-	8,900	8,900	8,000
Construction and real estate	-	126,890	126,890	132,618
Financial institutions	-	13,032	13,032	1,500
Manufacturing	-	119,604	119,604	118,000
Personal	47,905	1,367,134	1,415,039	1,127,841
Professional and other services	20,572	221,440	242,012	219,935
Tourism and entertainment	730,220	23,486	753,706	694,063
Interest receivable	347	-	347	74
	799,044	1,880,486	2,679,530	2,302,031
Total impairment allowance	(371,374)	-	-	(353,044)
Total	427,670	1,880,486	2,679,530	1,948,987

(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	
	2012	2011	2012	2011
Governments	62,562,213	59,005,789	62,562,213	59,005,789
Bank of Jamaica	3,618	2,712,483	3,618	2,712,483
Financial institutions	7,177,976	5,506,304	7,160,742	5,325,246
Corporate and other	639,105	2,412,591	639,105	2,412,591
	70,382,912	69,637,167	70,365,678	69,456,109

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.

37. Financial risk management (continued)

Credit risk management (continued)

Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

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

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

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

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.

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

37. Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	The Group 2012						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	-	959,343	-	-	-	52,487	1,011,830
Financial assets at fair value through profit or loss	-	6,822	1,427	-	-	167,064	175,313
Pledged assets	1,737,455	48,640,496	12,317,270	1,639,535	39,598	1,067,198	65,441,552
Loans, leases & trade receivables	751,993	425	7,103	39,483	5,635	(376,969)	427,670
Investment securities (2) available-for-sale	-	3,334,416	804,453	-	-	61,717	4,200,586
Other assets	-	-	-	-	-	2,614,444	2,614,444
Total assets	2,489,448	52,941,502	13,130,253	1,679,018	45,233	3,585,941	73,871,395
Capital management and government securities fund	14,173,762	-	-	-	-	804	14,174,566
Securities sold under repurchase agreements	1,193,572	38,367,187	5,842,221	1,379	-	279,688	45,684,047
Other liabilities	-	-	-	-	-	2,638,723	2,638,723
Stockholders' equity	-	-	-	-	-	11,374,059	11,374,059
Total liabilities and stockholders' equity	15,367,334	38,367,187	5,842,221	1,379	-	14,293,274	73,871,395
Total interest rate sensitivity gap	(12,877,886)	14,574,315	7,288,032	1,677,639	45,233	(10,707,333)	-
Cumulative gap	**(12,877,886)**	**1,696,429**	**8,984,461**	**10,662,100**	**10,707,333**	-	-

	The Group 2011						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	983,436	48,917,007	11,154,034	5,638,655	1,310,503	4,850,366	72,854,001
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	-	-

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

37. Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	The Company 2012						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	-	941,858	-	-	-	52,487	994,345
Financial assets at fair value through profit or loss	-	6,822	1,427	-	-	14,400	22,649
Pledged assets	1,737,455	48,640,496	12,317,270	1,639,535	39,598	1,067,198	65,441,552
Loans, leases & trade receivables	751,993	425	7,103	39,483	5,635	(376,969)	427,670
Investment securities - Available-for-sale	-	3,334,416	804,453	-	-	61,717	4,200,586
Investment in subsidiaries	-	-	-	-	-	441,138	441,138
Other assets	-	-	-	-	-	2,525,881	2,525,881
Total assets	2,489,448	52,924,017	13,130,253	1,679,018	45,233	3,785,852	74,053,821
Capital management and government securities fund	14,174,258	-	-	-	-	804	14,175,062
Securities sold under repurchase agreements	1,193,572	38,387,618	5,943,279	1,379	-	279,939	45,805,787
Other liabilities	-	-	-	-	-	2,959,094	2,959,094
Stockholders' equity	-	-	-	-	-	11,113,878	11,113,878
Total liabilities and stockholders' equity	15,367,830	38,387,618	5,943,279	1,379	-	14,353,715	74,053,821
Total interest rate sensitivity gap	(12,878,382)	14,536,399	7,186,974	1,677,639	45,233	(10,567,863)	-
Cumulative gap	(12,878,382)	1,658,017	8,844,991	10,522,630	10,567,863	-	-

(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	The Company						
	2011						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	983,436	48,917,007	11,154,034	5,638,655	1,310,503	6,601,359	74,604,994
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	-	-

(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					
	2012					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Cash resources (4)	-	3.94	-	-	-	3.94
Financial assets at fair value through revenues and expenses	-	9.36	12.00	-	-	9.82
Pledged assets	2.10	7.38	10.02	7.66	5.22	7.62
Loan, lease & trade receivables	0.44	8.02	8.34	8.77	11.80	1.89
Capital management and government securities fund	3.04	-	-	-	-	3.04
Investment securities Available-for-sale	-	7.58	6.50	-	-	7.19
Securities sold under repurchase agreements	4.89	4.66	4.06	4.25	-	4.56

(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	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

	The Company					
	2012					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Cash resources (4)	-	3.94	-	-	-	3.94
Financial assets at fair value through revenues and expenses	-	9.36	12.00	-	-	9.82
Pledged assets	2.10	7.38	10.02	7.66	5.22	7.62
Loan, lease & trade receivables	0.44	8.02	8.34	8.77	11.80	1.89
Capital management and government securities fund	3.04	-	-	-	-	3.04
Investment securities Available-for-sale	-	2.58	6.50	-	-	7.19
Securities sold under repurchase agreements	4.89	4.66	4.06	4.25	-	4.56

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	The Company					
	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
Promissory notes	2.48	-	-	-	-	2.4
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

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.

	2012	2011
Sensitivity of market risk variable:		
JMD Interest rates	increase/decrease by 225 bps	increase/decrease by 125 bps
USD Interest rates	increase/decrease by 350 bps	increase/decrease by 200 bps

37. Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

	The Group 2012	The Group 2011	The Company 2012	The Company 2011
Effect on profit or loss	363,234	413,668	363,284	413,668
Effect on shareholders' equity	1,428,159	1,311,789	1,428,159	1,311,789

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 2012					
	JMD	USD	CAD	GBP	EUR	TOTAL
Assets:						
Cash resources	390,541	306,092	24,782	135,488	154,927	1,011,830
Financial assets at fair value through profit or loss	175,313	-	-	-	-	175,313
Pledged assets	40,188,622	24,541,906	293,879	95,867	321,278	65,441,552
Investment securities	4,200,586	-	-	-	-	4,200,586
Loans, after allowances for impairment losses	67,364	360,306	-	-	-	427,670
Other assets	1,723,465	330,174	8,751	596,848	(44,794)	2,614,444
Total assets	46,745,891	25,538,478	327,412	828,203	431,411	73,871,395
Liabilities:						
Securities sold under repurchase agreement	31,003,361	14,680,686	-	-	-	45,684,047
Capital management & government securities fund	3,357,238	9,302,250	297,307	817,584	400,187	14,174,566
Other liabilities	928,169	1,625,015	28,239	7,655	49,644	2,638,722
Total liabilities	35,288,768	25,607,951	325,546	825,239	449,831	62,497,335
Net financial position	11,457,123	(69,473)	1,866	2,964	(18,420)	11,374,060

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Financial risk management (continued)

Market risk (continued)

Foreign exchange risk

	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

	The Company					
	2012					
	JMD	USD	CAD	GBP	EUR	TOTAL
Assets:						
Cash resources	376,020	306,092	24,782	132,524	154,927	994,345
Financial assets at fair value through profit or loss	22,649	-	-	-	-	22,649
Pledged assets	40,188,622	24,541,906	293,879	95,867	321,278	65,441,552
Investment securities	4,200,586	-	-	-	-	4,200,586
Investment subsidiaries	441,138	-	-	-	-	441,138
Loans, after allowances for impairment losses	67,364	360,306	-	-	-	427,670
Other assets	1,634,902	330,174	8,751	596,848	(44,794)	2,525,881
Total assets	46,931,281	25,538,478	327,412	825,239	431,411	74,053,821
Liabilities:						
Securities sold under repurchase agreement	31,003,361	14,802,426	-	-	-	45,805,787
Capital management & government securities fund	3,357,734	9,302,250	297,307	817,584	400,187	14,175,062
Other liabilities	1,248,842	1,624,716	28,239	7,655	49,642	2,959,094
Total liabilities	35,609,937	25,729,392	325,546	825,239	449,829	62,939,943
Net financial position	11,321,344	(190,914)	1,866	-	(18,418)	11,113,878

(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Financial risk management (continued)

Foreign exchange risk (continued)

	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

The following significant exchange rates were applied during the year:

	Average rate for the period		Reporting date spot rate	
	2012	2011	2012	2011
USD	88.0388	85.7820	90.805	86.2778
CAD	87.2836	86.4078	90.6676	85.2613
GBP	138.9460	137.0296	146.3108	137.6197
EUR	112.9194	119.0004	117.9639	119.4035

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 2011, 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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Financial risk management (continued)

Foreign exchange risk (continued)

Sensitivity to foreign exchange risk (continued)

	2012	2011
USD	increase/decrease by 7.5%	increase/decrease by 7.5%
CAD	increase/decrease by 17%	increase/decrease by 20%
GBP	increase/decrease by 16%	increase/decrease by 20%
EUR	increase/decrease by 26.5	increase/decrease by 27.5%

	The Group		The Company	
	2012	2011	2012	2011
Effect on profit and shareholder's equity	88,898	78,684	84,979	75,459

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:

	2012	2011
Financial assets at fair value through profit or loss	14,463	24,475
Pledged assets	-	1,556

Sensitivity analysis

Maximum changes observed in running 10-day periods during the financial year for the equity portfolio as at October 31, 2012 would have increased or decreased equity and profit and loss by the amounts shown below. This analysis is performed on the same basis for 2011. 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 2012	3,405	2,098	3,405	2,098
31 October 2011	11,207	4,763	11,920	5,066

37. Financial risk management (continued)

Foreign exchange risk (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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. 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					
	2012					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Securities sold under repurchase agreements	40,118,467	6,100,162	1,442	-	-	46,220,071
Capital management & government securities funds	14,174,566	-	-	-	-	14,174,566
Other liabilities	1,879,509	600	176	200	36,183	1,916,668
Total liabilities	56,172,542	6,100,762	1,618	200	36,183	62,311,305

	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	1,521,196	59	875	367	47,143	1,569,640
Total liabilities	56,940,382	5,609,058	6,348	367	47,143	62,603,298

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

37. Financial risk management (continued)

Liquidity risk (continued)

	The Company 2012					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Securities sold under repurchase agreements	40,219,774	6,120,595	1,442	-	-	46,341,811
Capital management & government securities funds	14,175,061	-	-	-	-	14,175,061
Other liabilities	1,879,509	600	176	200	-	1,880,485
Total liabilities	56,274,344	6,121,195	1,618	200	-	62,397,357

	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	14,241,243	-	-	-	-	14,241,243
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	1,521,196	59	875	367	-	1,522,497
Total liabilities	56,940,511	5,618,577	6,348	367	2,191,428	64,757,231

38. 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.

38. 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 value of variable rate financial instruments is assumed to approximate their carrying amounts;

(iv) 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;

(v) 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

(vi) 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).

(Expressed in thousands of Jamaican dollars unless otherwise stated)

38. Fair value of financial instruments (continued)

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

	The Group			
	2012		2011	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Pledged assets	25,282,944	26,175,151	24,077,444	25,584,845
Loans	427,670	425,284	426,490	418,620
Financial liabilities				
Securities sold under repurchase agreements	45,684,047	45,684,047	46,211,465	46,211,465

	The Company			
	2012		2011	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Pledged assets	25,282,944	26,175,151	24,077,444	25,584,845
Loans	427,670	425,284	426,490	412,572
Financial liabilities				
Securities sold under repurchase agreements	45,805,787	45,805,787	46,220,984	46,220,984

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 2012, 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).

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(Expressed in thousands of Jamaican dollars unless otherwise stated)

38. Fair value of financial instruments (continued)

Determination of fair value hierarchy (continued)

	The Group 2012			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading:				
Debt securities	-	8,249	-	8,249
Equity securities	14,351	152,664	-	167,015
Available-for-sale financial assets				
Investment securities – debt securities	-	4,191,804	-	4,191,804
Equity securities – debt securities	-	-	8,782	8,782
Pledged assets				
Debt securities	-	39,384,387	-	39,384,387
Unitised funds	-	774,221	-	774,221

	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
Unitised funds	1,235	844,591	-	845,826

	The Company 2012			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading:				
Debt securities	-	8,249	-	8,249
Equity securities	14,351	-	-	14,351
Available-for-sale financial assets				
Investment securities – debt securities	-	4,191,804	-	4,191,804
Equity securities – debt securities	-	-	8,782	8,782
Pledged assets				
Debt securities	-	39,384,387	-	39,384,387
Unitised funds	-	774,211	-	774,211

(Expressed in thousands of Jamaican dollars unless otherwise stated)

38. Fair value of financial instruments (continued)

Determination of fair value hierarchy (continued)

	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
Unitised funds	1,235	844,591	-	845,826

There were no transfers between level 1 and 2 in the year.

Reconciliation of level 3 items:

	The Company & Group	
	2012	2011
Book value of investments	15,777	15,000
Total gains recognised in other comprehensive income	(6,995)	777
Balance at end of year	8,782	15,777

39. 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.

39. 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.

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

39. 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	
	2012	2011
Tier 1 capital	11,113,909	9,861,897
Tier 2 capital	24,989	24,664
	11,138,898	9,886,561
Less prescribed adjustment – Investment in subsidiaries	(94,590)	95,656
Total regulatory capital	11,044,308	9,982,217
Risk weighted assets:		
On statement of financial position	29,331,943	20,584,935
Foreign exchange exposure	782,102	301,989
Total risk weighted assets	30,114,045	20,886,924
Actual regulatory capital to risk weighted assets	36.67%	47.79%
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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

40. Dividends

(a) Declared

	The Group and the Company	
	2012	2011
In respect of 2010	-	139,654
In respect of 2011	181,974	418,963
In respect of 2012	545,921	-
	727,895	558,617

(b) Proposed

At the Board of Directors meeting on November 27, 2012, a dividend in respect of $0.45 per share (October 2011 - $0.43 per share) amounting to a total of $190,438 (2011: 181,974) 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.

41. Commitments

Operating lease commitments:

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

	The Group		The Company	
	2012	2011	2012	2011
Not later than one year	47,573	45,231	47,573	45,231
Later than one year and not later than five years	99,197	90,401	99,197	90,401
Later than five years	-	11,894	-	11,894
	146,770	147,526	146,770	147,526

42. 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.

The subsidiary, Scotia Asset Management (Jamaica) Limited also 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 31 October 2012, the Group had financial assets under administration of approximately 103,279,036 (2011:93,944,660).

43. 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.

Notes to the Financial Statements (continued)
Year ended October 31, 2012
(Expressed in thousands of Jamaican dollars unless otherwise stated)

43. 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 2012	Total 2011
Loans					
Loans outstanding at beginning of year	-	8,294	-	8,294	5,332
Net loans (repaid)/issued during the year	-	(6,498)	-	(6,498)	2,962
Loans outstanding at end of year	-	1,796	-	1,796	8,294
Interest income earned	-	259	-	259	789
Average repayment term (years)	-	4	-	4	4
Average interest rate (%)	-	8	-	8	8
Other					
Fees and commission earned	4,033	-	-	4,033	3,873
Securities sold under repurchase agreements	(298,000)	(9,978)	(10,205)	(318,183)	(1,530,438)
Interest paid on repurchase agreements	(38,687)	(415)	(219)	(39,321)	(13,949)
Capital management account & Government securities fund (CMA & GSF)	-	(31,658)	-	(31,658)	(33,330)
Interest paid on CMA & GSF	-	(656)	-	(656)	(902)
Reserve repurchase agreement	402,000	-	-	402,000	-
Interest earned on reverse agreements	1,608	-	-	1,608	1,744
Due from banks and other financial institutions	711,136	-	-	711,138	2,244,751
Interest earned from banks and other financial institutions	2,547	-	-	2,547	2,444
Term deposits	4,084,301	-	-	4,084,301	1,050,217
Interest earned on term deposits	1,365	-	-	1,365	2,165
Other investments	843,244	-	-	843,244	802,641
Interest earned on other investments	40,789	-	-	40,798	10,589
Management fees paid to parent company	107,210	-	-	107,210	97,549
Pension and ESOP fees received from parent company	112,435	-	-	112,435	110,218
Other operating (expense)/income	(17,589)	-	-	(17,589)	(17,589)

(Expressed in thousands of Jamaican dollars unless otherwise stated)

43. Related party transactions and balances (continued)

	The Company				
	Fellow subsidiaries	Directors and key management personnel	Connected companies	Total 2012	Total 2011
Loans					
Loans outstanding at beginning of year	-	8,294	-	8,294	5,332
Net loans issued/(repaid) during the year	-	(6,498)	-	(6,498)	2,962
Loans outstanding at end of year	-	1,796	-	1,796	8,294
Interest income earned	-	259	-	259	789
Average repayment term (years)	-	4	-	4	4
Average interest rate (%)	-	8	-	8	8
Other					
Fees and commission earned	4,033		-	4,033	3,873
Securities sold under repurchase agreements	(412,106)	(9,978)	(10,205)	(432,289)	(1,585,041)
Interest paid on repurchase agreements	(39,173)	(415)	(219)	(39,807)	(13,949)
Capital management account & Government securities fund (CMA & GSF)	(496)	(31,658)	-	(32,154)	(48,208)
Interest paid on CMA & GSF	(14)	(686)	-	(700)	(1,269)
Reserve repurchase agreement	402,000	-	-	402,000	-
Interest earned on reverse agreements	1,608	-	-	1,608	1,744
Due from banks and other financial institutions	711,136	-	-	711,136	2,244,751
Interest earned from banks and other financial institutions	2,547	-	-	2,547	2,444
Term deposits	4,084,301	-	-	4,084,301	1,050,217
Interest earned on term deposits	1,365	-	-	1,365	2,165
Other investments	843,244	-	-	843,244	802,641
Interest earned on other investments	40,789	-	-	40,798	10,589
Management fees paid to parent company	107,210	-	-	107,210	61,473
Pension and ESOP fees received from parent company	112,435	-	-	112,435	110,218
Other operating (expense)/income	(17,589)	-	-	(17,589)	(17,589)

	The Group and Company 2012	The Group and Company 2011
Key management compensation:		
Salaries and other short term benefits	104,258	71,305
Post employment benefits	3,800	4,074

44. Litigation and contingent liabilities

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

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

45. 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:

	2012	2011
Number of shares	1,257,215	1,704,972
Fair value of shares	35,215	46,546

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