



Bank of Bermuda  
FOUNDATION

in partnership with **Bermuda**

# 2003 Annual Report





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### **Bank of Bermuda Foundation**

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Bank of Bermuda Foundation application  
guidelines and application form can be  
found at [www.bankofbermuda.bm](http://www.bankofbermuda.bm)



## BANK OF BERMUDA FOUNDATION ANNUAL REPORT 2003



Philanthropy in Bermuda has been changing in recent years, becoming ever more organised, targeted and proactive. As one of the Island's leading philanthropic organisations, Bank of Bermuda Foundation has been at the forefront of this development. In order to ensure best use of funds, we have established a structured application process that requires potential

recipients to submit financial reports and business plans. An important development for the Foundation in the past year has been the implementation of GIFTS state-of-the-art software for charitable foundations that will facilitate improved record-keeping.

In addition, an increasing number of the Foundation's donations are made on a 'matching' basis, which enables recipients to approach other potential donors with the promise that the Foundation will match their donation. This approach increases the overall fundraising benefit. The Foundation also matches the charitable donations made by Bank of Bermuda staff – a sum which continues to rise as more and more staff become involved in philanthropic work.

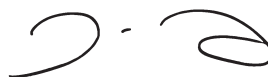
In 2003 the Foundation donated just over \$3.2 million to more than 100 charitable organisations, spanning a wide range of fields, including: education, youth development, sport, social well-being, culture, heritage and the environment. Recipients of larger donations include: Whitney Institute Middle School, in support of their online curriculum project; the Bermuda Biological Station for Research Inc. and their centennial campaign; and the Bermuda Track and Field Association for Carifta Games 2004.

We have been pleased to note an almost 20% increase in the number of applicants for the Foundation's Educational Scholarship Programme in 2003. Competition for scholarships is intense and the applicants demonstrate increasingly high standards of academic ability and well-rounded character. The Foundation's scholarship programme enables Bermudians to

take advantage of the offer of places at the best universities in the world. This bodes well for our future.

Following the amalgamation of Bank of Bermuda into HSBC on 18 February 2004, the Bank resigned its membership interest in the Foundation, and a newly-established charitable trust; The Bank of Bermuda Foundation Charitable Trust, became the sole member of Bank of Bermuda Foundation. As a result of the acquisition, the Foundation is for the first time largely liquid and is in the process of building a much more diversified investment portfolio than it has previously. HSBC has an excellent reputation for corporate social responsibility and has expressed its commitment to continuing to support the work of the Foundation. HSBC donated Bank of Bermuda's historical collections, valued at over \$2 million, to the Foundation to secure their preservation in Bermuda.

Philanthropy continues to mature in Bermuda and the community has benefited, not only from the Foundation's increasingly proactive activities, but also from the generosity of a number of new international companies on the Island. Membership of both the Donor Forum and the Centre on Philanthropy has grown over the past year. Public-private partnerships are also increasing in number, and it is very pleasing to note that Government is interested in partnering with the philanthropic sector in order to develop and implement long-term solutions to the various challenges facing the Bermuda community. For example, the Foundation continues to work with the Bermuda Hospitals Charitable Trust in preparing a Capital Campaign and developing its plans for the future. We reiterate our firm commitment to playing our part in building a better Bermuda.



Joseph C.H. Johnson, J.P.  
Chairman, Board of Directors  
Bank of Bermuda Foundation

BANK OF BERMUDA FOUNDATION  
**SCHOLARSHIP RECIPIENTS 2003**

BANK OF BERMUDA FOUNDATION  
**SIR JOHN W. COX UNIVERSITY SCHOLARSHIP FOR POSTGRADUATE STUDIES**



Aisha N.P. James

This Scholarship is awarded annually to a Bermudian pursuing postgraduate education overseas, and is valued at BD\$25,000 per annum for up to four years. Bank of Bermuda Foundation Sir John W. Cox University Scholarship for Postgraduate Studies 2003 was awarded to Aisha N.P. James.

BANK OF BERMUDA FOUNDATION  
**SIR HENRY TUCKER UNIVERSITY SCHOLARSHIP**



Liana M. Hall

This Scholarship is valued at BD\$25,000 per annum. Its purpose is to provide a financial award, for a period not exceeding four years, to a student who has outstanding scholastic ability, leadership, devotion to duty and fellowship, ability in athletic, cultural and other non-academic pursuits.

The successful candidate must proceed with undergraduate studies on a full-time basis at an overseas university approved by Bank of Bermuda Foundation. They must be willing, upon completion of their studies, to return to Bermuda and render service to the community.

Bank of Bermuda Foundation Sir Henry Tucker University Scholarship 2003 was awarded to Liana M. Hall.

BANK OF BERMUDA FOUNDATION  
**SIR HENRY TUCKER EDUCATION GRANTS**



Diana J.L. Darrell



Michelle L. Dixon



Justin P. Lavigne

There are three Education Grants of BD\$6,000 per annum awarded to the three runners-up to the Scholarship for a period not exceeding three years. The Grants for 2003 were awarded to Diana J.L. Darrell, Michelle L. Dixon and Justin P. Lavigne.

BANK OF BERMUDA FOUNDATION  
**INFORMATION TECHNOLOGY SCHOLARSHIPS**



Emmajean S. Durrant



J'von L. Furbert



Samuel Robinson

This Scholarship provides financial support of BD\$6,000 per annum, over a period not exceeding four years, to a student who is proceeding with undergraduate information technology related studies on a full-time basis.

The successful candidate is committed to a co-operative working arrangement with the Bank during Summer and Christmas breaks. They must also be willing, upon immediate completion of their studies, to render service to the Bank of Bermuda for a period equivalent to the length of the Scholarship.

The Scholarships are tenable at institutions of higher education approved by Bank of Bermuda Foundation.

Three Scholarships were awarded in 2003 to Emmajean S. Durrant, J'von L. Furbert and Samuel Robinson.

BANK OF BERMUDA FOUNDATION  
**FINANCIAL SERVICES SCHOLARSHIP**



Heather Peters

This Scholarship is offered as a commitment to advancing and developing Bermudians within the banking profession in Bermuda. For the duration of the Scholarship the recipient will be expected to work at the Bank during vacation breaks and, upon immediate completion of their studies, render service to the Bank of Bermuda for a period equivalent to the length of the Scholarship.

The Scholarship to attend university, valued at BD\$30,000, is granted annually and is dispersed over the third and fourth years of university.

The recipient of the Bank of Bermuda Foundation Financial Services Scholarship for 2003 was Heather Peters.

BANK OF BERMUDA FOUNDATION  
**SCHOLARSHIP RECIPIENTS 2003**

BANK OF BERMUDA FOUNDATION  
**PRESIDENT'S AWARDS**



Michelle A. Monk



Kimberly Davis



Melanie E. Hitchcock



Leonae S.D. Landy



Sergio Lottimore



Ashley D. Mayne

These Awards are granted annually. Their purpose is to provide financial support, for an initial period of one academic year, to students who are in, or have just completed, their final year of the Bermuda secondary school system or Bermuda College.

Bank of Bermuda Foundation gave six of these Awards in 2003. The Premier Award, valued at BD\$10,000, was given to the overall winner, and BD\$5,000 each was given to the five runners-up.

The Premier Award winner for 2003 was Michelle A. Monk.

The five runners-up were Kimberly Davis, Melanie E. Hitchcock, Leonae S.D. Landy, Sergio Lottimore and Ashley D. Mayne.

BANK OF BERMUDA FOUNDATION  
**ELDON H. TRIMINGHAM MASTER OF BUSINESS  
ADMINISTRATION SCHOLARSHIP**



Shea-Tai Smith

This Scholarship, valued at BD\$25,000, is awarded annually for a period not exceeding two years, to a graduate student who is proceeding with MBA studies on a full-time basis at university.

The Scholarship is tenable at accredited institutions of higher education approved by Bank of Bermuda Foundation.

The recipient of the Bank of Bermuda Foundation Eldon H. Trimmingham Master of Business Administration Scholarship for 2003 was Shea-Tai Smith.

BANK OF BERMUDA FOUNDATION  
DONATIONS 2003

**OVER \$25,000**

- Age Concern  
*Operating funds*
- Anglican Church of Bermuda  
*St. James Church capital restoration fund and the Anglican Cathedral of the Most Holy Trinity roof project*
- Bermuda Biological Station for Research, Inc.  
*Centennial campaign and documentary film*
- Bermuda Dance Company  
*General operating funds*
- Bermuda High School  
*Jessie Vesey Sports Centre*
- Bermuda Hospitals Board  
*Capital campaign*
- Bermuda Island Games Association  
*Island Games*
- Bermuda Junior Golf Association  
*Bank of Bermuda Foundation International Junior Championship and general operating funds*
- Bermuda National Literacy Charitable Trust  
*Adult literacy and lifeskills survey*
- Bermuda Regiment Charitable Trust  
*Edinburgh Military Tattoo*
- Bermuda Riding for the Disabled  
*A Roof to Ride Campaign*
- Bermuda Sloop Foundation  
*Building of the Sloop*
- Bermuda T.B., Cancer and Health Association  
*The Cancer Resource Centre*
- Bermuda Track and Field Association  
*Carifta Games 2004*
- Centre on Philanthropy  
*Charity Resource Centre*
- Council Partners Charitable Trust  
*Treatment and prevention programme funding*
- Family Learning Centre  
*Socialisation services and needs assessment for youth and families*
- Family Resource Network Charitable Trust  
*Operating funds*
- Meals on Wheels Bermuda  
*Operating funds*
- P.A.L.S.  
*Building fund*
- Purvis Primary School  
*Microsociety project*
- Saltus Grammar School  
*Challenge pool campaign*
- Salvation Army  
*Development co-ordinator*
- Somersfield Academy  
*Expansion project*
- Teen Haven  
*Operating funds*
- Warwick Academy  
*Staff professional development programme*
- Wesley Methodist Church  
*Restoration project*
- West End Athletic Club  
*Bank of Bermuda Foundation, West End Athletic Club Schools Track and Field Challenge*
- Whitney Institute Middle School  
*Online curriculum*
- Women's Resource Centre  
*Operating funds*
- YouthNet  
*Programme growth and expansion*

BANK OF BERMUDA FOUNDATION  
DONATIONS 2003

**UNDER \$25,000**

- Activity Association of Bermuda
- Alpha Phi Alpha Fraternity, Inc.
- American Society of Bermuda
- Art Start Charity
- Befrienders Bermuda
- Bermuda Ball Hockey Association
- Bermuda Bicycle Association
- Bermuda Biological Station for Research, Inc.
- Bermuda Bowling Federation
- Bermuda Cricket Board
- Bermuda Debate Society
- Bermuda End-to-End
- Bermuda Festival
- Bermuda Football Association
- Bermuda Health Foundation
- Bermuda Heart Foundation
- Bermuda Junior Service League
- Bermuda Karate Organization
- Bermuda Musical Dramatic Society Trust
- Bermuda National Gallery
- Bermuda National Trust
- Bermuda Philharmonic Society
- Bermuda Red Cross Charitable Trust
- Bermuda Riding for the Disabled
- Bermuda Sailing Association
- Bermuda School of Music
- Bermuda Society of Arts
- Bermuda Squash Racquets Association Junior Programme
- Bermuda T.B., Cancer and Health Association
- Bermuda Triathlon Association
- Bermuda War Veterans Association
- Bermuda Zoological Society
- Cedarbridge Academy
- Charles Bascome Music Scholarship
- Council Partners Charitable Trust
- Crime Stoppers Bermuda
- Eden Project
- Family Learning Centre
- Friends of Hospice
- Friends of Lefroy House Association
- Friends of the College Library
- Gilbert & Sullivan Society of Bermuda
- Gilbert Institute P.T.A.
- Hamilton Lions Club
- Harbour Amateur Swim Club
- Isis Foundation
- Lady Cubitt Compassionate Association
- Learning Disabilities Association of Bermuda
- Masterworks Foundation
- Menuhin Foundation
- Mid Island Strider Track Club
- Mount St. Agnes Home and School Association
- Old State House Preservation Society
- Omega Psi Phi Fraternity, Incorporated
- Outward Bound Bermuda
- PRIDE (Bermuda)
- Project 100
- Reading Clinic
- Ross Blackie Talbot Memorial Charity Golf Tournament
- Royal Artillery Association
- Saltus Grammar School
- Salvation Army
- Sandys Secondary Middle School
- Somerset Primary School P.T.A.
- Tae Durham Charitable Association for Physically Challenged Children
- The St. George's Foundation
- Young Life Bermuda
- Youth Entrepreneurship Initiative of Bermuda
- YouthNet

BANK OF BERMUDA FOUNDATION  
**BOARD OF DIRECTORS**

Joseph C.H. Johnson, J.P., *Chairman*  
Henry B. Smith, *Deputy Chairman*  
David R.M. Lang, *Secretary*  
E. Eugene Bean  
Philip M. Butterfield  
John D. Campbell, Q.C., J.P.  
David W. Hamshere, J.P.  
Paul A. Leseur, M.B.E.  
R. Blake Marshall, C.A.  
Dennis G. Tucker, J.P.



BANK OF BERMUDA FOUNDATION  
**SUB-COMMITTEE MEMBERS**

**Arts, Culture, Heritage & Environment**

Paul A. Leseur, M.B.E., *Chairman*  
Alan E. Burland  
Karen A.S. Hendrickson  
C. Joy Pimental  
Col. Sumner 'Chip' H. Waters, P.E.  
Clement E.F. Talbot

**Human Services (including Housing)**

Philip M. Butterfield, *Chairman*  
Burton Butterfield, M.D.  
Mary Jane Gutteridge  
David W. Hamshere, J.P.  
Gordon R. Johnson, M.S.W.  
Sandra E. Stephens

**Education**

Dennis G. Tucker, J.P., *Chairman*  
Riquette Bonne-Smith  
Caroline Gosling  
Margaret P. Hallett  
Mark S.P. Perreault  
Craig D. Tucker

**Youth Development and Sport**

E. Eugene Bean, *Chairman*  
Jeanne Atherden, C.A., J.P.  
Carla L. Bean  
Martha D. Kirkland, M.S.W.  
Clare A. Mello  
Anthony B. Roberts  
William Welton

## INDEPENDENT AUDITORS' REPORT



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TO THE BOARD OF DIRECTORS

BANK OF BERMUDA FOUNDATION

We have audited the statement of financial position of Bank of Bermuda Foundation (the “Company”) as at 31 December 2003 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2003 and the results of its operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads 'Ernst &amp; Young'.

Chartered Accountants

30 January 2004

## STATEMENT OF FINANCIAL POSITION

31 December 2003

(In BD\$)	Education Fund	Main Fund	Total 2003	(Note 2 (h)) 2002
<b>Assets (Note 5)</b>				
Current assets				
Cash and cash equivalents	179,018	1,534,602	1,713,620	1,561,788
Investments, at cost				
(Schedule of Investments and Note 3)	2,949,403	35,017,047	37,966,450	38,133,572
	3,128,421	36,551,649	39,680,070	39,695,360
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	6,884	103,804	110,688	157,986
Donations payable	556,014	1,746,231	2,302,245	2,351,467
	562,898	1,850,035	2,412,933	2,509,453
Long-term donations payable	210,000	880,000	1,090,000	1,209,014
	772,898	2,730,035	3,502,933	3,718,467
<b>Net Assets</b>				
	2,355,523	33,821,614	36,177,137	35,976,893
	3,128,421	36,551,649	39,680,070	39,695,360

See accompanying notes

On behalf of the Company:



John D. Campbell, Q.C., J.P.  
Director



Joseph C.H. Johnson, J.P.  
Director

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended 31 December 2003

(In BD\$)	Education Fund	Main Fund	Total 2003	(Note 2 (h)) 2002
<b>Revenue</b>				
Dividends	186,433	3,662,292	3,848,725	3,688,466
Donation received (Note 6)	-	200,155	200,155	200,090
Interest income (Note 6)	3,864	3,844	7,708	2,430
Gain (loss) on sale of investments	27	(1,178)	(1,151)	(619,932)
	<b>190,324</b>	<b>3,865,113</b>	<b>4,055,437</b>	<b>3,271,054</b>
<b>Donations</b>				
Arts, culture, heritage and environment	-	849,695	849,695	480,488
General charitable	40,243	592,983	633,226	387,417
Human services	-	455,000	455,000	1,004,010
Education	415,030	-	415,030	967,258
Youth development, sports and miscellaneous	-	328,931	328,931	713,760
Scholarships	323,000	-	323,000	393,000
Special donation	-	250,000	250,000	-
	<b>778,273</b>	<b>2,476,609</b>	<b>3,254,882</b>	<b>3,945,933</b>
<b>Expenses</b>				
Write down of investment (Note 3)	202,863	-	202,863	-
Administration charge (Note 6)	11,699	185,410	197,109	203,097
Professional fees	-	53,349	53,349	377,643
Printing and advertising	7,115	37,070	44,185	19,823
Computer software and training	-	29,625	29,625	-
Director and committee member fees	3,750	25,325	29,075	36,083
Miscellaneous	7,559	20,825	28,384	16,668
Independent committee fees	-	11,808	11,808	28,350
Overdraft interest (Note 6)	176	3,737	3,913	54,562
	<b>1,011,435</b>	<b>2,843,758</b>	<b>3,855,193</b>	<b>4,682,159</b>
(Deficit) surplus of revenues over donations and expenses for the year	(821,111)	1,021,355	200,244	(1,411,105)
Net assets, beginning of year	3,176,634	32,800,259	35,976,893	37,387,998
<b>Net Assets, end of year</b>	<b>2,355,523</b>	<b>33,821,614</b>	<b>36,177,137</b>	<b>35,976,893</b>

See accompanying notes

COOPERATION, CARING  
Community

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2003

(In BD\$)	Education Fund	Main Fund	Total 2003	(Note 2 (h)) 2002
<b>Operating activities</b>				
(Deficit) surplus of revenues over donations and expenses for the year	(821,111)	1,021,355	200,244	(1,411,105)
Items not affecting cash:				
(Loss) gain on sale of investments	(27)	1,178	1,151	619,932
Write down of investment	202,863	-	202,863	-
Changes in non-cash working capital:				
Prepaid expenses	-	-	-	1,500
Inter-Fund balances	(15,796)	15,796	-	-
Accounts payable and accrued liabilities	(2,469)	(44,829)	(47,298)	71,316
Donations payable	(399,000)	230,764	(168,236)	233,363
	(1,035,540)	1,224,264	188,724	(484,994)
<b>Investing activities</b>				
Purchase of investments	(2,027)	(54,934)	(56,961)	(3,601,305)
Proceeds on sale of investments	42	20,027	20,069	5,930,164
	(1,985)	(34,907)	(36,892)	2,328,859
(Decrease) increase in cash	(1,037,525)	1,189,357	151,832	1,843,865
Cash and cash equivalents (bank overdraft), beginning of year	1,216,543	345,245	1,561,788	(282,077)
Cash and cash equivalents, end of year	179,018	1,534,602	1,713,620	1,561,788

*See accompanying notes*

## SCHEDULE OF INVESTMENTS EDUCATION FUND

31 December 2003

(In BD\$)	No. of shares/ Nominal Value	Cost 2003	Fair Market Value 2003	(Note 2 (h)) Cost 2002
<b>Mutual funds</b>				
All Points Fund of Funds Bond Class	1,110	109,456	127,364	107,429
All Points Fund of Funds Equity Class	9,772	838,000	959,833	838,000
All Points Multi-Manager US Large Cap Portfolio (Note 3)	60,521	418,198	418,198	621,061
		1,365,654	1,505,395	1,566,490
<b>Equities</b>				
The Bank of Bermuda Limited	130,164	1,330,598	5,857,380	1,330,598
The Bank of N.T. Butterfield & Son Limited	2,876	32,422	126,544	32,427
Belco Holdings Limited	19,710	220,729	694,778	220,739
		1,583,749	6,678,702	1,583,764
		2,949,403	8,184,097	3,150,254

See accompanying notes

COOPERATION, CARING  
**Community**

## SCHEDULE OF INVESTMENTS MAIN FUND

31 December 2003

(In BD\$)	No. of shares/ Nominal Value	Cost 2003	Fair Market Value 2003	(Note 2 (h)) Cost 2002
<b>Mutual funds</b>				
All Points Fund of Funds Bond Class	18,676	1,871,261	2,143,789	1,837,146
All Points Fund of Funds Alternative Class	4,212	438,051	575,603	438,051
All Points Fund of Funds Equity Class	16,030	1,400,680	1,574,481	1,400,680
All Points Multi-Manager High Yield	9,045	112,553	145,893	104,166
All Points Multi-Manager Short Duration Bond	37,452	381,001	395,123	368,570
		4,203,546	4,834,889	4,148,613
<b>Equities</b>				
Argus Insurance Company Limited	51,445	41,458	1,286,125	41,459
The Bank of Bermuda Limited	3,034,473	30,426,079	136,551,285	30,426,079
BF&M Limited	63,831	308,739	765,972	308,739
KeyTech Limited	23,966	37,225	287,592	37,225
		30,813,501	138,890,974	30,813,502
<b>Bonds</b>				
Corporation of Hamilton 8% 2010		-	-	21,203
		35,017,047	143,725,863	34,983,318

See accompanying notes

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2003 (expressed in Bermuda dollars)

### 1. The Company

The Company was incorporated on 13 December 2000 with The Bank of Bermuda Limited (the “Bank”) as its sole member (Notes 6 and 7). The Company is a company limited by guarantee whose purpose is to promote, further or advance any charitable purpose or activity in Bermuda and elsewhere in the world, and is registered under the Charities Act 1978 of Bermuda.

### 2. Significant accounting policies

The Company follows Canadian generally accepted accounting principles which have general application in Bermuda. The significant accounting policies are as follows:

#### (a) Restricted fund

The Company follows the restricted fund method of accounting under which it has two funds: the Main Fund; where the net assets can be applied to any charitable purpose, and the Education Fund; where, by virtue of the nature of the gift of the original assets, the net assets can only be applied to educational purposes. Income from the investments in a particular fund, and any proceeds on sale of such investments, are credited to the fund. Donations made are charged to the fund as determined by the directors of the Company.

#### (b) Cash and cash equivalents

Cash and cash equivalents is comprised of cash, demand deposits and money market funds with original maturities of three months or less.

#### (c) Investments

Investments in marketable securities are carried at cost. Realized gains and losses on the sale of investments are calculated on the basis of average cost. Provision is made, where appropriate, for declines in the value of individual investments below cost that are other than temporary.

#### (d) Donations

Donations to the Company are recorded as revenue when received.

Donations from the Company are recorded as an expense when the directors have decided to make a donation and believe that it is probable that any related conditions will be fulfilled. In the case of donations that are specifically contingent upon the recipient raising matching funds, the directors have determined that the donation should be expensed when the matching funds have been raised.

#### (e) Investment income

Investment income is recognized when received, which approximates when earned, and is reflected in the statement of operations and changes in net assets.

#### (f) Fair value

Fair value disclosures with respect to certain financial instruments are included separately where, and if, appropriate. The carrying values of other financial instruments approximate their fair values due to the short-term nature of the balances.

COOPERATION, CARING  
**Community**

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

## (g) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates.

## (h) Comparative figures

Certain prior year figures have been reclassified to conform with current year presentation.

## 3. Investments

	2003	2002
At cost:		
Education Fund	\$ 2,949,403	\$ 3,150,254
Main Fund	35,017,047	34,983,318
	<u>\$ 37,966,450</u>	<u>\$ 38,133,572</u>

In the opinion of the Board of Directors, the decline in the market value of the All Points Multi-Manager US Large Cap Portfolio Fund resulted in a permanent diminution in the value and, as such, the investment was written down from original cost to a value reflecting the market value at year-end.

## 4. Commitments

Commitments at 31 December 2003, to make future donations that are specifically contingent upon the recipient raising matching funds, amount to \$1,720,000 (2002 - \$1,605,000).

## 5. Overdraft facility

The Company arranged an overdraft facility with the Bank up to a limit of \$3,000,000, to expire in January 2003, and when it was renewed with a limit of \$2,000,000 to expire in January 2004. The overdraft facility has not been renewed since. At 31 December 2003 the overdraft was \$Nil (2002 - \$Nil). Interest is accrued on balances outstanding on a daily basis at the rate of 1% over the Bank's Base Rate. The facility is secured by the Company's assets.

## 6. Related party transactions

As disclosed in Note 1, and on balance sheet date, the Bank was the sole member of the Company. The Company's banking transactions, including the overdraft facility, are entirely with the Bank. No special terms or conditions are applied to these transactions. Included in revenue is \$200,000 (2002 - \$200,000) of donations received and \$7,708 (2002 - \$2,430) of interest earned from the Bank. Overdraft interest of \$3,913 (2002 - \$54,562) was also paid to the Bank during the year.

In addition, a subsidiary of the Bank; Bermuda Trust Company Limited ("BTCL"), provides secretarial and other corporate administrative services. During the year ended 31 December 2003, \$197,109 (2002 - \$203,097) was paid to BTCL for these services.

## 7. Subsequent events

On 18 February 2004, the Bank was amalgamated to become a wholly-owned subsidiary of HSBC. A newly-established charitable trust; The Bank of Bermuda Foundation Charitable Trust, applied for membership of the Company, which was accepted, and the Bank resigned its membership interest in the Company. Thus, The Bank of Bermuda Foundation Charitable Trust became the sole member of Bank of Bermuda Foundation.

As a result of the amalgamation with HSBC, shareholders of the Bank will receive a total of \$45.00 for each of their shares.

Subsequent to year-end, and prior to the above mentioned amalgamation, the Bank gifted a collection of coins, oil paintings and other artefacts to the Company. The value of this transaction will be disclosed in the 2004 financial statements.





Bank of Bermuda  
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