SCOTIA PREMIUM SHORT TERM INCOME FUND - USD

FINANCIAL STATEMENTS

OCTOBER 31, 2022

KPMG
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INDEPENDENT AUDITORS' REPORT

To the Unit Holders of
SCOTIA PREMIUM SHORT TERM INCOME FUND - USD

Opinion

We have audited the financial statements of Scotia Premium Short Term Income Fund - USD ("the Fund"), set out on pages 4 to 31, which comprise the statement of financial position as at October 31, 2022, the statements of profit or loss and other comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the period then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at October 31, 2022, and of its financial performance and cash flows for the period then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Unit Holders of
SCOTIA PREMIUM SHORT TERM INCOME FUND - USD

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Unit Holders of
SCOTIA PREMIUM SHORT TERM INCOME FUND - USD

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

Chartered Accountants
Kingston, Jamaica

March 13, 2023

SCOTIA PREMIUM SHORT TERM INCOME FUND - USD

Statement of Profit or Loss and Other Comprehensive Income
Period from November 15, 2021 (commencement of operations) to October 31, 2022
(expressed in United States dollars unless otherwise stated)

	Notes	2022
Revenue		
Interest income calculated using the effective interest method:		
Financial assets at fair value through profit or loss (FVTPL)		35,369
Financial assets at amortised cost		555,192
Net loss on financial assets at (FVTPL)		(292)
Unrealised revaluation losses on financial assets at FVTPL		(26,532)
Total revenue		563,737
Expenses		
Management fees	4,16(d)	192,417
Other	5	114,723
Total operating expenses		307,140
Less: expense reimbursed	4	(121,168)
Net operating expenses		185,972
Profit for the period, being increase in net assets attributable to holders of redeemable units		377,765

SCOTIA PREMIUM SHORT TERM INCOME FUND - USD

Statement of Financial Position
Period from November 15, 2021 (commencement of operations) to October 31, 2022
(expressed in United States dollars unless otherwise stated)

	Notes	2022
ASSETS		
Cash and cash equivalents	6	1,147,035
Accounts receivable	7	157,317
Financial assets at fair value through profit or loss	8	10,799,041
Financial assets at amortised cost	9	17,938,350
Due from Fund Manager	10	950
Total assets		30,042,693
LIABILITY		
Other payables, being total liability		71,984
Net assets attributable to holders of redeemable units	11	29,970,709

The financial statements on pages 4 to 31 were approved for issue by the Board of Scotia Investments Jamaica Limited on March 10, 2023 and signed on its behalf by:

_______________________ Director
Audrey Tugwell Henry

_______________________ Director
Audrey Richards

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

SCOTIA PREMIUM SHORT TERM INCOME FUND - USD

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
Period from November 15, 2021 (commencement of operations) to October 31, 2022
(expressed in United States dollars unless otherwise stated)

	Note	2022
Balance at the beginning of the period		-
Profit for the period, being increase in net assets attributable to holders of redeemable units		377,765
Contributions and redemptions by holders of redeemable units:		
Issue of redeemable units during the period	11	32,117,785
Reinvestments	11	148,823
Redemption of units during the period	11	(2,468,073)
Distributions	11	(205,591)
Contributions and redemptions by holders of redeemable units, net		29,592,944
Balance at the end of the period		29,970,709

SCOTIA PREMIUM SHORT TERM INCOME FUND - USD

Statement of Cash Flows
Period from November 15, 2021 (commencement of operations) to October 31, 2022
(expressed in United States dollars unless otherwise stated)

	Notes	2021
Cash flows from operating activities		
Increase in net assets attributable to holders of redeemable units		377,765
Adjustments for:		
Unrealised revaluation losses on financial assets at fair value through profit or loss (FVTPL)		26,532
Interest income		(590,561)
		(186,264)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss		(10,740,174)
Financial assets at amortised cost		(17,664,444)
Receivables from Manager		(157,317)
Due from Fund Manager		(950)
Other payables		71,984
Proceeds from new units available for investment	11,15	32,117,785
Payments for units encashed	11,15	(2,468,073)
Proceeds from income reinvested	11	148,823
Income distribution	11	(205,591)
		915,779
Interest received		231,256
Net cash provided by operating activities, being net increase in cash, being cash at end of the period		1,147,035

1. The Scotia Premium Short Term Income Fund - USD

The Scotia Premium Short Term Income Fund - USD, ("Fund"), is registered in Jamaica as a unit trust scheme under the Unit Trusts Act. The Fund is managed by Scotia Investments Jamaica Limited ("Fund Manager"), and the Trustee is JCSD Trustee Services Limited. Both the Fund Manager and the Trustee are incorporated and domiciled in Jamaica. The registered office of the Fund is located at 7 Holborn Road, Kingston 10.

The Fund Manager is a wholly-owned subsidiary of Scotia Group Jamaica Limited ("Scotia Group").

The Fund is a fixed income portfolio denominated in US dollars. The investment objective of this portfolio is to provide Unit Holders with quarterly income and daily liquidity. The Fund commenced operations on November 15, 2021.

The income of the Fund is exempt from income tax, under Section 13(t) of the Income Tax Act.

2. Summary of significant accounting policies

(a) Statement of compliance and basis of preparation

(i) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

New and amended standards and interpretations that are not yet effective:

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Fund has not early-adopted. The Fund has assessed them with respect to its operations and has determined that the following are relevant:

(i) Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS *9 Financial Instruments*, and are effective for annual periods beginning on or after January 1, 2022.

IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The Fund does not expect the amendments to have a material impact on its 2023 financial statements.

2. Summary of significant accounting policies (continued)

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

(i) Statement of compliance (continued)

New and amended standards and interpretations that are not yet effective (continued):

(ii) Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting *periods* beginning on or after January 1, 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, entities classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. As part of its amendments, the standard now requires that a right to defer settlement must have substance and exist at the reporting date. A reporting entity classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting date. It has now been clarified that a right to defer exists only if the entity complies with conditions specified in the loan agreement at the reporting date, even if the lender does not test compliance until a later date.

The Fund does not expect the amendments to have a material impact on its 2024 financial statements.

(iii) Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring entities to disclose their *material* accounting policies, rather than their *significant* accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are consistent with the refined definition of material:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

The Fund is assessing the impact that the amendment will have on its 2024 financial statements.

2. Summary of significant accounting policies (continued)

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

(i) Statement of compliance (continued)

New and amended standards and interpretations that are not yet effective (continued):

(iv) Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a reporting entity develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

The Fund is assessing the impact that the amendment will have on its 2024 financial statements.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss which are measured at fair value.

(iii) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain assumptions and critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund'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 United States (US) Dollars, which is the Fund's functional currency. All financial information presented in US Dollars has been rounded to the nearest dollar.

2. Summary of significant accounting policies (continued)

(b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Jamaica Dollars at the exchange rates prevailing at the reporting date, being the mid-point between Bank of Jamaica's weighted average buying and selling rates at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated in Jamaica Dollars at the exchange rate at the date that fair value is calculated.

Transactions in foreign currencies are translated in Jamaica Dollars at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from exchange rate fluctuations are included in profit or loss.

(c) Interest

Interest income is recognised in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

The 'amortised cost' of a financial asset or liability is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method, of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest rate of a financial asset is calculated on initial recognition. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) and is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculated of interest income reverts to the gross basis.

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI, includes interest on financial assets measured at amortised cost.

SCOTIA PREMIUM SHORT TERM INCOME FUND - USD

Notes to the Financial Statements (Continued)
Period from November 15, 2021 (commencement of operations) to October 31, 2022
(expressed in United States dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(d) Net gain from financial instruments mandatory at fair value through profit or loss

Net gain from financial instruments mandatory measured at fair value through profit or loss includes all realised and unrealised fair value changes, realised gains and losses from the sale of financial instruments and foreign exchange differences, but excludes interest.

(e) Financial assets and financial liabilities

(i) Recognition and initial measurement

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date at which the Fund becomes party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they are originated.

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in profit or loss. Financial assets and liabilities not at fair value through profit or loss are measured initially at fair value, plus transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and measurement

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

On initial recognition, the Fund classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

All other financial assets of the Fund are measured at FVTPL.

2. Summary of significant accounting policies(continued)

(e) Financial assets and financial liabilities (continued)

(ii) Classification and measurement

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

– the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Fund's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

– how the Fund Manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

The Fund has determined that it has two business models.

– *Held-to-collect business model*: which includes cash, receivables and resale agreement. These financial assets are held to collect contractual cash flow.

– *Other business mode*l: which includes debt securities and certificates of deposit. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(ii) Classification and measurement (continued)

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows; leverage features;
- prepayment and extension features;
- terms that limit the Fund’s claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Fund were to change its business model for managing those financial assets, in which case all affected financial assets would be reclassified prospectively.

The Fund has financial assets and liabilities classified in the following categories:

- Financial assets at fair value through profit or loss:

  Designated as at fair value through profit or loss – bonds and other notes.

- Loans and receivables:

  Financial assets at amortised cost – cash, receivables, due from Fund Manager, resale agreements and corporate bonds.

- Financial liabilities measured at cost:

  Other liabilities - other payables.

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(iii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the amount recognised and the maturity amount, minus any reduction for impairment.

(iv) Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received is recognised in profit or loss.

The Fund is engaged in transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Fund has a legal right to set off the recognised amounts and it intends to settle on a net basis or to realise the assets and settle the liability simultaneously.

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(v) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund Manager measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Fund Manager uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Fund Manager determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Fund Manager measures the asset and long positions at a bid price and the liability and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Fund Manager on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(vi) Identification and measurement of impairment

The Fund recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Fund considers this to be as follows:

(a) Credit Ratings issued by Standard and Poor's as BBB- or above;
(b) Credit Ratings issued by Fitch Rating Agency as BBB- or above;
(c) Credit Ratings issued by Moody's Rating Agency as Baa3 or above;
(d) Credit Ratings issued by Caribbean Information and Credit Rating Services Limited as CariBBB- or above.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset.

(f) Resale agreements

A resale agreement ("reverse repo") is a short-term transaction whereby an entity buys securities and simultaneously agrees to resell the securities on a specified date and at a specified price. Title to the security is not actually transferred, unless the counterparty fails to comply with the terms of the contract.

Reverse repos are accounted for as short-term collateralised lending and are measured at amortised cost.

The difference between the purchase and resale price is recognised as interest over the life of the agreements using the effective interest method.

(g) Accounts receivable

Trade and other receivables are measured at amortised cost, less impairment losses.

2. Summary of significant accounting policies (continued)

(h) Other payables

Other payables are measured at amortised cost.

(i) Redeemable units

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units issued by the Fund provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at the redemption date and also in the event of the Fund's liquidation. The redeemable units are therefore, classified as equity.

3. Critical accounting estimates and judgements in applying accounting policies

The Fund Manager makes estimates and assumptions that affect the reported amounts of, and disclosures relating to assets, liabilities, income and expenses reported in these financial statements. 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.

In the absence of quoted market prices, the fair value of certain debt securities 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.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood default and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in notes [2(e)(viii) and 10(a)], which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increases in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

4. Management fees

The Manager is entitled to a fee (the "management fee") from the classes of Redeemable Investment Shares as disclosed in the table below.

Class	Management fee per annum
A	1.50%
I	Nil

SCOTIA PREMIUM SHORT TERM INCOME FUND - USD

Notes to the Financial Statements (Continued)
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4. Management fees (continued)

No management fees are charged on Class I units. Instead, Class I investors negotiate a separate fee that is paid directly to the Manager.
The Company also incurs certain operating expenses. Such expenses may include, but are not limited to, administrative costs, interest on borrowed funds, auditing expenses, legal expenses, insurance, licensing, accounting, fees and disbursement of transfer agents, registrars, custodians, sub-custodians and escrow agents and the annual registration fee payable in Jamaica. The Manager may at its sole discretion choose to absorb any of these expenses, at any time.

For the period ended October 31, 2022, the Manager voluntarily applied an expense ratio cap of 1.75% for Class A units, and 1.75% for Class I units. As a result of the expense ratio cap, total operating expenses reimbursed by the Manager for the period ending October 31, 2022 was $121,168 which is recorded as expenses reimbursed in the Statement of Comprehensive Income, none of which is receivable at the end of the period. The Manager may decide to change or cease the expense ratio cap at any time.

5. Other expenses

	2021
Auditors' remuneration	17,815
Transfer agent fees	19,323
Trustee fees	13,089
Administration and accounting fees	62,291
Other	2,205
	114,723

6. Cash and cash equivalents

This represents current account, call deposit balances and terms deposits at bank with maturities three months or less.

7. Accounts receivable

Accounts receivable represent interest receivable as at the period end.

8. Financial assets at fair value through profit or loss

	2022
Government and Bank of Jamaica Securities:	
4.375% Trinidad & Tobago Unsecured Noe 2024	1,374,980
2.625% Republic of Columbia Unsecured Note 2023	497,178
4.000% Republic of Columbia SR Unsecured Note 203	778,753
4.625% Government of Aruba Unsecured Note 2023	100,161
7.350% Republic of Peru Unsecured Note 2025	16,692
	2,767,764
Accrued interest	26,275
	2,794,039

(expressed in United States dollars unless otherwise stated)

8. Financial assets at fair value through profit or loss (continued)

	2022
Corporate Bonds:	
5.250% JMMB Bank 2023	2,435,702
5.250% VMBS Term Deposit 2023	1,263,269
8.500% Purchase of NCBCY 2025	1,095,638
5.000% VMBS Term Deposit 2023	1,069,000
5.300% JMMB Bank Term Deposit 2023	679,269
8.500% Purchase of NCBCY 2025	600,000
5.300% VMBS Term Deposit 2023	420,000
5.150% VMBS Term Deposit 2023	386,000
	7,945,878
Accrued interest	59,124
	8,005,002
Total	10,799,041

9. Financial assets at amortised cost

	2022
Resale Agreements	17,664,444
Accrued interest	273,906
	17,938,350

The fair value of underlying securities used to collateralise resale agreements is $22,218,472.

10. Due from Fund Manager

This represents a balance due from the Scotia Investments (Jamaica) Limited, net of commission, on account of amounts collected from unit holders for the sale of units or amounts reimbursable for expenditure on behalf of the Fund.

(expressed in United States dollars unless otherwise stated)

11. Redeemable units

The Fund's capital is represented by the redeemable units outstanding.

The objective of the Fund is to provide investors with a diversified money market fund offering liquidity and preservation of capital. The Fund invests in a wide range of securities, including stable, short-term instruments such as Government of Jamaica securities, Certificates of Deposit and corporate paper issued by creditworthy institutions in Jamaica and overseas. Unit holders may take advantage of the Fund's tax-exempt status by maintaining their investments in the Fund for a minimum period of 5 years.

	2022
Gain for the period	377,765
Proceeds from new units available for investment	32,117,785
Proceeds from reinvestments	148,823
Total inflows	32,644,373
Units distributions during the period	(205,591)
Units encashed and repaid during the period	(2,468,073)
Net proceeds for the period, being balance at end of the period	29,970,709

	Number of units 2022
Class A	
Redeemable units:	
Issued during the period	3,211,560
Redeemed during the period	(245,327)
Balance as at October 31	2,966,233

	2022
Class I	
Redeemable units:	
Issued during the period	505

Class A Units are available to all investors. Class I Units are available only to eligible institutional investors and other qualified investors. No management fees are charged by the Fund Manager to the Funds on Class I Units of the Funds. Instead, Class I Unit Holders negotiate a separate fee that is paid directly to the Fund Manager.

After the initial offering period, redeemable shares are available for subscription and redemption on each day that is a business day in Jamaica at a price equal to the net asset value per share.

In the event of a winding-up of the Fund, holders of redeemable shares are entitled to receive a pro-rata share up to their par value if there are sufficient assets available. In the event of any surplus assets, they are entitled to a further pro-rata share of the assets.

12. Financial risk management

The Fund's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Fund Manager's aim is, therefore, to achieve an appropriate balance between risks and return and minimise potential adverse effects on the Fund's financial performance.

The Fund Manager'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 Fund Manager regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The senior management investment team carries out risk management under policies approved by Scotia Group Investment Committee. The Investment Committee identifies and evaluates financial risks, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk in accordance with the Trust Deed, which provides written policies for overall risk management.

Financial instrument risks:

Exposure to credit, market, and liquidity risks arises in the course of the Fund's business. Derivative instruments are not presently used to manage, mitigate or eliminate financial instrument risks.

(a) Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Fund by failing to discharge its obligation. Credit risk is the most important risk for the Fund's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally on investment activities that bring debt securities and other bills into the Fund's asset portfolio. Credit risk management and control are managed by the Investment Committee which has the responsibility of ensuring risks are managed within the limits established by the Trust Deed. In addition, Internal Audit is responsible for the independent review of risk management and the control environment.

The Fund Manager monitors credit risk by establishing a credit committee which reviews and assesses the Fund's credit portfolios with a view to reducing and controlling this risk.

Concentration of credit risk is mainly with respect to investments in Government of Jamaica securities. The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position.

(i) Credit risk measurement

The probabilities of default of counterparties are assessed by using internal rating tools developed by Scotia Group, tailored to the various categories of counterparty. They are validated, where appropriate, by comparison with externally available data. Scotia Group rating scale shown below reflects the range of default probabilities defined for each rating class.

12. Financial risk management (continued)

Financial instrument risks (continued):

(a) Credit risk (continued)

(i) Credit risk measurement (continued)

Scotia Group 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-

Credit quality analysis

The Fund's exposure to credit risk arises in respect of the following financial instruments:

- Cash;
- Resale agreements; and
- Investment in Government of Jamaica securities and corporate bonds

Investment securities and resale agreements

The Fund limits its exposure to credit risk by investing only with counterparties that have high credit ratings and in Government of Jamaica securities. Therefore, management does not expect any counterparty to fail to meet its obligations.

The Fund has documented investment policies in place, which guide the Fund in managing credit risk on investment securities and resale agreements. The Fund's exposure and the credit ratings of its counterparties are continually monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties based on their credit ratings and limits set.

At October 31, 2022, the Fund invested in Government of Jamaica securities with a credit grade of B+, based on Standards and Poor's ratings, and local corporate bonds with a credit grade of CariBBB- and higher, based on CariCRIS ratings.

Cash

Cash is held with reputable financial institutions and collateral is not required for such accounts as the Fund Manager regards the institutions as strong.

Impairment

Impairment on cash, receivables and resale agreements has been measured on a 12-month expected loss basis. The Fund considers that these exposures have low credit risk based on the external credit ratings of the counterparties.

The Fund Manager monitors changes in credit risk on these exposures by tracking published external credit ratings of the counterparties. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in the published ratings, the Fund Manager reviews changes in bond yields, where available.

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12. Financial risk management (continued)

(b) Market risk

The Fund takes on exposure to market risk, 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 risk arises 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 Fund's exposures to market risk are related to portfolios.

The market risk arising from trading and non-trading activities are determined by the Fund Manager and monitored by Scotia Group's treasury teams separately. Regular reports are submitted to the Investment Committee for review. Trading portfolios include those positions arising from market-making transactions where the Fund acts as principal with clients or with the market.

The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Fund's performance. The Fund's investments in Government of Jamaica and other securities was minimally impacted by the pandemic as a majority of them are fixed rate instruments.

(i) Interest rate risk:

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 Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Investment Committee sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by the Fund Manager.

The following tables summarise carrying amounts of assets, liabilities and the capital account in order to arrive at the Fund's interest rate gap based on the earlier of contractual repricing and maturity dates.

	2022					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Non-rate sensitive	Total
Cash and cash equivalents	1,147,035	-	-	-	-	1,147,035
Accounts receivable						
Financial assets at fair value through profit or loss	-	-	6,270,806	4,528,235	-	10,799,041
Financial assets at amortised cost	-	8,298,832	8,935,437	704,081	-	17,938,350
Recievable from Manager	-	-	-	-	157,317	157,317
Due from Fund Manager	-	-	-	-	950	950
Total assets	1,147,035	8,298,832	15,206,243	5,232,316	158,267	30,042,693
Other payable	-	-	-	-	71,984	71,984
Capital account	-	-	-	-	29,970,709	29,970,709
Total liabilities and capital account	-	-	-	-	30,042,693	30,042,693
Total interest rate sensitivity gap	1,147,035	8,298,832	15,206,243	5,232,316	(29,884,426)	-
Cumulative gap	1,147,035	9,445,867	24,652,110	29,884,426	-	-

(expressed in United States dollars unless otherwise stated)

12. Financial risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued):

The average interest rates of financial instruments are as follows:

	2022				
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Average
	%	%	%	%	%
Cash	4.45	-	-	-	4.45
Financial assets at fair value through profit or loss	-	-	4.99	5.91	5.45
Financial assets at amortised cost	-	4.76	5.09	5.18	5.01

(ii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaica Dollar. The main currency giving rise to this risk is the United States Dollar (US$). The Fund ensures that the net exposure is kept within limits established by the Fund Manager.

At the reporting date, the Jamaica Dollar equivalent of the Fund's financial instruments and equity were as follows:

	2022		
	JM$	US$	Total
Financial assets			
Cash	831,907	315,128	1,147,035
Investments	-	28,737,391	28,737,391
Receivables from Manager	-	157,317	157,317
Due from Fund Manager	-	950	950
Total financial assets	831,907	29,210,786	30,042,693
Financial liability			
Other payables	-	(71,984)	(71,984)
Capital account	831,907	29,138,802	29,970,709

12. Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign currency risk (continued):

Sensitivity analysis

The following exchange rate was applied during the period:

	Average rate for the year 2022	Reporting date spot rate 2022
JMD$1	153.6011	153.2766

Changes in the J$ against the US$ at October 31, would have increased/(decreased) profit and loss by the amounts shown below.

	Effect on profit or loss 2022
US$ increase by 4%	1,165,552
US$ decrease by 1%	(291,388)

(c) Liquidity risk

Liquidity risk is the risk that the Fund is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay unit holders and fulfill other commitments.

A senior management investment team regularly reviews sources of liquidity and performs the following:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or encashment made by unit holders;
- Maintaining an active, highly marketable portfolio of assets/money markets and or equity (shares), which can be easily liquidated as protection against unforeseen disruption to cash flow;
- Managing the concentration and profile of debt maturities against internal and regulatory requirements; and
- Monitoring the liquidity ratios against internal and regulatory requirements.

The Fund’s financial liabilities consist of other payables with contractual maturities of within three months from the reporting date.

12. Financial risk management (continued)

(d) Capital risk management

The redeemable shares issued by the Fund provide an investor with the right to require redeemable shares for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date and are classified as equity. See note 9 for description of the redeemable shares issued by the Fund.

The Fund's objectives when managing the redeemable shares are to maintain a strong base to maximise returns to all investors and manage liquidity risk arising from redemptions.

The Fund is not subject to any externally-imposed capital requirements.

There were no changes to the Fund's risk management policies during the period.

13. Fair value of financial instruments

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

For financial instruments for which no market price is available, the fair value presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the reporting date.

The Fund measures fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on prices for similar instruments for which significant observation adjustments or assumptions are done to reflect differences between the instruments.

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13. 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 "at fair value through profit or loss" 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; and

(iii) the fair value of variable rate financial instruments is assumed to approximate their carrying amounts.

Accounting classifications and fair values:

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. This table excludes financial instruments not carried at fair value but for which carrying value approximates fair value.

	2022					
	Carrying amount			**Fair value**		
	Amortised cost	At fair value through profit or loss	Total	Level 2	Level 3	Total
Financial assets measured at fair value:						
Financial assets at fair value through profit or loss	-	10,799,041	10,799,041	9,103,403	1,695,638	10,799,041
Financial assets not measured at fair value:						
Cash	1,147,035	-	1,147,035	-	1,147,035	1,147,035
Financial assets at amortised cost	17,938,350	-	17,938,350	-	17,938,350	17,938,350
Receivable from manager	157,317	-	157,317	-	157,317	157,317
Due from Fund Manager	950	-	950	-	950	950
	19,243,652	-	19,243,652	-	19,243,652	19,243,652
Financial liabilities not measured at fair value:						
Other payables	71,984	-	71,984	-	71,984	71,984

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14. Units prices/yield

(a) The number of units at October 31, 2022 was 2,966,738.

(b) The yield of the Fund for the year ended October 31, 2022 was 3.54%.

The calculation of yield is based on the annualised movement in unit price over the period.

(c) The price per unit as at October 31, 2022 was:

Class A
Buying/selling - $10.10

Class I
Buying/selling - $9.83

The price per unit is arrived at by dividing the value of the net deposited property, less sales and fiscal charges, by the number of units in issue.

15. Statement of transactions

	2022
Proceeds from sale of new units	32,117,785
Less: amount paid over to Trustee	(32,117,785)
	NIL
Encashment of units by clients	(2,468,073)
Payment by Trustee	2,468,073
	NIL

16. Related party balances and transactions

(a) 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 or both parties are subject to common control or significant influence. A number of transactions are entered into with related parties, in the normal course of business. These include investment transactions.

Related party transactions with the Fund Manager include management fees and interest income.

(b) Identity of related parties:

The Fund has related party relationships with its Fund Manager, parent and subsidiary of the Fund Manager and companies under common control with the Fund Manager.

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16. Related party balances and transactions (continued)

(c) The statement of financial position includes related party balances, arising in the ordinary course of business as follows:

	2022
Due from Fund Manager	157,317
Fund Manager and companies under common control with the Fund Manager:	
Cash – The Bank of Nova Scotia Jamaica Limited	315,125
Other payables:	
Scotia Investments Jamaica Limited	(31)

(d) The statement of profit or loss and other comprehensive income includes the following (income)/expenses earned from/incurred in transactions with related parties in the ordinary course of business:

	2022
Management fees:	
Scotia Investments Jamaica Limited	192,417

(e) The following related parties are unit holders as at October 31 with balances as shown:

	2022
Scotia Investments Jamaica Limited	305,304
Key management personnel of Fund Manager	6,834