# SCOTIA PREMIUM GROWTH FUND

## FINANCIAL STATEMENTS

## OCTOBER 31, 2018

KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

# INDEPENDENT AUDITORS' REPORT

To the Trustees of
SCOTIA PREMIUM GROWTH FUND

## *Opinion*

We have audited the financial statements of Scotia Premium Growth Fund ("the Fund"), set out on pages 4 to 29, which comprise the statement of financial position as at October 31, 2018, 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 year 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, 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## *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 the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (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 Trustees of
SCOTIA PREMIUM MONEY MARKET FUND

*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, 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 Trustees of
SCOTIA PREMIUM GROWTH FUND

*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

December 17, 2018

**SCOTIA PREMIUM GROWTH FUND**

**Statement of Profit or Loss and Other Comprehensive Income**
**Year ended October 31, 2018**
***(expressed in thousands of Jamaican dollars unless otherwise stated)***

| | Notes | 2018 | 2017 |
|---|---|---|---|
| **Revenue** | | | |
| Interest | | | |
| Financial assets at fair value through profit or loss | | 6,587 | 9,132 |
| Financial assets at amortised cost | | 9,897 | 8,693 |
| Dividend income | | 107,454 | 105,149 |
| Foreign exchange gains | | 3,211 | 1,399 |
| Gain on sale of financial assets at fair value through profit loss | | 260,363 | 401,255 |
| Revaluation gains on financial assets at fair value through profit or loss | | 135,190 | 994,893 |
| **Total revenue** | | 522,702 | 1,520,521 |
| **Expenses** | | | |
| Management fees | 14(d) | 61,953 | 55,294 |
| Other | 4 | 12,280 | 10,454 |
| **Total operating expenses** | | 74,233 | 65,748 |
| **Profit for the year, being increase in net assets attributable to holders of redeemable units** | | 448,469 | 1,454,773 |

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

**SCOTIA PREMIUM GROWTH FUND**

**Statement of Financial Position**
**October 31, 2018**
***(expressed in thousands of Jamaican dollars unless otherwise stated)***

| | Notes | 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | 5 | 72,895 | 30,609 |
| Accounts receivable | 6 | 87,845 | 1,668 |
| Financial assets at amortised cost | 7(a) | 432,513 | 265,257 |
| Financial assets at fair value through profit or loss | 7(b) | 3,841,673 | 3,367,758 |
| Due from Fund Manager | 8 | 2,612 | 2,805 |
| **Total assets** | | 4,437,538 | 3,668,097 |
| **LIABILITY** | | | |
| Other payables, being total liability | | 10,749 | 7,096 |
| **Net assets attributable to holders of redeemable units** | 9 | 4,426,789 | 3,661,001 |

The financial statements on pages 4 to 29 were approved for issue by the Board of Scotia Investments Jamaica Limited on December 17, 2018 and signed on its behalf by:

Director
Lissant Mitchell

Director
Barbara Alexander

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

**SCOTIA PREMIUM GROWTH FUND**

**Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**
**Year ended October 31, 2018**
***(expressed in thousands of Jamaican dollars unless otherwise stated)***

| | Notes | 2018 | 2017 |
|---|---|---|---|
| **Balance at November 1** | | 3,661,001 | 2,720,997 |
| Profit for the year, being increase in net assets attributable to holders of redeemable units | | 448,469 | 1,454,773 |
| | | 4,109,470 | 4,175,770 |
| Contributions and redemptions by holders of redeemable units: | | | |
| Issue of redeemable units during the year | 9 | 721,208 | 294,199 |
| Redemption of units during the year | 9 | ( 403,889) | ( 808,968) |
| **Total contributions and redemptions by holders of redeemable units, net** | | 317,319 | ( 514,769) |
| **Balance at October 31** | | 4,426,789 | 3,661,001 |

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

**SCOTIA PREMIUM GROWTH FUND**

**Statement of Cash Flows**
**Year ended October 31, 2018**
***(expressed in thousands of Jamaican dollars unless otherwise stated)***

| | Notes | 2018 | 2017 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Increase in net assets attributable to holders of redeemable units | | 448,469 | 1,454,773 |
| Adjustments for: | | | |
| Revaluation gains on financial assets at fair value through profit or loss | | (135,190) | (1,396,148) |
| Dividend income | | (107,454) | ( 105,149) |
| Interest income | | ( 16,484) | ( 17,825) |
| | | 189,341 | ( 64,349) |
| **Changes in operating assets and liabilities** | | | |
| Due from Scotia Asset Management (Jamaica) Limited | | 193 | ( 2,709) |
| Other payables | | 3,653 | ( 19) |
| Accounts receivables | | ( 81,217) | - |
| Financial assets at amortised cost | | (167,494) | ( 146,401) |
| Financial assets at fair value through profit or loss | | (338,769) | 583,307 |
| Proceeds from new units available for investments | 9,13 | 721,208 | 294,199 |
| Payments for units encashed | 9,13 | (403,889) | ( 808,968) |
| | | ( 76,974) | ( 144,940) |
| Dividend received | | 102,494 | 105,026 |
| Interest received | | 16,766 | 17,673 |
| Net cash provided/(used) by operating activities, being net increase/(decrease) in cash | | 42,286 | ( 22,241) |
| Cash at beginning of the year | | 30,609 | 52,850 |
| **Cash at end of the year** | | 72,895 | 30,609 |

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

1. The Scotia Premium Growth Fund

The Scotia Premium Growth Fund ("Fund") is registered in Jamaica as a unit trust scheme under the Unit Trusts Act. Effective December 1, 2016, there was a consolidation of asset management activities within Scotia Investments Jamaica Limited. Fund management services previously conducted by Scotia Asset Management (Jamaica) Limited (SAMJ), were transferred to its parent, Scotia Investments Jamaica Limited (SIJL). The Trustee of the Fund is JCSD Trustee Services Limited. Both companies 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 Limited. ("Scotia Group").

The Fund is an open-ended investment fund primarily involved in investing in a highly diversified investment portfolio.

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

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and comply with the provisions of the Trust Deed ("the Deed").

**New, revised and amended standards 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 Fund Manager has determined that none of them had any significant effect on the amounts or disclosures in these financial statements.

**New, revised and amended standards and interpretations that are not yet effective**

At the date of authorisation of these financial statements, the following relevant standard had been published but was not yet effective and the Fund has not early-adopted it:

(i) The Fund is required to adopt IFRS 9 *Financial Instruments* effective November 1, 2018. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

*Classification and measurement*

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

**SCOTIA PREMIUM GROWTH FUND**

**Notes to the Financial Statements (Continued)**
**October 31, 2018**
***(expressed in thousands of Jamaican dollars unless otherwise stated)***

2. Summary of significant accounting policies (continued)

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

(i) Statement of compliance (continued)

**New, revised and amended standards and interpretations that are not yet effective (continued)**

(i) IFRS 9 *Financial Instruments* (continued)

*Classification and measurement* (continued)

Accordingly, the basis of measurement for the Fund's financial assets may change. The standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. The Fund does not expect the implementation to result in a significant change in the classification and measurement of the Fund's financial assets.

*Impairment*

The adoption of IFRS 9 will have a significant impact on the Fund's impairment methodology. IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The probability weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. The new impairment model will apply to financial assets measured at amortised cost or FVOCI.

Under IFRS 9, loss allowances will be measured on either of the following stages, based on the extent of credit deterioration since origination:

- Stage 1 - 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date. This stage 1 approach differs from the current approach which estimates a collective allowance to recognise losses that have been incurred but not reported on performing loans.

- Stage 2 - Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. Provisions are higher at this stage because of an increase in risk and the impact of a longer time horizon being compared to 12 months in Stage 1; and

- Stage 3 - Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

2. Summary of significant accounting policies (continued)

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

(i) Statement of compliance (continued)

**New, revised and amended standards and interpretations that are not yet effective (continued)**

*(i)* IFRS 9 *Financial Instruments (continued)*

*Impairment (continued)*

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component. The Fund does not expect the implementation to result in a significant adjustment.

*Transition impact*

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

- The Fund will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognised in net assets attributable to holders of redeemable units as at November 1, 2018.

- The Funds will determine the business model within which a financial asset is held based on the facts and circumstances that exist at the date of initial application.

(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 stated 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.

2. Summary of significant accounting policies (continued)

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

(iv) Functional and presentation currency

These financial statements are presented in Jamaican dollars, which is the Fund's functional currency. Except where indicated to be otherwise, financial information presented in Jamaican dollars has been rounded to the nearest thousand.

**(b) Foreign currency translation**

Monetary 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 Bank of Jamaica's (the Central Bank) 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 Jamaican dollars at the exchange rate at the date that fair value is calculated.

Transactions in foreign currencies are translated in Jamaican 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 flows through the expected life of the financial asset to the carrying amount of the financial asset. When calculating effective rate, the Fund estimates future cash flows considering all contractual terms of the financial asset, but not future credit losses. Interest received or receivable is recognised in profit or loss as interest income.

**(d) Dividend income**

Dividend income is recognised in profit or loss when the right to receive income is established, i.e. at the record date for quoted equities.

**(e) Net gain from financial instruments designated at fair value through profit or loss**

Net gain from financial instruments designated 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 and dividend income.

**(f) 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.

3. Summary of significant accounting policies (continued)

**(f) Financial assets and financial liabilities (continued)**

(ii) Recognition and initial measurement

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the statement of 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.

(iii) Classification

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 – certain bonds, quoted equities, units in unit trusts and 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 measurement at amortised cost - other payables.

(iv) 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.

(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.

2. Summary of significant accounting policies (continued)

**(f) Financial assets and financial liabilities (continued)**

(v) Fair value measurement (continued)

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.

If a market for a financial instrument is not active, the Fund establishes fair value using pricing models or discounted cash flow techniques or a generally accepted alternative method. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date and incorporate all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

2. Summary of significant accounting policies (continued)

**(f) Financial assets and financial liabilities (continued)**

(vi) 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 the 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.

(vii) 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.

(viii) Identification and measurement of impairment

The carrying amounts of the Fund's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset or group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows to the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower or advance by the Fund on terms that the Fund would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, 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, or economic conditions that correlate with defaults in the group.

If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

2. Summary of significant accounting policies (continued)

**(f) Financial assets and financial liabilities (continued)**

(viii) Identification and measurement of impairment (continued)

- Calculation of recoverable amount

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

- Reversals of impairment

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

  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.

**(g) 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 classified as loans and receivables and 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.

**(h) Accounts receivable**

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

**(i) Other payables**

Other payables are measured at amortised cost.

**(j) 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 classified as equity.

**SCOTIA PREMIUM GROWTH FUND**

**Notes to the Financial Statements (Continued)**
**October 31, 2018**
**(*expressed in thousands of Jamaican dollars unless otherwise stated*)**

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.

4. Other expenses

| | 2018 | 2017 |
|---|---|---|
| Auditors' remuneration | 1,200 | 1,200 |
| Transfer agent fees | 7,177 | 5,583 |
| Trustee fees | 2,144 | 1,937 |
| Other | 1,759 | 1,734 |
| | 12,280 | 10,454 |

5. Cash

This represents current account and cash deposits at bank.

6. Accounts receivable

Accounts receivable represents amounts due in respect of dividends declared by investees which were not received as at the year end $6,628 (2017: $1,668) and an advance payment for shares purchased but not issued  as at year end $81,217 (2017: Nil).

7. Investments

**(a) Financial assets at amortised cost:**

| | 2018 | |
|---|---|---|
| | Value [see note 2(f)] | % of Portfolio |
| Resale agreements | 431,736 | 10.10 |
| Accrued interest | 777 | 0.02 |
| | 432,513 | 10.12 |

The fair value of underlying securities used to collateralize resale agreements is $504,561.

| | 2017 | |
|---|---|---|
| | Value [see note 2(f)] | % of Portfolio |
| Resale agreements | 264,242 | 7.27 |
| Accrued interest | 1,015 | 0.03 |
| | 265,257 | 7.30 |

The fair value of underlying securities used to collateralize resale agreements is $278,376.

**SCOTIA PREMIUM GROWTH FUND**

**Notes to the Financial Statements (Continued)**
**October 31, 2018**
(***expressed in thousands of Jamaican dollars unless otherwise stated***)

7. Investments (continued)

**(b) At fair value through profit or loss:**

| | | | 2018 | |
|---|---|---|---|---|
| | | | Value (see note 2(f) | % of Portfolio |
| **Quoted equities** | | | | |
| No. of stock units | | Description | | |
| 4,161,795 | - | NCB Group Limited | 516,063 | 12.07 |
| 10,357,157 | - | Sagicor Group Jamaica Limited | 476,429 | 11.15 |
| 12,427,535 | - | Jamaica Money Market Brokers Limited | 410,109 | 9.60 |
| 33,234,980 | - | Carreras Group Limited | 297,785 | 6.97 |
| 15,407,000 | - | Supreme Ventures Limited | 281,948 | 6.60 |
| 3,038,608 | - | Kingston Wharves Limited | 229,415 | 5.37 |
| 5,448,819 | - | Jamaica Broilers Group Limited | 168,913 | 3.95 |
| 5,380 | - | Apple Inc. | 150,720 | 3.53 |
| 2,279,955 | - | Scotia Group Jamaica Limited [note 14(c)] | 122,434 | 2.86 |
| 27,487,965 | - | Lasco Distributors Limited | 108,303 | 2.53 |
| 7,128,000 | - | Knutsford Express Services Limited | 85,180 | 1.99 |
| 1,465,956 | - | GraceKennedy Limited | 83,560 | 1.95 |
| 20,596,985 | - | Lasco Manufacturing Limited | 78,269 | 1.83 |
| 19,269,784 | - | Jamaica Teas Limited | 76,694 | 1.79 |
| 3,900 | - | Facebook Inc. | 75,810 | 1.77 |
| 8,800 | - | Citigroup Inc. | 73,770 | 1.73 |
| 5,666,911 | - | Sagicor Real Estate X Fund | 73,557 | 1.72 |
| 1,131,335 | - | Pan Jamaica Investment Trust Limited | 72,405 | 1.69 |
| 5,800 | - | Gilead Science Inc. | 50,627 | 1.18 |
| 5,250 | - | Energy Select Sector SPDR Fund | 45,147 | 1.06 |
| 4,323,266 | - | Wisynco Group Limited | 44,876 | 1.05 |
| 1,833,333 | - | Jamaica Stock Exchange Limited | 18,332 | 0.43 |
| 1,008,113 | - | Dolphin Cove Limited | 16,886 | 0.40 |
| 2,000,000 | - | Portland JSX Limited | 16,600 | 0.39 |
| 1,191,970 | - | Caribbean Producers Jamaica Limited | 7,807 | 0.18 |
| 2,171 | - | Financial Select Sector SPDR Fund | 7,284 | 0.17 |
| 163,054 | - | Seprod Limited | 6,351 | 0.15 |
| 407,300 | - | Sygnus Credit Investments Limited | 4,989 | 0.12 |
| 628,767 | - | Elite Diagnostic Limited | 2,012 | 0.05 |
| | | | 3,602,275 | 84.28 |
| **Mutual fund** | | | | |
| 563,608 | - | Scotia Bank Global Fund [note 14(c)] | 82,339 | 1.93 |
| 287,848 | - | Scotia US Growth Fund [note 14(c)] | 47,549 | 1.11 |
| | | | 129,888 | 3.04 |
| **Government of Jamaica (GOJ) and other securities** | | | | |
| GOJ SR Unsecured 2025 7.625% | | | 87,278 | 2.04 |
| GOJ VR Benchmark Investment Notes 2020 | | | 8,099 | 0.19 |
| GOJ VR Benchmark Investment Notes 2025 | | | 6,876 | 0.16 |
| GOJ FR Benchmark Investment 2019 8.50% | | | 5,190 | 0.12 |
| | | | 107,443 | 2.51 |
| | | | 3,839,606 | 89.83 |
| Accrued interest | | | 2,067 | 0.05 |
| Total at fair value through profit or loss | | | 3,841,673 | 89.88 |
| | | | 4,274,186 | 100.00 |

**SCOTIA PREMIUM GROWTH FUND**

**Notes to the Financial Statements (Continued)**
**October 31, 2018**
(***expressed in thousands of Jamaican dollars unless otherwise stated***)

7. Investments (continued)

**(b) At fair value through profit or loss (continued):**

| No. of stock units | | Description | 2017 Value (see note 2(f) | 2017 % of Portfolio |
|---|---|---|---|---|
| **Quoted equities** | | | | |
| 4,734,945 | - | NCB Group Limited | 497,170 | 13.68 |
| 38,134,980 | - | Carreras Group Limited | 434,739 | 11.97 |
| 14,607,535 | - | Jamaica Money Market Brokers Limited | 409,011 | 11.26 |
| 10,357,157 | - | Sagicor Group Jamaica Limited | 393,572 | 10.83 |
| 4,853,988 | - | Scotia Group Jamaica Limited [note 14(c)] | 245,124 | 6.75 |
| 13,738,500 | - | Supreme Ventures Limited | 142,326 | 3.92 |
| 5,880 | - | Apple Inc. | 115,212 | 3.17 |
| 6,856,911 | - | Sagicor Real Estate X Fund | 98,054 | 2.70 |
| 3,900 | - | Facebook Inc. | 88,963 | 2.45 |
| 2,707,530 | - | Kingston Wharves Ltd | 87,995 | 2.42 |
| 8,800 | - | Citigroup Inc. | 81,940 | 2.25 |
| 19,269,784 | - | Jamaica Teas Limited | 79,006 | 2.17 |
| 10,115,971 | - | Lasco Distributors Limited | 76,881 | 2.12 |
| 5,800 | - | Gilead Science Inc | 55,079 | 1.52 |
| 11,989,985 | - | Lasco Manufacturing Limited | 49,500 | 1.36 |
| 5,250 | - | Energy Select Sector SPDR Fund | 45,167 | 1.24 |
| 1,064,200 | - | Pan Jamaica Investment Trust Limited | 44,271 | 1.22 |
| 561,956 | - | GraceKennedy Limited | 22,478 | 0.62 |
| 2,000,000 | - | Portland JSX Limited | 18,300 | 0.50 |
| 970,819 | - | Jamaica Broilers Group Limited | 18,057 | 0.50 |
| 1,008,113 | - | Dolphin Cove Limited | 15,122 | 0.42 |
| 1,833,333 | - | Jamaica Stock Exchange Limited | 12,650 | 0.35 |
| 1,862,930 | - | AMG Packaging & Paper Company Limited | 6,427 | 0.18 |
| 163,021 | - | Seprod Limited | 4,565 | 0.13 |
| 1,191,970 | - | Caribbean Producers Jamaica Limited | 4,458 | 0.12 |
| 241,935 | - | Sterling Investments Limited | 2,976 | 0.08 |
| | | | 3,049,043 | 83.93 |
| **Mutual fund** | | | | |
| 1,114,503 | - | Scotia US Growth Fund [note 14(c)] | 180,102 | 4.96 |
| 44,535 | - | Scotia Bank Global Growth Fund [note 14(c)] | 6,976 | 0.19 |
| | | | 187,078 | 5.15 |
| **Government of Jamaica (GOJ) and other securities** | | | | |
| GOJ 7.625% Global Bond | | | 91,784 | 2.53 |
| GOJ VR Benchmark Investment Notes | | | 18,019 | 0.50 |
| 1.50% US Index Note 2017B | | | 14,668 | 0.40 |
| GOJ FR Benchmark Investment Notes | | | 5,113 | 0.14 |
| | | | 129,584 | 3.57 |
| | | | 3,365,705 | 92.65 |
| Accrued interest | | | 2,053 | 0.05 |
| Total at fair value through profit or loss | | | 3,367,758 | 92.70 |
| Total investments | | | 3,633,015 | 100.00 |

(***expressed in thousands of Jamaican dollars unless otherwise stated***)

## 8. Due from Fund Manager

This represents balance due from the Fund Manager, 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.

## 9. Redeemable units

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

The objective of the Fund is to provide investors with an opportunity to invest in a leading unit trust investment scheme which emphasizes diversification or the spread of risk among a variety of investment instruments. This means that no more than 10% of the value of the Fund can be invested in shares of any one company, no more than 20% of its portfolio can be invested in real estate, the Fund can invest in "Blue Chip" stocks, which provides investors with good, genuinely tax-free dividend yields and the make-up of the portfolio also provides a cushion against traditional stock market volatility, using a combination of equities and fixed – income investments that help to protect the capital that is invested.

| | 2018 | 2017 |
|---|---|---|
| Gain for the year (page 4) | 448,469 | 1,454,773 |
| Proceeds from new units available for investment | 721,208 | 294,199 |
| Total inflows | 1,169,677 | 1,748,972 |
| Units encashed and repaid during the year | ( 403,889) | ( 808,968) |
| Net proceeds for the year | 765,788 | 940,004 |
| Balance at beginning of the year | 3,661,001 | 2,720,997 |
| Balance at end of the year | 4,426,789 | 3,661,001 |

| | Number of units | |
|---|---|---|
| | 2018 | 2017 |
| Class A | | |
| Redeemable units: | | |
| Opening balance | 32,430,336 | 38,140,886 |
| Issued during the year | 4,267,421 | 3,128,752 |
| Redeemed during the year | ( 3,639,433) | ( 8,839,302) |
| Balance as at October 31 | 33,058,324 | 32,430,336 |

| | Number of units | |
|---|---|---|
| | 2018 | 2017 |
| Class I | | |
| Redeemable units: | | |
| Opening balance | 579,306 | 540,092 |
| Issued during the year | 667,580 | 42,278 |
| Redeemed during the year | ( 4,400) | ( 3,064) |
| Balance as at October 31 | 1,242,486 | 579,306 |

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.

10. 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 an 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 probability of default of counterparties is 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.

| Company'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- |

**SCOTIA PREMIUM GROWTH FUND**

**Notes to the Financial Statements (Continued)**
**October 31, 2018**
**(*expressed in thousands of Jamaican dollars unless otherwise stated*)**

10. 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 separates exposures to market risk into either trading or non-trading portfolios.

The market risk arising from trading and non-trading activities are determined by the investment managers and monitored by the 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.

(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.

| | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Immediately rate sensitive | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-rate sensitive | Total |
| Cash | 72,895 | - | - | - | - | - | 72,895 |
| Accounts receivable | - | - | - | - | - | 87,845 | 87,845 |
| Due from Fund Manager | - | - | - | - | - | 2,612 | 2,612 |
| Financial assets at amortised cost | - | 432,513 | - | - | - | - | 432,513 |
| Financial assets at fair value through profit or loss | - | - | 94,505 | 8,110 | 6,895 | 3,732,163 | 3,841,673 |
| Total assets | 72,895 | 432,513 | 94,505 | 8,110 | 6,895 | 3,822,620 | 4,437,538 |
| Other payables | - | - | - | - | - | 10,749 | 10,749 |
| Net assets attributable to holders of redeemable units | - | - | - | - | - | 4,426,789 | 4,426,789 |
| Total liability and net assets attributable to holders of redeemable units | - | - | - | - | - | 4,437,538 | 4,437,538 |
| **Total interest rate sensitivity gap** | 72,895 | 432,513 | 94,505 | 8,110 | 6,895 | ( 614,918) | - |
| **Cumulative gap** | 72,895 | 505,408 | 599,913 | 608,023 | 614,918 | - | - |

**SCOTIA PREMIUM GROWTH FUND**

**Notes to the Financial Statements (Continued)**
**October 31, 2018**
(***expressed in thousands of Jamaican dollars unless otherwise stated***)

10. Financial risk management (continued)

**(b) Market risk (continued)**

(i) Interest rate risk (continued):

| | 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Immediately rate sensitive | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-rate sensitive | Total |
| Total assets | 30,609 | 279,926 | 3,081 | 13,351 | 100,536 | 3,240,594 | 3,668,097 |
| Total liability and net assets attributable to holders of redeemable units | - | - | - | - | - | 3,668,097 | 3,668,097 |
| **Total interest rate sensitivity gap** | 30,609 | 279,926 | 3,081 | 13,351 | 100,536 | ( 427,503) | - |
| **Cumulative gap** | 30,609 | 310,535 | 313,616 | 326,967 | 427,503 | - | - |

The average interest rates of financial instruments are as follows:

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Immediately rate sensitive | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Average |
| | % | % | % | % | % | % |
| Cash | 1.50 | - | - | - | - | 1.50 |
| Financial assets at fair value through profit or loss | - | - | 8.06 | 1.96 | 2.07 | 4.03 |
| Financial assets at amortised cost | - | 2.58 | - | - | - | 2.58 |

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Immediately rate sensitive | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Average |
| | % | % | % | % | % | % |
| Cash | 2.20 | - | - | - | - | 2.20 |
| Financial assets at fair value through profit or loss | - | 1.50 | 5.23 | 6.87 | 6.75 | 5.09 |
| Financial assets at amortised cost | - | 4.51 | - | - | - | 4.51 |

**SCOTIA PREMIUM GROWTH FUND**

**Notes to the Financial Statements (Continued)**
**October 31, 2018**
(***expressed in thousands of Jamaican dollars unless otherwise stated***)

10. Financial risk management (continued)

**(b) Market risk (continued)**

(i) Interest rate risk (continued):

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 (2017: 100) basis points in interest rates at the reporting date would have increased the capital account and the income for the year by $150 (2017: $181). A decrease of 100 (2017: 100) basis points in interest rates at the reporting date would have decreased the capital account and income for the year by $150 (2017: $181).

Fair value sensitivity analysis

A change of +100 and -100 (2017: +100 and -100) basis points in interest rates for Jamaica and +100 and -100 (2017: +100 and -50) basis points on United States dollar financial instruments at the reporting date would have increased/(decreased) the capital account and profit by the amounts shown below.

The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

Change in basis points

| | 2018 Effect on capital and profit | 2017 Effect on capital and profit |
|---|---|---|
| USD interest rates +100 bps (2017: +100bps) | (4,543) | (5,351) |
| -100 bps (2017: -50bps) | 4,756 | 2,826 |
| JMD interest rates +100 bps (2017: +100bps) | ( 583) | ( 709) |
| -100 bps (2017: -100bps) | 613 | 746 |

(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 Jamaican 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 management.

At the reporting date, the Jamaican dollar equivalent of the Fund's exposure to this risk, relating to foreign currency assets, amounted to 611,772 (2017: J$607,484).

**SCOTIA PREMIUM GROWTH FUND**

**Notes to the Financial Statements (Continued)**
**October 31, 2018**
(***expressed in thousands of Jamaican dollars unless otherwise stated***)

10. Financial risk management (continued)

**(b) Market risk (continued):**

(ii) Foreign currency risk (continued):

| | 2018 | | |
|---|---|---|---|
| | JM$ | US$ | Total |
| Financial assets | | | |
| Cash | 65,159 | 7,736 | 72,895 |
| Investments | 3,670,150 | 604,036 | 4,274,186 |
| Accounts receivables | 87,845 | - | 87,845 |
| Due from Fund Manager | 2,612 | - | 2,612 |
| Total financial assets | 3,825,766 | 611,772 | 4,437,538 |
| Financial liability | | | |
| Other payables | (10,749) | - | (10,749) |
| Capital account | 3,815,017 | 611,772 | 4,426,789 |

| | 2017 | | |
|---|---|---|---|
| | JM$ | US$ | Total |
| Financial assets | | | |
| Cash | 26,995 | 3,614 | 30,609 |
| Investments | 3,029,145 | 603,870 | 3,633,015 |
| Accounts receivables | 1,668 | - | 1,668 |
| Due from Fund Manager | 2,805 | - | 2,805 |
| Total financial assets | 3,060,613 | 607,484 | 3,668,097 |
| Financial liability | | | |
| Other payables | (7,096) | - | (7,096) |
| Capital account | 3,053,517 | 607,484 | 3,661,001 |

The following significant exchange rates were applied during the year:

| | Average rate for the year | | Reporting date spot rate | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| US$1 | 128.6304 | 128.7271 | 127.9971 | 126.6851 |

**Sensitivity analysis**

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 | |
|---|---|---|
| | 2018 | 2017 |
| US$ increase by 4% (2017: 6%) | 24,471 | 36,449 |
| US$ decrease by 2% (2017: 2%) | (12,235) | (12,150) |

10. Financial risk management (continued)

**(b) Market risk (continued):**

(iii) Equity price risk:

Equity price risk is the risk of price fluctuations in the equity prices. The risk arises out of holding position in either individual stocks or in the market as a whole. The objective of the Fund Manager is to earn dividend income and realize capital gains sufficient to offset the interest foregone in holding such long-term positions. The Investment Committee employs a well-diversified strategy to reduce the overall impact on the portfolio which may result from a poor performing class of assets.

Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting instruments traded in the market. As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect profit or loss.

Price risk is managed by the setting of investment limits approved by the Board of Directors of Scotia Investments Jamaica Limited. The limits are set with the aim of minimizing exposure to any one class of security or any single asset type. Price risk is managed by the investment managers and monitored by the Investment Committees within the Scotia Group.

The Fund's exposure to price risk is represented by the total carrying value of equity investments amounting to $3,602,275 (2017: $3,049,043).

Sensitivity analysis

A 10% (2017: 10%) increase in unit prices at October 31, 2018, would have increased net assets and profit by $360,227 (2017: $304,904). An equal change in the opposite direction would have decreased net assets by an equal amount. The analysis is performed on the same basis for 2017.

**(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;

10. Financial risk management (continued)

**(c) Liquidity risk (continued)**

- 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.

**(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 liabilities. 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 maximize 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 year.

11. Fair value of financial instruments

Fair value is the amount of which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's 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.

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 reflect 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 observation data and the observation inputs have a significant effect on the instrument 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.

(*expressed in thousands of Jamaican dollars unless otherwise stated*)

11. 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.

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | | Fair value | | |
| | At fair value through profit or loss | Total | Level 1 | Level 2 | Total |
| **Financial assets measured at fair value:** | | | | | |
| Financial assets at fair value through profit or loss | 3,839,606 | 3,839,606 | 3,602,275 | 237,331 | 3,839,606 |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | | Fair value | | |
| | At fair value through profit or loss | Total | Level 1 | Level 2 | Total |
| **Financial assets measured at fair value:** | | | | | |
| Financial assets at fair value through profit or loss | 3,365,705 | 3,365,705 | 3,049,043 | 316,662 | 3,365,705 |

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

12. Unit prices/yield

(a) The number of units in issue at October 31, 2018 was 34,300,810 (2017: 33,009,642).

(b) The yield of the Fund for the year ended October 31, 2018 was 0.16% (2017: 2.24%).

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

**SCOTIA PREMIUM GROWTH FUND**

**Notes to the Financial Statements (Continued)**
**October 31, 2018**
**(*expressed in thousands of Jamaican dollars unless otherwise stated*)**

12. Unit prices/yield (continued)

(c) The price per unit as at October 31, 2018 was:

Class A
Buying - $119.43 (2017: $107.74)
Selling - $124.21 (2017: $112.05)

Class I
Buying - $385.34 (2017: $341.58)
Selling - $400.75 (2017: $355.24)

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.

13. Statement of transactions

| | 2018 | 2017 |
|---|---|---|
| Proceeds of sale | 721,208 | 294,199 |
| Less: amount paid over to trustee | (721,208) | (294,199) |
| | NIL | NIL |
| Encashment of units by clients | (403,889) | (808,968) |
| Payment by trustee | 403,889 | 808,968 |
| | NIL | NIL |

14. 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, its subsidiary (previously, the Fund Manager) and its parent, include management fees and interest income.

(b) Identity of related parties:

The Fund has related party relationships with its Fund Manager and parent and subsidiary of the Fund Manager.

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

| | 2018 | 2017 |
|---|---|---|
| Due from Fund Manager: | | |
| Scotia Investments Jamaica Limited | 2,612 | - |
| Scotia Asset Management (Jamaica) Limited | - | 2,805 |
| Due to Scotia Investment Jamaica Limited | (5,869) | (5,030) |

(***expressed in thousands of Jamaican dollars unless otherwise stated***)

14. 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 (continued):

| | 2018 | 2017 |
|---|---|---|
| Fund Manager, parent company of Fund Manager and related parties under common control: | | |
| Cash | 72,895 | 30,609 |
| Quoted equities [note 7(b)] | 122,434 | 245,124 |
| Mutual fund [note 7(b)] | 129,888 | 187,078 |

(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:

| | 2018 | 2017 |
|---|---|---|
| Gross dividends and interest – Fund Manager, parent company of Fund Manager and related parties under common control | 7,598 | 14,738 |
| Management fees expense | | |
| – Scotia Asset Management (Jamaica) Limited | - | 3,812 |
| – Scotia Investments Jamaica Limited | 61,953 | 51,482 |
| | 61,953 | 55,294 |

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

| | 2018 | 2017 |
|---|---|---|
| Key management personnel of Fund Manager | 5,487 | 7,043 |
| Scotia Investments Jamaica Limited | 305,361 | 275,421 |