

SCOTIA PREMIUM FIXED INCOME FUND

FINANCIAL STATEMENTS

OCTOBER 31, 2017

---



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 FIXED INCOME FUND

### *Opinion*

We have audited the financial statements of Scotia Premium Fixed Income Fund ("the Fund"), set out on pages 4 to 26, which comprise the statement of financial position as at October 31, 2017, 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, 2017, 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 FIXED INCOME 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.
- 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.



Page 3

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Trustees of  
SCOTIA PREMIUM FIXED INCOME FUND

*Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)*

- 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.

A handwritten signature in blue ink that reads 'KPMG'.

Chartered Accountants  
Kingston, Jamaica

December 13, 2017

**SCOTIA PREMIUM FIXED INCOME FUND****Statement of Profit or Loss and Other Comprehensive Income  
Year ended October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*

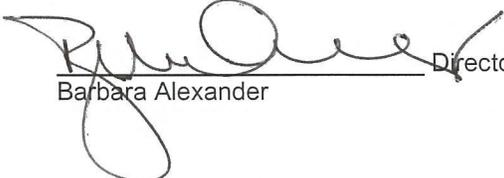
	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b>Revenue</b>			
Interest			
Financial assets at fair value through profit or loss		1,016,019	988,598
Financial assets at amortised cost		20,770	30,038
Net (losses)/gains on financial assets at fair value through profit or loss		( 88,037)	221,199
Foreign exchange gains		<u>51,433</u>	<u>40,579</u>
<b>Total revenue</b>		<u>1,000,185</u>	<u>1,280,414</u>
<b>Expenses</b>			
Management fees	14(d)	258,934	252,252
Other	4	<u>21,670</u>	<u>23,682</u>
<b>Total expenses</b>		<u>280,604</u>	<u>275,934</u>
<b>Profit for the year, being increase in net assets     attributable to holders of redeemable units</b>		<u>719,581</u>	<u>1,004,480</u>

**SCOTIA PREMIUM FIXED INCOME FUND****Statement of Financial Position****October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Cash	5	231,365	102,021
Financial assets at fair value through profit or loss	6	10,883,246	11,148,645
Financial assets at amortised cost	7	4,249,929	3,483,192
Due from Scotia Asset Management (Jamaica) Limited	8	<u>16,413</u>	<u>3,309</u>
<b>Total assets</b>		<u>15,380,953</u>	<u>14,737,167</u>
<b>LIABILITY</b>			
Other payables, being total liability		<u>36,865</u>	<u>35,307</u>
<b>Net assets attributable to holders of redeemable units</b>	9	<u>15,344,088</u>	<u>14,701,860</u>
<b>Represented by:</b>			
<b>Net assets attributable to holders of redeemable units</b>	9	<u>15,344,088</u>	<u>14,701,860</u>

The financial statements on pages 4 to 26 were approved for issue by the Board of Scotia Investments Jamaica Limited on December 13, 2017 and signed on its behalf by:

  
 \_\_\_\_\_ Director  
 Lissant Mitchell

  
 \_\_\_\_\_ Director  
 Barbara Alexander

**SCOTIA PREMIUM FIXED INCOME FUND****Statement of Changes in Net Assets Attributable to Holders of Redeemable Units  
Year ended October 31, 2017*****(expressed in thousands of Jamaican dollars unless otherwise stated)***

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b>Balance at November 1</b>		14,701,860	14,459,275
Profit for the year, being increase in net assets attributable to holders of redeemable units		<u>719,581</u>	<u>1,004,480</u>
		<u>15,421,441</u>	<u>15,463,755</u>
Contributions and redemptions by holders of redeemable units:			
Issue of redeemable units during the year	9	1,249,438	809,400
Redemption of units during the year	9	<u>(1,326,791)</u>	<u>(1,571,295)</u>
<b>Contributions and redemptions by holders of redeemable units, net</b>		<u>(77,353)</u>	<u>(761,895)</u>
<b>Balance at October 31</b>		<u>15,344,088</u>	<u>14,701,860</u>

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

**SCOTIA PREMIUM FIXED INCOME FUND****Statement of Cash Flows****Year ended October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>			
Increase in net assets attributable to holders of redeemable units		719,581	1,004,480
Adjustments for:			
Revaluation losses/(gains) on financial assets at fair value through profit or loss		88,037	( 221,199)
Interest income		<u>(1,036,789)</u>	<u>(1,018,636)</u>
		( 229,171)	( 235,355)
<b>Changes in operating assets and liabilities</b>			
Financial assets at fair value through profit or loss		156,782	56,095
Financial assets at amortised cost		( 741,208)	( 95,995)
Due from Scotia Asset Management (Jamaica) Limited		( 13,104)	2,564
Other payables		1,558	604
Proceeds from new units available for investment	9,13	1,249,438	809,400
Payments for units encashed	9,13	<u>(1,326,791)</u>	<u>(1,571,295)</u>
		( 902,496)	(1,033,982)
Interest received		<u>1,031,840</u>	<u>1,060,296</u>
Net cash provided by operating activities, being net increase in cash		129,344	26,314
Cash at beginning of the year		<u>102,021</u>	<u>75,707</u>
<b>Cash at end of the year</b>		<u><u>231,365</u></u>	<u><u>102,021</u></u>

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

## **SCOTIA PREMIUM FIXED INCOME FUND**

### **Notes to the Financial Statements**

**October 31, 2017**

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

#### 1. The Scotia Premium Fixed Income Fund

The Scotia Premium Fixed Income 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 the asset management activities within Scotia Investments Jamaica Limited (SIJL). Fund management services previously conducted by Scotia Asset Management (Jamaica) Limited (SAMJ), were transferred to its parent company, Scotia Investments Jamaica 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 an open-ended unit trust scheme established under the relevant laws of Jamaica and is comprised of diversified portfolios of investments.

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) and comply with the provisions of the Trust Deed.

###### **New and amended standards that became effective during the year:**

Certain new and amended standards came into effect during the financial year. The Fund Manager has assessed them and none of them had any significant effect on the amounts and disclosures in the financial statements.

###### **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 are not yet effective at the financial year end and which the Fund has not early-adopted. The Fund Manager has assessed the relevance of all such new standards, amendments and interpretations with respect to the Fund's operations and has concluded as follows:

## **SCOTIA PREMIUM FIXED INCOME FUND**

### **Notes to the Financial Statements (Continued)**

**October 31, 2017**

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

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The Fund Manager is assessing the impact that the standard may have on the Fund’s 2019 financial statements.

- IFRS 15, *Revenue from Contracts with Customers* is effective for periods beginning on or after January 1, 2018. It replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*.

The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

The Fund Manager is assessing the impact that this standard may have on the Fund’s 2019 financial statements.

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

The Fund Manager is assessing the impact that this amendment will have on the Fund’s 2018 financial statements.

**SCOTIA PREMIUM FIXED INCOME FUND**

**Notes to the Financial Statements (Continued)**

**October 31, 2017**

*(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)**

(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 judgements

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 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 receipts 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) 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.

## **SCOTIA PREMIUM FIXED INCOME FUND**

### **Notes to the Financial Statements (Continued)**

**October 31, 2017**

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

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

##### **(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 the 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

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 Scotia Asset Management (Jamaica) Limited, resale agreements and corporate bonds.

Financial liabilities measured at cost:

- Other liabilities - other payables.

###### (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) 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.

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*2. Summary of significant accounting policies (continued)**(e) Financial assets and financial liabilities (continued)**

## (iv) 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.

## (v) 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.

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*2. Summary of significant accounting policies (continued)**(e) Financial assets and financial liabilities (continued)**

## (v) Derecognition (continued)

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.

## (vi) 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.

## (vii) 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, restructuring of a loan 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.

- 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.

**SCOTIA PREMIUM FIXED INCOME FUND**

**Notes to the Financial Statements (Continued)**

**October 31, 2017**

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

2. Summary of significant accounting policies (continued)

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

(vii) Identification and measurement of impairment (continued)

- 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.

**(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 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.

**(g) Accounts receivable**

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

**(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 classified as financial liabilities and are measured at the present value of the redemption amounts.

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017***(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

	<u>2017</u>	<u>2016</u>
Auditors' remuneration	1,619	1,619
Transfer agent fees	10,175	13,741
Trustee fees	8,403	7,653
Other	<u>1,473</u>	<u>669</u>
	<u>21,670</u>	<u>23,682</u>

5. Cash

This represents current account and call deposit balances at bank.

6. Financial assets at fair value through profit or loss

	<u>2017</u>	<u>2016</u>
<b>Government and Bank of Jamaica Securities:</b>		
VR Benchmark Investment Notes	5,224,288	5,352,691
FR Benchmark Investment Notes	3,675,820	3,421,324
6.75% US Global Bond 2028	591,134	586,496
7.625% US Global Bond 2025	504,028	414,388
1.5% USD FR Indexed Note 2018	197,004	-
Trinidad & Tobago SR unsecured Bond 2026	135,234	138,485
8.5% US Global Bond 2036	120,958	109,965
CPI Indexed Note 2025	88,398	84,837
4.854% Bermuda Unsecured Note 2024	73,781	-
Bank of Jamaica USD Certificate of Deposit	68,534	68,804
Trinidad & Tobago Unsecured Bond 2024	32,345	-
4.625% Aruba Unsecured Note 2023	19,700	-
11.625% US Global Bond 2022	2,455	2,513
1.5% US FR Indexed Note 2017B	-	644,429
USD Benchmark Investment Notes	-	104,522
Bank of Jamaica JMD Certificate of deposit	-	50,030
10.625% US Global Bond 2017	<u>-</u>	<u>14</u>
	10,733,679	10,978,498
Accrued interest	<u>149,567</u>	<u>170,147</u>
	<u>10,883,246</u>	<u>11,148,645</u>

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*7. Financial assets at amortised cost

	<u>2017</u>	<u>2016</u>
9.55% Jamaica Broilers Group Limited Short-Term Note	500,000	500,000
9.38% National Road Operating & Construction Bond 2024	476,534	153,118
Panjam Investment Limited Tranche B Bond 2025	421,000	-
Pan Jamaica Investment Trust Secured Note 2022	355,000	355,000
4.5% Global Bank Corp SR Unsecured Note 2021	302,883	110,245
6.0% NCB Financial Group Limited Bond	257,824	-
Unicomer (Jamaica) Limited 7 Year VR 2019	220,500	246,400
NCB Capital Markets Limited Bond 2017	200,000	200,000
9.5% Musson Jamaica Limited Note 2018	200,000	-
5.25% Trinidad General Unlimited SR Unsecured Note 2027	181,190	-
University of the West Indies Secured VR Note	165,517	248,276
First Caribbean Int'l Bank Ltd (FCIB) Note 2018 Company	155,000	155,000
Seprod Limited VR Unsecured Note 2017	80,000	80,000
10.25% CACAO JEP Ltd Secured Regs Note 2019	74,638	89,904
GraceKennedy FR 9 Year Note 2017	61,800	61,800
T. Geddes Grant Note 2019	56,000	-
Jamaica Producers Group Bond 2024	52,657	-
Petro Co. Trin/Tobago Limited SR Bond 2019	45,107	45,602
Sagicor Real Estate X Fund Tranche "A" note 2016	38,006	38,666
Unicomer (Jamaica) Limited 7 year VR Note 2021	34,850	34,850
3.75% Sagicor Real Estate Fund Note 2017	10,000	10,000
8.125% Air Jamaica Limited Note 2027	422	431
Musson (Jamaica) Limited FR Senior Unsecured Note 2017	-	411,111
Chukka Cove 2017 TRANCHE B USD	-	83,938
Jamaica Producers Group Limited FR Step-Up 5 Year Note 2017	-	83,608
Pan Jamaica Investment Trust VR Bond 2017	-	83,000
Jamaica Producers Group Limited VR Bond 2019	-	60,300
T Geddies Grant Note 2016	-	36,000
Digicel International Finance Limited Note 2017	-	16,219
Resale agreements (J\$) [note 14(c)]	<u>280,448</u>	<u>324,700</u>
	4,169,376	3,428,168
Accrued interest	<u>80,553</u>	<u>55,024</u>
	<u>4,249,929</u>	<u>3,483,192</u>

The fair value of underlying securities used to collateralize resale agreements is \$ 307,010 (2016: \$ 340,935).

8. Due from Scotia Asset Management (Jamaica) Limited

This represents the balance due from the Scotia Asset Management (Jamaica) Limited (previously, the Fund Manager), net of commission, on account of amounts collected from unit holders for 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 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 free status by maintaining their investments in the Fund for a minimum period of 5 years.

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*9. Redeemable units (continued)

	<u>2017</u>	<u>2016</u>
Profit for the year (page 4)	719,581	1,004,480
Proceeds from new units available for investment	<u>1,249,438</u>	<u>809,400</u>
Total inflows	1,969,019	1,813,880
Units encashed and repaid during the year	<u>( 1,326,791)</u>	<u>( 1,571,295)</u>
Net proceeds for the year	642,228	242,585
Balance at beginning of the year	<u>14,701,860</u>	<u>14,459,275</u>
Balance at end of the year	<u>15,344,088</u>	<u>14,701,860</u>
	<u>Number of units</u>	
	<u>2017</u>	<u>2016</u>
Class A		
Redeemable units:		
Opening balance	398,357,140	420,146,138
Issued during the year	32,630,618	22,571,671
Redeemed during the year	<u>( 35,334,500)</u>	<u>( 44,360,669)</u>
Balance as at October 31	<u>395,653,258</u>	<u>398,357,140</u>
	<u>Number of units</u>	
	<u>2017</u>	<u>2016</u>
Class I		
Redeemable units:		
Opening balance	625,983	579,164
Issued during the year	158,279	49,880
Redeemed during the year	<u>( 8,096)</u>	<u>( 3,061)</u>
Balance as at October 31	<u>776,166</u>	<u>625,983</u>

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.

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*10. Financial risk management (continued)

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.

<u>Company's rating</u>	<u>External rating: Standard &amp; Poor's equivalent</u>
Excellent	AAA to AA+
Very Good	AA to A+
Good	A to A-
Acceptable	BBB+ to BB+
Higher Risk	BB to B-

**(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.

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*10. Financial risk management (continued)

Financial instrument risks (continued):

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

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

## (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 repricing 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 Funds interest rate gap based on the earlier of contractual repricing and maturity dates.

	2017						Total
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	
Cash	231,365	-	-	-	-	-	231,365
Financial assets at fair value through profit or loss	-	197,020	146,929	1,344,017	9,195,280	-	10,883,246
Financial assets at amortised cost	-	683,819	362,607	1,528,312	1,675,191	-	4,249,929
Due from Scotia Asset Management (Jamaica) Limited	-	-	-	-	-	16,413	16,413
<b>Total assets</b>	<b>231,365</b>	<b>880,839</b>	<b>509,536</b>	<b>2,872,329</b>	<b>10,870,471</b>	<b>16,413</b>	<b>15,380,953</b>
Other payables	-	-	-	-	-	36,865	36,865
Capital account	-	-	-	-	-	15,344,088	15,344,088
Total liabilities and capital account	-	-	-	-	-	15,380,953	15,380,953
<b>Total interest rate sensitivity gap</b>	<b>231,365</b>	<b>880,839</b>	<b>509,536</b>	<b>2,872,329</b>	<b>10,870,471</b>	<b>(15,364,540)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>231,365</b>	<b>1,112,204</b>	<b>1,621,740</b>	<b>4,494,069</b>	<b>15,364,540</b>	<b>-</b>	<b>-</b>
	2016						Total
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	
Total assets	102,021	6,629,588	4,563,474	1,096,004	2,342,771	3,309	14,737,167
Total liabilities and capital account	-	-	-	-	-	14,737,167	14,737,167
<b>Total interest rate sensitivity gap</b>	<b>102,021</b>	<b>6,629,588</b>	<b>4,563,474</b>	<b>1,096,004</b>	<b>2,342,771</b>	<b>(14,733,858)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>102,021</b>	<b>6,731,609</b>	<b>11,295,083</b>	<b>12,391,087</b>	<b>14,733,858</b>	<b>-</b>	<b>-</b>

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*10. Financial risk management (continued)

Financial instrument risks (continued):

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

## (i) Interest rate risk (continued):

The average interest rates of financial instruments are as follows:

	2017					
	<u>Immediately rate sensitive</u>	<u>Within 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Average</u>
	%	%	%	%	%	%
Cash	1.60	-	-	-	-	1.60
Financial assets at fair value through profit or loss	-	1.50	4.99	7.77	7.47	5.43
Financial assets at amortised cost	<u>-</u>	<u>6.18</u>	<u>8.77</u>	<u>7.59</u>	<u>8.38</u>	<u>7.73</u>
	2016					
	<u>Immediately rate sensitive</u>	<u>Within 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Average</u>
	%	%	%	%	%	%
Cash	2.38	-	-	-	-	2.38
Financial assets at fair value through profit or loss	-	6.19	6.54	5.85	8.26	6.71
Financial assets at amortised cost	<u>-</u>	<u>6.83</u>	<u>7.90</u>	<u>6.39</u>	<u>9.02</u>	<u>7.73</u>

Cash flows sensitivity analysis for variable rate instruments:

An increase of 100 (2016:100) basis points in interest rates at the reporting date would have increased the capital account and the profit by \$ 73,420 (2016: \$70,034). A decrease of 100 (2016: 100) basis points in interest rates at the reporting date would have decreased the capital account and profit by \$73,420 (2016: \$70,034).

Fair value sensitivity analysis

A change of +100 and -100 (2016: +100 and -100) basis points in interest rates for Jamaica and +100 and -50 (2016: +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 2016.

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*10. Financial risk management (continued)**(b) Market risk (continued)**

## (i) Interest rate risk (continued)

Fair value sensitivity analysis (continued)

Change in basis points

	<u>2017</u> Effect on capital and profit	<u>2016</u> Effect on capital and profit
USD interest rates +100bps/100	( 2,492)	( 90,672)
-50bps/50	153,300	48,671
JMD interest rates +100bps/100	(227,871)	( 58,376)
-100bps/100	<u>254,906</u>	<u>61,223</u>

## (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 exposure to this risk relating to net foreign currency assets amounted to J\$3,201,817 (2016: J\$2,687,786 ).

	<u>JM\$</u>	<u>2017</u> <u>US\$</u>	<u>Total</u>
Financial assets			
Cash	194,317	37,048	231,365
Investments	11,968,406	3,164,769	15,133,175
Due from Scotia Asset Management (Jamaica) Limited	<u>16,413</u>	<u>-</u>	<u>16,413</u>
Total financial assets	12,179,136	3,201,817	15,380,953
Financial liability			
Other payables	<u>( 36,865)</u>	<u>-</u>	<u>( 36,865)</u>
Capital account	<u>12,142,271</u>	<u>3,201,817</u>	<u>15,344,088</u>

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*10. Financial risk management (continued)**(b) Market risk (continued)**

## (ii) Foreign currency risk (continued):

	2016		Total
	JM\$	US\$	
Financial assets			
Cash	30,242	71,779	102,021
Investments	12,015,830	2,616,007	14,631,837
Due from Scotia Asset Management (Jamaica) Limited	3,309	-	3,309
Total financial assets	12,049,381	2,687,786	14,737,167
Financial liability			
Other payables	( 35,307)	-	( 35,307)
Capital account	12,014,074	2,687,786	14,701,860

**Sensitivity analysis**

The following exchange rate was applied during the year:

	Average rate for the year		Reporting date spot rate	
	2017	2016	2017	2016
USD\$1	128.7271	123.6068	126.6851	128.7033

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	
	2017	2016
US\$ increase by 6% (2016: 6%)	192,109	161,267
US\$ decrease by 2% (2016: 1%)	( 64,036)	( 26,878)

**(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;

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*10. Financial risk management (continued)**(c) Liquidity risk (continued)**

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

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*11. Fair value of financial instruments (continued)

- 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.

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:

- 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;
- 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
- 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.

	2017				
	<b>Carrying amount</b>			<b>Fair value</b>	
	Loans and receivables	At fair value through profit or loss	Total	Level 2	Total
<b>Financial assets measured at fair value:</b>					
Financial assets at fair value through profit or loss	<u>-</u>	<u>10,883,246</u>	<u>10,883,246</u>	<u>10,883,246</u>	<u>10,883,246</u>
<b>Financial assets not measured at fair value:</b>					
Financial assets at amortised cost	<u>4,249,929</u>	<u>-</u>	<u>4,249,929</u>	<u>4,012,356</u>	<u>4,012,356</u>

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017****(expressed in thousands of Jamaican dollars unless otherwise stated)**11. Fair value of financial instruments (continued)

Accounting classifications and fair values (continued):

	2016			Fair value	
	Carrying amount		Total	Level 2	Total
	Loans and receivables	At fair value through profit or loss			
<b>Financial assets measured at fair value:</b>					
Financial assets at fair value through profit or loss	<u>-</u>	<u>11,148,645</u>	<u>11,148,645</u>	<u>11,148,645</u>	<u>11,148,645</u>
<b>Financial assets not measured at fair value:</b>					
Financial assets at amortised cost	<u>3,483,192</u>	<u>-</u>	<u>3,483,192</u>	<u>3,508,318</u>	<u>3,508,318</u>

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

12. Units prices/yield

- (a) The yield of the Fund for the year ended October 31, 2017 was 5.42% (2016: 4.89%).

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

- (b) The price per unit as at October 31, 2017 was:

Class A  
Buying/selling - \$38.51 (2016: \$36.71)Class I  
Buying/selling - \$136.79 (2016: \$128.10)

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

	<u>2017</u>	<u>2016</u>
Proceeds from sale of new units	1,249,438	809,400
Less: amount paid over to trustee	(1,249,438)	( 809,400)
	<u>Nil</u>	<u>Nil</u>
Encashment of units by clients	(1,326,791)	(1,571,295)
Payment by trustee	<u>1,326,791</u>	<u>1,571,295</u>
	<u>Nil</u>	<u>Nil</u>

**SCOTIA PREMIUM FIXED INCOME FUND****Notes to the Financial Statements (Continued)****October 31, 2017***(expressed in thousands of Jamaican dollars unless otherwise stated)*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 and its subsidiary (previously, 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 company under common control with the Fund Manager.

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

	<u>2017</u>	<u>2016</u>
Due from Scotia Asset Management (Jamaica) Limited	16,413	3,309
Fund Manager and company under common control with the Fund Manager:		
Cash – The Bank of Nova Scotia Jamaica Limited	231,365	102,021
Resale agreements (note 7) – Scotia Investments Jamaica Limited	-	324,700
Other payables:		
Scotia Investments Jamaica Limited	( 22,514)	-
Scotia Asset Management (Jamaica) Limited	<u>-</u>	<u>( 21,595)</u>

- (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:

	<u>2017</u>	<u>2016</u>
Interest income – Scotia Investments Jamaica Limited	( 10,260)	( 13,780)
Management fees:		
Scotia Asset Management (Jamaica) Limited	20,897	252,252
Scotia Investments Jamaica Limited	<u>238,037</u>	<u>-</u>

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

	<u>2017</u>	<u>2016</u>
Scotia Asset Management (Jamaica) Limited	-	181,476
Scotia Investments Jamaica Limited	179,599	1,281
Key management personnel of Fund Manager and parent of Fund Manager	<u>1,234</u>	<u>198</u>