SCOTIA PREMIUM FIXED INCOME FUND

FINANCIAL STATEMENTS

OCTOBER 31, 2018

KPMG
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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 27, 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 FIXED INCOME FUND

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

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 FIXED INCOME 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 FIXED INCOME 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		953,687	1,016,019
Financial assets at amortised cost		65,784	20,770
Net gains/(losses) on financial assets at fair value through profit or loss		1,126,549	(88,037)
Foreign exchange gains		14,577	51,433
Total revenue		2,160,597	1,000,185
Expenses			
Management fees	14(d)	300,563	258,934
Other	4	25,505	21,670
Total expenses		326,068	280,604
Profit for the year, being increase in net assets attributable to holders of redeemable units		1,834,529	719,581

SCOTIA PREMIUM FIXED INCOME FUND

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

	Notes	2018	2017
ASSETS			
Cash	5	238,883	231,365
Financial assets at fair value through profit or loss	6	12,636,877	10,883,246
Financial assets at amortised cost	7	6,376,757	4,249,929
Due from Fund Manager	8	32,439	16,413
Total assets		19,284,956	15,380,953
LIABILITY			
Other payables, being total liability		53,546	36,865
Net assets attributable to holders of redeemable units	9	19,231,410	15,344,088

The financial statements on pages 4 to 27 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

SCOTIA PREMIUM FIXED INCOME 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		15,344,088	14,701,860
Profit for the year, being increase in net assets attributable to holders of redeemable units		1,834,529	719,581
		17,178,617	15,421,441
Contributions and redemptions by holders of redeemable units:			
Issue of redeemable units during the year	9	3,783,061	1,249,438
Redemption of units during the year	9	(1,730,268)	(1,326,791)
Contributions and redemptions by holders of redeemable units, net		2,052,793	(77,353)
Balance at October 31		19,231,410	15,344,088

SCOTIA PREMIUM FIXED INCOME 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		1,834,529	719,581
Adjustments for:			
Revaluation (gains)/losses on financial assets at fair value through profit or loss		(1,126,549)	88,037
Interest income		(1,019,471)	(1,036,789)
		(311,491)	(229,171)
Changes in operating assets and liabilities			
Financial assets at fair value through profit or loss		(632,384)	156,782
Financial assets at amortised cost		(2,127,447)	(741,208)
Due from Fund Manager		(16,026)	(13,104)
Other payables		16,681	1,558
Proceeds from new units available for investment	9,13	3,783,061	1,249,438
Payments for units encashed	9,13	(1,730,268)	(1,326,791)
		(1,017,874)	(902,496)
Interest received		1,025,392	1,031,840
Net cash provided by operating activities, being net increase in cash		7,518	129,344
Cash at beginning of the year		231,365	102,021
Cash at end of the year		238,883	231,365

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

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 Jamaican Companies Act ("the Act").

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 has determined that none of them had a significant effect on the amounts or disclosures in the 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 standards, amendments to existing standards and interpretations have been published but were not yet effective and the Fund has not early-adopted them:

(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.

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.

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.

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.

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):

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

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.

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 unit as at November 1, 2018.

- The Fund 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.

On implementation of IFRS 9, assets previously measured at amortised cost are expected to be measured at fair value through profit or loss. This is estimated to result in an increase of approximately $44,254 in the opening balance of the Fund's net assets attributable to the holders of redeemable units arising primarily from remeasuring the assets at fair value.

(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.

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 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.

(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.

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(i) Recognition and initial measurement (continued)

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 Fund Manager, 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.

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.

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(iv) Fair value measurement (continued)

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.

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.

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(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.

- 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.

SCOTIA PREMIUM FIXED INCOME 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)

(f) Resale agreements (continued)

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 equity.

3. Critical accounting estimates and judgements in applying accounting policies

The Fund Manager makes estimates and assumptions that affect the reported amounts of, and disclosures relating to assets, liabilities, income and expenses reported in these financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the absence of quoted market prices, the fair value of certain debt securities was determined using a generally accepted alternative method. The method includes the use of yield on securities with similar risks and tenure at the reporting date. There is however, no single accepted market yield, and therefore the resultant fair value estimates may not reflect the prices at which these instruments would trade in actual arm's length transactions.

4. Other expenses

	2018	2017
Auditors' remuneration	1,619	1,619
Transfer agent fees	13,845	10,175
Trustee fees	9,709	8,403
Other	332	1,473
	25,505	21,670

5. Cash

This represents current account and call deposit balances at bank.

SCOTIA PREMIUM FIXED INCOME FUND

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

6. Financial assets at fair value through profit or loss

	2018	2017
Government and Bank of Jamaica Securities:		
FR Benchmark Investment Notes	5,941,572	3,675,820
VR Benchmark Investment Notes	4,378,405	5,224,288
6.75% US Global Bond 2028	558,712	591,134
7.625% US Global Bond 2025	479,616	504,028
8.5% US Global Bond 2036	407,088	120,958
4.854% Bermuda Unsecured Note 2024	157,865	73,781
2.6% US Indexed Bond 2020	126,892	-
4.5% Trinidad & Tobago SR Unsecured Bond 2026	124,695	135,234
Treasury bills 2018	119,361	-
4.0% CPI Indexed Note 2025	92,269	88,398
4.375% Trinidad & Tobago Unsecured Bond 2024	69,249	32,345
4.625% Aruba Unsecured Note 2023	18,826	19,700
7.875% US Global Bond 2045	10,891	-
4.65% Bank of Jamaica USD Certificate of Deposit 2024	4,826	4,814
11.625% US Global Bond 2022	2,345	2,455
1.5% USD FR Indexed Note 2018	-	197,004
4.75% Bank of Jamaica USD Certificate of Deposit 2018	-	63,720
	12,492,612	10,733,679
Accrued interest	144,265	149,567
	12,636,877	10,883,246

7. Financial assets at amortised cost

	2018	2017
9.38% National Road Operating & Construction Bond 2024	551,206	476,534
9.0% Panjam Investment Limited Tranche B Bond 2025	421,000	421,000
4.5% Global Bank Corp SR Unsecured Note 2021	394,476	302,883
4.572% Pan Jamaica Investment Trust Secured Note 2022	355,000	355,000
Unicomer Fixed Rate/Variable Rate 2018	304,500	-
6.25% JMMB Group Limited 2020	300,000	-
6.0% NCB Financial Group Limited Bond 2021	256,125	257,824
NCB Capital Market JMD Fixed VR 2022	208,428	-
6.45% NCBFG FR Tranche A 2023	200,000	-
9.5% Musson Jamaica Limited 2019	200,000	-
5.75% NCB Capital Markets Limited 2019	200,000	-
5.25% Trinidad General Unlimited SR Unsecured Note 2027	185,011	181,190
5.25% Panjam Investments Limited 2019	175,000	-
7.15% NCB Capital Markets Limited 2023	103,943	-
5.50% NCB Capital Markets Limited 2019	100,000	-
8.50% Gulfstream USD Indexed 2024	93,485	-
University of the West Indies Secured VR Note 2019	82,759	165,517
CPJ Fixed and Floating Note 2023	75,000	-
7.50% Grace Kennedy Fixed Rate 2018	61,800	-
5.575% T. Geddes Grant Note 2019	56,000	56,000
Jamaica Producers Group Fixed and Floating Bond 2024	48,720	52,657
8.25% Seprod Limited 2022	40,000	-
7.125% Mystic Mountain 2025	25,500	-
Balance carried forward to page 17	4,437,953	2,268,605

SCOTIA PREMIUM FIXED INCOME FUND

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

7. Financial assets at amortised cost

	2018	2017
Balance brought forward from page 16	4,437,953	2,268,605
8.125% Air Jamaica Limited Note 2027	364	422
9.55% Jamaica Broilers Group Limited Short-Term Note	-	500,000
Unicomer (Jamaica) Limited 7 Year VR 2019	-	220,500
NCB Capital Markets Limited Bond 2017	-	200,000
9.5% Musson Jamaica Limited Note 2018	-	200,000
First Caribbean Int'l Bank Ltd (FCIB) Note 2018	-	155,000
Seprod Limited VR Unsecured Note 2017	-	80,000
10.25% CACAO JEP Ltd Secured Regs Note 2019		74,638
GraceKennedy FR 9 Year Note 2017	-	61,800
Petro Co. Trin/Tobago Limited SR Bond 2019	-	45,107
Sagicor Real Estate X Fund Tranche "A" note 2016	-	38,006
Unicomer (Jamaica) Limited 7 year VR Note 2021	-	34,850
3.75% Sagicor Real Estate Fund Note 2017	-	10,000
Resale agreements (J$)	1,858,506	280,448
	6,296,823	4,169,376
Accrued interest	79,934	80,553
	6,376,757	4,249,929

The fair value of underlying securities used to collateralize resale agreements is $1,941,218 (2017: $307,010).

8. Due from Fund Manager

This represents the balance due from Scotia Asset Management (Jamaica) Limited (previously, the Fund Manager) and Scotia Investments Jamaica Limited (current 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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

9. Redeemable units (continued)

	2018	2017
Profit for the year (page 4)	1,834,529	719,581
Proceeds from new units available for investment	3,783,061	1,249,438
Total inflows	5,617,590	1,969,019
Units encashed and repaid during the year	(1,730,268)	(1,326,791)
Net proceeds for the year	3,887,322	642,228
Balance at beginning of the year	15,344,088	14,701,860
Balance at end of the year	19,231,410	15,344,088

	Number of units	
	2018	2017
Class A		
Redeemable units:		
Opening balance	395,653,258	398,357,140
Issued during the year	91,596,050	32,630,618
Redeemed during the year	(42,422,355)	(35,334,500)
Balance as at October 31	444,826,953	395,653,258

	Number of units	
	2018	2017
Class I		
Redeemable units:		
Opening balance	776,166	625,983
Issued during the year	258,636	158,279
Redeemed during the year	(8,844)	(8,096)
Balance as at October 31	1,025,958	776,166

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.

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.

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-

(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.

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10. Financial risk management (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 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 Funds 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	238,883	-	-	-	-	-	238,883
Financial assets at fair value through profit or loss	-	119,361	890,809	1,852,428	9,774,279	-	12,636,877
Financial assets at amortised cost	-	1,925,338	766,369	2,007,526	1,677,524	-	6,376,757
Due from Fund Manager	-	-	-	-	-	32,439	32,439
Total assets	238,883	2,044,699	1,657,178	3,859,954	11,451,803	32,439	19,284,956
Other payables	-	-	-	-	-	53,546	53,546
Capital account	-	-	-	-	-	19,231,410	19,231,410
Total liabilities and capital account	-	-	-	-	-	19,284,956	19,284,956
Total interest rate sensitivity gap	**238,883**	**2,044,699**	**1,657,178**	**3,859,954**	**11,451,803**	**(19,252,517)**	**-**
Cumulative gap	**238,883**	**2,283,582**	**3,940,760**	**7,800,714**	**19,252,517**	**-**	**-**

	2017						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	231,365	880,839	509,536	2,872,329	10,870,471	16,413	15,380,953
Total liabilities and capital account	-	-	-	-	-	15,380,953	15,380,953
Total interest rate sensitivity gap	**231,365**	**880,839**	**509,536**	**2,872,329**	**10,870,471**	**(15,364,540)**	**-**
Cumulative gap	**231,365**	**1,112,204**	**1,621,740**	**4,494,069**	**15,364,540**	**-**	**-**

(expressed in thousands of Jamaican dollars unless otherwise stated)

10. Financial risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued):

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	-	-	1.94	5.41	6.83	4.73
Financial assets at amortised cost	-	2.57	6.07	6.36	7.15	5.54

	2017					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
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	-	6.18	8.77	7.59	8.38	7.73

Cash flows 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 profit by $60,965 (2017: $73,420). A decrease of 100 (2017: 100) basis points in interest rates at the reporting date would have decreased the capital account and profit by $60,965 (2017: $73,420).

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.

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Notes to the Financial Statements (Continued)
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10. Financial risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued):

Fair value sensitivity analysis (continued)

Change in basis points

		2018 Effect on capital and profit	2017 Effect on capital and profit
USD interest rates	+100bps/100bps	(121,929)	(2,492)
	-100bps/50bps	134,064	153,300
JMD interest rates	+100bps/100bps	(617,560)	(227,871)
	-100bps/100bps	687,531	254,906

(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$3,723,517 (2017: J$3,201,817).

	2018		
	JM$	US$	Total
Financial assets			
Cash	126,858	112,025	238,883
Investments	15,402,142	3,611,492	19,013,634
Due from Fund Manager	32,439	-	32,439
Total financial assets	15,561,439	3,723,517	19,284,956
Financial liability			
Other payables	(53,546)	-	(53,546)
Capital account	15,507,893	3,723,517	19,231,410

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10. Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign currency risk (continued):

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

Sensitivity analysis

The following exchange rate was applied during the year:

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

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%)	148,941	192,109
US$ decrease by 2% (2017: 2%)	(74,470)	(64,036)

(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)

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 maximise returns to all investors and manage liquidity risk arising from redemptions.

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

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

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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:

(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**	
	Loans and receivables	At fair value through profit or loss	Total	Level 2	Total
Financial assets measured at fair value:					
Financial assets at fair value through profit or loss	-	12,492,612	12,492,612	12,492,612	12,492,612
Financial assets not measured at fair value:					
Financial assets at amortised cost	6,296,823	-	6,296,823	6,341,077	6,341,077

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11. Fair value of financial instruments (continued)

Accounting classifications and fair values (continued):

	2017				
	Carrying amount			**Fair value**	
	Loans and receivables	At fair value through profit or loss	Total	Level 2	Total
Financial assets measured at fair value:					
Financial assets at fair value through profit or loss	-	10,733,679	10,733,679	10,733,679	10,733,679
Financial assets not measured at fair value:					
Financial assets at amortised cost	4,169,376	-	4,169,376	3,931,803	3,931,803

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, 2018 was 3.50% (2017: 5.42%).

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, 2018 was:

Class A
Buying/selling - $42.88 (2017: $38.51)

Class I
Buying/selling - $154.97 (2017: $136.79)

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 from sale of new units	3,783,061	1,249,438
Less: amount paid over to trustee	(3,783,061)	(1,249,438)
	Nil	Nil
Encashment of units by clients	(1,730,268)	(1,326,791)
Payment by trustee	1,730,268	1,326,791
	Nil	Nil

(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 companies 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:

	2018	2017
Due from Fund Manager	32,439	16,413
Fund Manager and companies under common control with the Fund Manager:		
Cash – The Bank of Nova Scotia Jamaica Limited	238,883	231,365
Other payables:		
Scotia Investments Jamaica Limited	(28,362)	(22,514)

(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
Interest income – Scotia Investments Jamaica Limited	(3,067)	(10,260)
Management fees:		
Scotia Asset Management (Jamaica) Limited	-	20,897
Scotia Investments Jamaica Limited	300,563	238,037

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

	2018	2017
Scotia Investments Jamaica Limited	199,966	179,599
Key management personnel of Fund Manager	1,497	1,234