SCOTIA PREMIUM US DOLLAR INDEXED FUND

FINANCIAL STATEMENTS

OCTOBER 31, 2019

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 US DOLLAR INDEXED FUND

Opinion

We have audited the financial statements of Scotia Premium US Dollar Indexed Fund ("the Fund"), set out on pages 4 to 33, which comprise the statement of financial position as at October 31, 2019, 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, 2019, 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 US DOLLAR INDEXED 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Trustees of
SCOTIA PREMIUM US DOLLAR INDEXED FUND

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

- 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

January 27, 2020

SCOTIA PREMIUM US DOLLAR INDEXED FUND

Statement of Profit or Loss and Other Comprehensive Income
Year ended October 31, 2019
(expressed in thousands of Jamaica dollars unless otherwise stated)

	Notes	2019	2018
Revenue			
Interest income calculated using the effective interest method:			
Financial assets at fair value through profit or loss (FVTPL)		114,027	123,766
Financial assets at amortised cost		13,255	5,234
Foreign exchange gains		33,748	16,847
Unrealised revaluation gains/(losses) on financial assets at FVTPL		278,797	(62,181)
Realised revaluation (losses)/gains on financial assets at FVTPL		(5,505)	4,409
Total revenue		434,322	88,075
Expenses			
Management fees	14(d)	38,628	37,220
Other	5	14,580	15,370
Total operating expenses		53,208	52,590
Profit for the year, being increase in net assets attributable to holders of redeemable units		381,114	35,485

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

SCOTIA PREMIUM US DOLLAR INDEXED FUND

Statement of Financial Position
October 31, 2019
(expressed in thousands of Jamaica dollars unless otherwise stated)

	Notes	2019	2018
ASSETS			
Cash	6	33,683	69,796
Financial assets at fair value through profit or loss	7(a)	2,560,403	1,315,472
Financial assets at amortised cost	7(b)	260,110	1,175,872
Due from Fund Manager	8	5,158	2,282
Total assets		2,859,354	2,563,422
LIABILITY			
Other payables, being total liability		9,617	6,713
Net assets attributable to holders of redeemable units	9	2,849,737	2,556,709

The financial statements on pages 4 to 33 were approved for issue by the Board of Scotia Investments Jamaica Limited on January 27, 2020 and signed on its behalf by:

________________________ Director
Adrian Stokes

________________________ Director
Barbara Alexander

SCOTIA PREMIUM US DOLLAR INDEXED FUND

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
Year ended October 31, 2019
(expressed in thousands of Jamaica dollars unless otherwise stated)

	Notes	2019	2018
Balance at November 1		2,556,709	2,664,086
Profit for the year, being increase in net assets attributable to holders of redeemable units		381,114	35,485
		2,937,823	2,699,571
Contributions and redemptions by holders of redeemable units:			
Issue of redeemable units during the year	9	115,686	197,593
Reinvestments	9	46,785	38,491
Redemption of units during the year	9	(190,822)	(323,071)
Distributions	9	(59,735)	(55,875)
Contributions and redemptions by holders of redeemable units, net		(88,086)	(142,862)
Balance at October 31		2,849,737	2,556,709

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

SCOTIA PREMIUM US DOLLAR INDEXED FUND

Statement of Cash Flows
Year ended October 31, 2019
(expressed in thousands of Jamaica dollars unless otherwise stated)

	Notes	2019	2018
Cash flows from operating activities			
Increase in net assets attributable to holders of redeemable units		381,114	35,485
Adjustments for:			
Unrealised revaluation (gains)/losses on financial assets at fair value through profit or loss (FVTPL)		(278,797)	62,181
Interest income		(127,282)	(129,000)
		(24,965)	(31,334)
Changes in operating assets and liabilities			
Financial assets at FVTPL		(890,828)	451,530
Financial assets at amortised cost		898,495	(408,192)
Due from Fund Manager		(2,876)	1,876
Other payables		2,904	1,274
Proceeds from new units available for investments	9,13	115,686	197,593
Payments for units encashed	9,13	(190,822)	(323,071)
Proceeds from income reinvested	9	46,785	38,491
Income distribution	9	(59,735)	(55,875)
		(105,356)	(127,708)
Interest received		69,243	131,757
Net cash provided by operating activities, being net increase in cash		(36,113)	4,049
Cash at beginning of the year		69,796	65,747
Cash at end of the year		33,683	69,796

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

SCOTIA PREMIUM US DOLLAR INDEXED FUND

Notes to the Financial Statements
Year ended October 31, 2019
(expressed in thousands of Jamaica dollars unless otherwise stated)

1. The Scotia Premium US Dollar Indexed Fund

The Scotia Premium US Dollar Indexed Fund ("the 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, ("Fund Manager"). The Trustee is JCSD Trustee Services Limited. Both the Fund Manager and the Trustee are incorporated and domiciled in Jamaica. The registered office of the Fund is located at 7 Holborn Road, Kingston 10.

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

The Fund is a United States Dollar indexed fixed income portfolio denominated in Jamaica Dollars. The investment objective of this portfolio is to maximize total Jamaica Dollar return to unit holders by primarily investing in a diversified mix of United States Dollar denominated fixed income instruments. The Fund commenced operations on January 15, 2016.

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

2. Changes in significant accounting policies

The Fund applied IFRS 9 and IFRS 15 from 1 November 2018. A number of other new standards are also effective from 1 November 2018, but they do not have a material effect on the Fund's financial statements.

IFRS 9 *Financial Instruments*

The effect of initially applying this standard is mainly attributed to the following:

- reclassification of fair value measurement of certain investment securities;
- additional disclosures related to IFRS 9 [see notes 3(e) and 10(a)].

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement. IFRS 9* brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As permitted by the transitional provisions of IFRS 9, the Fund elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening net assets attributable to holders of redeemable units of the current period.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held; and
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss (FVTPL).

As a result of the adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require separate presentation in the statement of profit or loss and other comprehensive income (OCI) of interest revenue calculated using the effective interest method.

Additionally, the Fund has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019, but have not been applied to the comparative information.

SCOTIA PREMIUM US DOLLAR INDEXED FUND

Notes to the Financial Statements (Continued)
Year ended October 31, 2019
(expressed in thousands of Jamaica dollars unless otherwise stated)

2. Changes in significant accounting policies (continued)

IFRS 9 *Financial Instruments* (continued)

Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 3(e).

(a) There was no impact on the opening net assets attributable to holders of redeemable units on transition to IFRS 9.

(b) Classification and measurement of financial instruments

IFRS 9 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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities as IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following table explains the original measurement categories under IAS 39 and the new measurement categories and amounts under IFRS 9 for each class of the Fund's financial assets as at 1 November 2018.

	The Fund				
	Original Classification under under IAS 39	**New classification under IFRS 9**	**IAS 39 carrying amount 31 October 2018**	**reclassification adjustment**	**IFRS 9 carrying amount at 1 Nov 2018**
Financial assets					
Cash	Loans and receivable	Amortised cost	69,796	-	69,796
Financial assets at fair value through profit or loss	Designated at FVTPL	Mandatory at FVTPL	1,315,472	885,574	2,201,046
Financial assets at amortised cost	Loans and receivable	Amortised cost	1,175,872	(885,574)	290,298
Due from Fund Manager	Loans and receivable	Amortised cost	2,282	-	2,282
Total financial assets			**2,563,422**	**-**	**2,563,422**

(c) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Transition

The Fund has determined that application of IFRS 9's impairment requirements at 1 November 2018 results in no additional allowance for impairment.

SCOTIA PREMIUM US DOLLAR INDEXED FUND

Notes to the Financial Statements (Continued)
Year ended October 31, 2019
(expressed in thousands of Jamaica dollars unless otherwise stated)

2. Changes in significant accounting policies (continued)

IFRS 15 *Revenue from Contracts with Customers*

The Fund is required to adopt IFRS 15 *Revenue from Contracts with Customers* from 1 November 2018. The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

The standard introduces a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

Management has assessed that IFRS 15 had no impact on the timing and recognition of income.

3. Summary of significant accounting policies

(a) Statement of compliance and basis of preparation

(i) Statement of compliance

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

New and revised 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) Amendments to IFRS 9 *Financial Instruments,* effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

Prepayment features with negative compensation

Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if the prepayment amount substantially represents unpaid principal and interest and reasonable compensation. Reasonable compensation may be positive or negative. Prior to this amendment, financial assets with this negative compensation feature would have failed the solely payments of principal and interest test and be mandatorily measured at fair value through profit or loss.

3. Summary of significant accounting policies (continued)

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

(i) Statement of compliance (continued)

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

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

Modifications to financial liabilities

If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has not been substantially modified. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The Fund is assessing the impact that these amendments will have on its 2020 financial statements.

(ii) Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

- New ‘bundle of rights’ approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
- A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
- A new control-based approach to de-recognition will allow an entity to derecognize an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

The Fund is assessing the impact that the amendments will have on its 2021 financial statements.

(iii) Amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies*, *Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides a definition of ‘material’ to guide preparers of financial statements in making judgements about information to be included in financial statements.

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The Fund does not expect the amendment to have a significant impact on its financial statements.

SCOTIA PREMIUM US DOLLAR INDEXED FUND

Notes to the Financial Statements (Continued)
Year ended October 31, 2019
(expressed in thousands of Jamaica dollars unless otherwise stated)

3. 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 judgments

The preparation of financial statements in conformity with IFRS requires the use of certain assumptions and critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(iv) Functional and presentation currency

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

(b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Jamaica Dollars at the exchange rates prevailing at the reporting date, being the mid-point between 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 Jamaica Dollars at the exchange rate at the date that fair value is calculated.

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

(c) Interest

Policy applicable from 1 November 2018

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

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

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

3. Summary of significant accounting policies (continued)

(c) Interest (continued)

Policy applicable from 1 November 2018 (continued)

The 'amortised cost' of a financial asset or liability is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 November 2018).

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

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

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

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

Policy applicable before 1 November 2018

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 mandatory at fair value through profit or loss

Net gain from financial instruments manadatory 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.

3. 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 and measurement

Policy applicable from 1 November 2018

Assessment whether contractual cash flow are solely payment of principal and interest (SPPI)

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

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

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

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

Business model assessment

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

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

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

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

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

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

SCOTIA PREMIUM US DOLLAR INDEXED FUND

Notes to the Financial Statements (Continued)
Year ended October 31, 2019
(expressed in thousands of Jamaica dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(ii) Classification and measurement (continued)

Policy applicable from 1 November 2018 (continued)

Business model assessment (continued)

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

The Fund has determined that it has two business models.

- *Held-to-collect business model*: this includes cash, receivables and resale agreements. These financial assets are held to collect contractual cash flow.
- *Other business model*: this includes debt securities and certificates of deposit. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Assessment whether contractual cash flows are SPPI

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

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

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

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Fund were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

3. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(ii) Classification and measurement (continued)

Reclassifications (continued)

Policy applicable before 1 November 2018

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) 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.

3. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(iv) Derecognition (continued)

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

(v) 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.

(vi) Fair value measurement

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Fund Manager determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

3. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(vi) Fair value measurement (continued)

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

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

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

(vii) Identification and measurement of impairment

Policy applicable from 1 November 2018

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

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

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

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

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

3. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Policy applicable from 1 November 2018 (continued)

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

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

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

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

Presentation of allowance for ECLs in the statement of financial position

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

SCOTIA PREMIUM US DOLLAR INDEXED FUND

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3. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Policy applicable from 1 November 2018 (continued)

Write-off

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Policy applicable before 1 November 2018

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

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower or advance by the Fund on terms that the Fund would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

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

- 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.

3. Summary of significant accounting policies (continued)

(f) Resale agreements

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

Reverse repos are accounted for as short-term collateralised lending and are measured at amortised cost. The difference between the purchase and resale price is recognised as interest over the life of the agreements using the effective interest method.

(g) Accounts receivable

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

(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.

4. 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.

Policy applicable from 1 November 2018

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of default and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in notes 3(e)(vii) and 10(a), which also sets out key sensitivities of the ECL to changes in these elements.

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Notes to the Financial Statements (Continued)
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4. Critical accounting estimates and judgements in applying accounting policies (continued)

Policy applicable from 1 November 2018 (continued)

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

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

5. Other expenses

	2019	2018
Auditors' remuneration	1,484	1,200
Transfer agent fees	2,940	3,319
Trustee fees	1,547	1,495
Administration and accounting fees	8,533	9,298
Other	76	58
	14,580	15,370

6. Cash

This represents current account and call deposit balances at bank.

7. Investments

(a) Financial assets at fair value through profit or loss

	2019	2018
Government and Bank of Jamaica Securities:		
7.625% US Global Bond 2025	554,729	492,723
6.750% US Global Bond 2028	400,588	394,719
4.625% Aruba SR Unsecured USD Bond 2023	164,282	145,264
5.200% Republic of Panama SR USD Unsecured 2020	119,144	-
9.250% US Global Bond 2025	56,755	-
5.750% Commonwealth of Bahamas SR USD Unsecured Bond 2024	50,713	45,476
4.650% USD Certificate of Deposit 2024	19,878	18,162
8.500% US Global Bond 2036	6,903	-
11.625% US Global Bond 2022	669	625
4.375% Trinidad & Tobago USD Unsecured Bond 2024	-	125,660
4.500% Trinidad & Tobago SR USD Unsecured Bond 2026	-	59,041
5.000% Bank of Jamaica USD Certificate of Deposit 2019	-	10,336
6.550% Aruba SR USD Unsecured Bond 2018	-	8,342
	1,373,661	1,300,348
Accrued interest	17,938	15,124
	1,391,599	1,315,472

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7. Investments (continued)

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

	2019	2018
Corporate Bonds:		
9.380% NTL Road Operation & Construction USD Secured Regs 2024	505,580	-
6.000% NCB Financial Group Limited USD Bond 2021	226,425	-
3.625% Macy's Retail Holding USD Bond 2024	160,895	-
4.000% JN Bank USD Term Deposit	63,781	-
5.000% NCBCM 7/2020	40,200	-
4.500% Global Bank Corporation USD Note 2021	28,563	-
8.500% Gulfstream USD Indexed bond 2024	25,811	-
5.150% JMMB USD Index 2020	20,003	-
5.950% Sagicor 2020	15,000	-
5.00% NCBCM 5/2020	10,054	-
	1,096,312	-
Accrued interest	72,492	-
	1,168,804	-
Total	2,560,403	1,315,472

(b) Financial assets at amortised cost

	2019	2018
9.380% NTL Road Operation & Construction USD Secured Regs 2024	-	461,919
6.000% NCB Financial Group Limited USD Bond 2021	-	199,649
5.750% Aeropuerta Internacional de Tocumen SR USD Secured 2023	-	65,473
5.125% Global Bank Corporation SR USD Unsecured Note 2019	-	44,708
5.500% NCB Capital Markets 2019	-	40,000
4.500% Global Bank Corporation USD Note 2021	-	25,805
8.500% Gulfstream USD Indexed bond 2024	-	23,051
5.500% Cacoa JEP Senior USD Secured Bond 2019	-	4,338
Resale agreements	256,746	290,298
	256,746	1,155,241
Accrued interest	3,364	20,631
	260,110	1,175,872

The fair value of underlying securities used to collateralize resale agreements is $339,103 (2018: $303,511).

8. Due from Fund Manager

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

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Notes to the Financial Statements (Continued)
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9. Redeemable units

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

The objective of the Fund is to maximize total Jamaica Dollar return to unit holders by primarily investing in a diversified mix of United States Dollar denominated fixed income instruments. The fund invests in a wide range of securities, including US dollar denominated Government of Jamaica (GOJ) local and externally issued bonds, Bank of Jamaica (BOJ) securities, corporate bonds and Non-Jamaican sovereign bonds.

	2019	2018
Profit for the year (page 4)	381,114	35,485
Proceeds from new units available for investment	115,686	197,593
Proceeds from reinvestments	46,785	38,491
Total inflows	543,585	271,569
Units distributions during the year	(59,735)	(55,875)
Units encashed and repaid during the year	(190,822)	(323,071)
Net proceeds for the year	293,028	(107,377)
Balance at beginning of the year	2,556,709	2,664,086
Balance at end of the year	2,849,737	2,556,709

	Number of units	
	2019	2018
Redeemable units:		
Opening balance	23,502,054	24,309,650
Issued during the year	1,417,648	2,137,783
Redeemed during the year	(1,667,003)	(2,945,379)
Balance as at October 31	23,252,699	23,502,054

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-

Credit quality analysis

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

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

10. Financial risk management (continued)

(a) Credit risk (continued)

(i) Credit risk measurement (continued)

Investment securities and resale agreements

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

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

At October 31, 2019, the Fund invested in Government of Jamaica securities with a credit grade of B+ based on Standard and Poor's ratings, and local corporate bonds with a credit grade of CARIBBB and higher based on CARICRIS ratings.

Cash

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

Impairment

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

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

On initial application of IFRS 9 as at November 1, 2018, the Fund recognised an impairment allowance of $Nil on cash, receivables and resale agreements. The amount of loss allowance did not change during the year.

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

(i) Interest rate risk:

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

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

	2019						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash	33,683	-	-	-	-	-	33,683
Financial assets at fair value through profit or loss	-	169,053	150,061	684,973	1,556,316	-	2,560,403
Financial assets at amortised cost	-	189,818	70,292	-	-	-	260,110
Due from Fund Manager	-	-	-	-	-	5,158	5,158
Total assets	33,683	358,871	220,353	684,973	1,556,316	5,158	2,859,354
Other payables	-	-	-	-	-	9,617	9,617
Capital account	-	-	-	-	-	2,849,737	2,849,737
Total liability and capital account	-	-	-	-	-	2,859,354	2,859,354
Total interest rate sensitivity gap	33,683	358,871	220,353	684,973	1,556,316	(2,854,196)	-
Cumulative gap	33,683	392,554	612,907	1,297,880	2,854,196	-	-

	2018						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	69,796	299,018	95,588	444,454	1,652,284	2,282	2,563,422
Total liability and capital account	-	-	-	-	-	2,563,422	2,563,422
Total interest rate sensitivity gap	69,796	299,018	95,588	444,454	1,652,284	(2,561,140)	-
Cumulative gap	69,796	368,814	464,402	908,856	2,561,140	-	-

SCOTIA PREMIUM US DOLLAR INDEXED FUND

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

(b) Market risk (continued)

(i) Interest rate risk (continued):

The average interest rates of financial instruments are as follows:

	2019					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Cash	1.25	-	-	-	-	1.25
Financial assets at fair value through profit or loss	-	5.20	5.02	6.16	8.30	6.17
Financial assets at fair amortised cost	-	3.00	3.30	-	-	3.15

	2018					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Cash	1.5	-	-	-	-	1.5
Financial assets at fair value through profit or loss	-	6.55	5.00	8.13	5.61	6.32
Financial assets at fair amortised cost	-	2.30	5.31	5.44	8.94	5.50

Cash flow sensitivity analysis for variable rate instruments:

The Fund does not have any variable rate financial instruments. Therefore a change in interest rates at the reporting date would not affect the capital account and profit for the year.

Fair value sensitivity analysis:

A change of +100 and -100 (2018: +100 and -100) basis points in interest rates for 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 2018.

Change in basis points

	2019 Effect on capital and profit	2018 Effect on capital and profit
USD interest rates +100bps/100bps	(95,488)	(70,360)
-100bps/100bps	101,291	75,593
JMD interest rates +100bps/100bps	(484)	-
-100bps/100bps	490	-

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

(b) Market risk (continued)

(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 foreign currency assets, amounted to J$2,723,848 (2018: J$2,406,904).

	2019		
	JM$	US$	Total
Financial assets			
Cash	19,527	14,156	33,683
Investments	110,821	2,709,692	2,820,513
Due from Fund Manager	5,158	-	5,158
Total financial assets	135,506	2,723,848	2,859,354
Financial liability			
Other payables	(9,617)	-	(9,617)
Capital account	125,889	2,723,848	2,849,737

	2018		
	JM$	US$	Total
Financial assets			
Cash	42,241	27,555	69,796
Investments	111,995	2,379,349	2,491,344
Due from Fund Manager	2,282	-	2,282
Total financial assets	156,518	2,406,904	2,563,422
Financial liability			
Other payables	(6,713)	-	(6,713)
Capital account	149,805	2,406,904	2,556,709

The following significant exchange rates were applied during the year:

	Average rate for the period		Reporting date spot rate	
	2019	2018	2019	2018
US$1	131.8806	128.6304	138.6545	127.9971

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

(b) Market risk (continued)

(ii) Foreign currency risk (continued):

Sensitivity analysis

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

	Effect on profit or loss	
	2019	2018
US$ increase by 6% (2018: 4%)	163,431	96,276
US$ decrease by 4% (2018:2%)	(108,954)	(48,138)

(c) Liquidity risk

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

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

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

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

(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 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.

SCOTIA PREMIUM US DOLLAR INDEXED FUND

Notes to the Financial Statements (Continued)
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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.

- 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.

SCOTIA PREMIUM US DOLLAR INDEXED FUND

Notes to the Financial Statements (Continued)
Year ended October 31, 2019
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11. Fair value of financial instruments (continued)

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.

	2019				
	Carrying amount			Fair value	
	At amortised cost	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	-	2,469,973	2,469,973	2,469,973	2,469,973
Financial assets not measured at fair value:					
Financial assets at amortised cost	260,110	-	260,110	260,110	260,110

Accounting classifications and fair values:

	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	-	1,300,348	1,300,348	1,300,348	1,300,348
Financial assets not measured at fair value:					
Financial assets at amortised cost	1,155,241	-	1,155,241	1,154,924	1,154,924

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

12. Unit prices/yield

(a) The number of units at October 31, 2019 was 23,252,699 (2018:23,502,054).

(b) The yield of the fund for the year ended October 31, 2019 was 3.46% (2018: 3.72%).

(c) The price per unit as at October 31, 2019 was:

Buying/selling $122.56 (2018: $108.72)

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.

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Year ended October 31, 2019
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13. Statement of transactions

	2019	2018
Proceeds of sale	115,686	197,593
Less: amount paid over to trustee	(115,686)	(197,593)
	NIL	NIL
Encashment of units by clients	(190,822)	(323,071)
Payment by trustee	190,822	323,071
	NIL	NIL

14. Related party balances and transactions

(a) Parties are considered to be related if one party has the ability to control or exercise significant influence over, or be controlled and significantly influenced by, the other party or both parties are subject to common control or significant influence. A number of transactions are entered into with related parties, in the normal course of business. These include investment transactions.

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

(b) Identity of related parties:

The Fund has related party relationships with its Fund Manager, parent and subsidiaries 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:

	2019	2018
Due from Fund Manager	5,158	2,282
Fund Manager and companies under common control with the Fund Manager:		
Cash – The Bank of Nova Scotia Jamaica Limited	33,683	69,796
Other payables:		
Scotia Investments Jamaica Limited	(3,553)	(3,886)

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

	2019	2018
Scotia Investments Jamaica Limited	38,628	37,220

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

	2019	2018
Key management personnel of Fund Manager	946	1,762
Scotia Investments Jamaica Limited	45,360	40,585