SCOTIA INVESTMENTS TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS AS AT OCTOBER 31, 2018

Scotiabank*

Statement of Management's Responsibilities Scotia Investments Trinidad and Tobago Limited

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Scotia Investments Trinidad and Tobago Limited, which comprise the statement of financial position as at October 31, 2018, the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Brian Frazer, Managing Director

Tricia De La Rosa, Chief Financial Officer

Independent Auditors' Report to the Shareholder of Scotia Investments Trinidad and Tobago Limited

Opinion

We have audited the accompanying financial statements of Scotia Investments Trinidad and Tobago Limited (the Company) which comprise the statement of financial position as at October 31, 2018, the statements of profit or loss, other comprehensive income, changes in equity 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 present fairly, in all material respects, the financial position of the Company, as at October 31, 2018, and its financial performance and its 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 Scotia Investments Trinidad and Tobago Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 judgement 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 Company'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 Company'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 Company 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
Port of Spain
Trinidad and Tobago
November 20, 2018

STATEMENT OF PROFIT OR LOSS YEAR ENDED OCTOBER 31, 2018

	Notes	2018 $	2017 $
REVENUE			
Interest income		730,820	75,786
Commission income		6,208,840	5,552,192
Total revenue		6,939,660	5,627,978
EXPENSES			
Salaries and staff benefits		622,981	483,471
Premises and technology		209,791	230,083
Communications and marketing		426	1,405
Other Expenses	12	1,938,679	1,563,711
Loss on disposal of investment securities		-	1,505,392
Total expenses		2,771,877	3,784,062
Profit before provision for taxation		4,167,783	1,843,916
TAXATION	13	(584,847)	(157,337)
PROFIT FOR THE YEAR		3,582,936	1,686,579

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME YEAR ENDED OCTOBER 31, 2018

	2018 $	2017 $
PROFIT FOR THE YEAR	3,582,936	1,686,579
OTHER COMPREHENSIVE INCOME		
Items that are or may be reclassified subsequently to profit or loss		
Revaluation of available-for-sale investment securities	48,142	-
Revaluation loss on available-for-sale investment securities reclassified to profit or loss on disposal	-	1,505,392
TOTAL COMPREHENSIVE INCOME	3,631,078	3,191,971

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY YEAR ENDED OCTOBER 31, 2018

	Stated Capital $	Statutory Reserve $	Investment Revaluation Reserve $	Retained Earnings $	Total Equity $
Balance as at November 1, 2016	30,000,000	468,520	(1,505,392)	5,505,540	34,468,668
Profit for the year	-	-	-	1,686,579	1,686,579
Other comprehensive income:					
Revaluation loss on available-for-sale investment securities reclassified to profit or loss on disposal	-	-	1,505,392	-	1,505,392
Total comprehensive income	-	-	1,505,392	1,686,579	3,191,971
Transactions with equity owners of SITTL:					
Transfer to statutory reserve	-	170,000	-	(170,000)	-
Balance as at October 31, 2017	**30,000,000**	**638,520**	**-**	**7,022,119**	**37,660,639**
Balance as at November 1, 2017	30,000,000	638,520	-	7,022,119	37,660,639
Profit for the year	-	-	-	3,582,936	3,582,936
Other comprehensive income:					
Revaluation of available-for-sale investment securities	-	-	48,142	-	48,142
Total comprehensive income	-	-	48,142	3,582,936	3,631,078
Transactions with equity owners of SITTL:					
Transfer to statutory reserve	-	360,480	-	(360,480)	-
Balance as at October 31, 2018	**30,000,000**	**999,000**	**48,142**	**10,244,575**	**41,291,717**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION OCTOBER 31, 2018

	Notes	2018 $	2017 $
ASSETS			
CASH AND CASH EQUIVALENTS		11,339,829	37,049,890
INVESTMENT SECURITIES	7	29,970,946	-
OTHER ASSETS			
Taxation recoverable		275,478	275,478
Other receivables	8	202,205	466,735
		477,683	742,213
DEFERRED TAX ASSET	13	12,727	538,433
Total assets		41,801,185	38,330,536
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and accrued liabilities		509,468	669,897
EQUITY			
Stated capital	9	30,000,000	30,000,000
Statutory reserve fund	10	999,000	638,520
Investment revaluation reserve		48,142	-
Retained earnings		10,244,575	7,022,119
		41,291,717	37,660,639
Total liabilities and equity		41,801,185	38,330,536

The accompanying notes are an integral part of these financial statements.

These financial statements have been approved for issue by the Board of Directors on November 20, 2018 and signed on its behalf:

Steve Ragobar, Director

Alan Fitzwilliam, Director

STATEMENT OF CASH FLOWS YEAR ENDED OCTOBER 31, 2018

	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before provision for taxation	4,167,783	1,843,916
Adjustments for:		
- Loss on disposal of investment securities	-	1,505,392
Changes in:		
- Other receivables	264,530	781,520
- Accounts payable and accrued liabilities	(160,429)	(510,479)
Taxation paid	(59,141)	(51,367)
Net cash from operating activities	4,212,743	3,568,982
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investment securities	-	5,494,608
Purchase of investment securities	(29,922,804)	-
Net cash from investing activities	(29,922,804)	5,494,608
Net (decrease) increase in cash and cash equivalents	(25,710,061)	9,063,590
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	37,049,890	27,986,300
CASH AND CASH EQUIVALENTS, END OF YEAR	11,339,829	37,049,890
CASH AND CASH EQUIVALENTS REPRESENTED BY:		
Demand deposit	11,339,829	7,249,890
Time deposit with original maturity date not exceeding 3 months	-	29,800,000
	11,339,829	37,049,890

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2018

1. Incorporation and Business Activities

Scotia Investments Trinidad and Tobago Limited (SITTL) was incorporated in the Republic of Trinidad and Tobago, on August 23, 2007. On May 27, 2015 SITTL became a wholly owned subsidiary of Scotiabank Trinidad and Tobago Limited (Scotiabank). SITTL is licensed under the Financial Institutions Act, 2008 (FIA). SITTL's principal activity is the provision of asset management services. The address of its registered office is 56-58 Richmond Street, Port of Spain.

SITTL's ultimate parent company is The Bank of Nova Scotia, which is incorporated and domiciled in Canada.

2. Basis of Accounting

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

3. Basis of measurement

These financial statements are prepared on the historical cost basis modified for the inclusion of available-for-sale investments at fair value.

4. Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in Trinidad and Tobago dollars which is SITTL's functional and presentation currency.

5. Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below.

(a) Revenue recognition

(i) Investment securities
Interest income is accounted for on the accrual basis for all investments using the effective interest method.

The "effective interest rate" is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability and is not revised subsequently. When calculating the effective interest rate, SITTL estimates the future cash flows considering all contractual terms of the financial instrument, but not the future credit losses.

(ii) Fees and commissions
Fees and commissions are recognised in income as the related services are performed.

(b) Foreign currency
Transactions in foreign currencies are translated at the rate of exchange ruling at the transaction date. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the reporting date. Resulting translation differences and profits and losses from trading activities are included in profit or loss.

(c) Financial assets and financial liabilities
Financial instruments carried on the statement of financial position include cash and cash equivalents, investment securities, other receivables and accounts payable. The standard treatment for recognition, derecognition, classification and measurement of SITTL's financial instruments is noted below in notes (i) – (iv), whilst, additional information on specific categories of SITTL's financial instruments is discussed in Notes 5(d) - 5(e):

(i) Recognition
SITTL initially recognises financial assets and financial liabilities (including assets and liabilities designated at fair value through profit or loss (FVTPL)) on the trade date, which is the date on which SITTL becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification
SITTL classifies its financial assets into the following categories: financial assets at FVTPL; loans and receivables; held-to-maturity; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

<u>Financial assets at fair value through profit or loss</u>
This category includes financial assets held for trading or financial assets designated at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or is so designated by management.

<u>Loans and receivables</u>
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when SITTL provides money or services directly to a debtor with no intention of trading the receivable.

<u>Held-to-maturity</u>
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that SITTL's management has the positive intention and ability to hold to maturity. Were SITTL to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and re-classified as available-for-sale and would prevent SITTL from classifying investment securities as held-to-maturity for the current and the following two financial years. However, the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in interest rates would not have a significant effect on the financial asset's fair value.
- Sales or reclassifications that occur after SITTL has collected substantially all of the original principal.
- Sales or reclassifications that are attributable to non-recurring isolated events beyond SITTL's control that could not have been reasonably anticipated.

<u>Available-for-sale</u>
Available-for-sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

<u>Financial liabilities</u>
SITTL classifies its financial liabilities as measured at amortised cost.

(iii) Derecognition
SITTL derecognises a financial asset when the contractual rights to the cash flows from the financial 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 SITTL is recognised as a separate asset or liability.

SITTL derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Measurement
Subsequent to initial recognition all financial assets at fair value through profit or loss and available-for-sale assets are measured at fair value, based on their quoted market price at the reporting date without any deduction for transaction costs. 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 SITTL has access at that date.

Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis. 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.

Any available-for-sale asset that does not have a quoted market price in an active market and where fair value cannot be reliably measured, is stated at cost, including transaction costs, less impairment losses.

Gains and losses arising from the change in the fair value of available-for-sale investments subsequent to initial recognition are accounted for as changes in the investment revaluation reserve and recognised in other comprehensive income (OCI).

Gains and losses, both realised and unrealised, arising from the change in the financial assets at fair value through profit or loss are recognised in profit or loss.

Subsequent to initial recognition all non-trading financial liabilities are measured at amortised cost, loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses.

(v) Amortised cost measurement
Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(vi) Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position only when SITTL has a legally enforceable right to set off the amounts and it intends to either settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(vii) Designation at fair value through profit or loss
Management designates financial assets and financial liabilities at fair value through profit or loss when the assets or liabilities are managed and reported internally on a fair value basis, or the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(d) Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, deposits with banks and related companies and short-term highly liquid investments with maturities of three months or less when purchased, including treasury bills and other bills eligible for rediscounting with the Central Bank of Trinidad and Tobago.

Cash and cash equivalents are carried at amortised cost in the statement of financial position. The carrying value approximates the fair value due to its highly liquid nature and the fact that it is readily converted to known amounts of cash in hand and is subject to insignificant risk of change in value.

(e) Investment securities
Debt investments that SITTL has the intent and ability to hold to maturity are classified as held-to-maturity assets. All other investments are classified as available-for-sale.

On disposal or on maturity of an investment, the difference between the net proceeds and the carrying amount is included in profit or loss. When available-for-sale assets are sold, converted or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to profit or loss.

(f) Impairment
At each reporting date, SITTL assesses whether there is objective evidence that financial assets not carried at FVTPL are impaired. 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 of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:
- Significant financial difficulties of the borrower or issuer
- Indications that the borrower or issuer will go into bankruptcy.

Impairment losses are recognised in profit or loss and are reflected in an allowance amount against receivables. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease then the decrease in the impairment loss is reversed through profit or loss.

(g) Taxation
Income tax expense comprises current tax and the change in deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the higher of tax rate enacted by the reporting date and business levy, green fund levy and any adjustment of tax payable for previous years.

Deferred tax is recognised on all temporary differences arising between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable income (loss). Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in the tax rate is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

In determining the amount of current and deferred tax, Scotiabank considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes Scotiabank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact income tax expense in the period in which such a determination is made.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be used.

(h) Pension plan
SITTL's parent company, Scotiabank, has, for all eligible staff, accounted for the effects of adopting International Accounting Standard (IAS) 19 (Revised 2007) – Employee Benefits. As such no financial effect of IAS 19 is included in these financial statements.

(i) Assets under administration
Assets that are not beneficially owned by SITTL but are under its administration have been excluded from these financial statements. Assets under administration as at October 31, 2018 totalled $17,760,724 (2017: $28,258,876).

(j) Assets under management
Assets that are not beneficially owned by SITTL but are under its management have been excluded from these financial statements. Assets under management as at October 31, 2018 totalled $2,481,989,562 (2017: $2,316,572,223).

(k) 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. SITTL has assessed them and has adopted those which are relevant to its financial statements:

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.
- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
    - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
    - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
    - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
    - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
    - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The adoption of these amendments did not result in any change to the presentation and disclosures in SITTL's financial statements.

(l) New standards, amendments and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2018. SITTL has not early-adopted any of them and therefore they have not been applied in preparing these financial statements. The new standards and amendments listed below are those that are most likely to have an impact on SITTL's performance, financial position or disclosures.

IFRS 9, *Financial Instruments*

- IFRS 9, Financial Instruments, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. The standard covers three broad topics: Classification and Measurement, Impairment and Hedging.

  The standard requires SITTL to consider two criteria when determining the measurement basis for debt instruments (e.g. securities) held as financial assets; i) its business model for managing those financial assets and ii) the cash flow characteristics of the assets. Based on these criteria, debt instruments are measured at amortized cost, fair value through OCI, or fair value through profit or loss.

  Equity instruments are measured at fair value through profit or loss. However, SITTL may, at initial recognition of a non-trading equity instrument, irrevocably elect to designate the instrument as fair value through OCI, with no subsequent recycling to profit and loss, while recognizing dividend income in profit and loss. This designation is also available to non-trading equity instrument holdings on date of transition.

In addition, SITTL may, at initial recognition, irrevocably elect to designate a financial asset as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

The standard introduces a new single model for the measurement of impairment losses on all financial assets including loans and debt securities measured at amortized cost or at fair value through OCI. The IFRS 9 expected credit loss (ECL) model replaces the current "incurred loss" model of IAS 39.

The ECL model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded.

Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

IFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. SITTL is not currently a party to any hedge contracts.

SITTL estimates the IFRS 9 transition amount will have an immaterial impact on shareholders' equity.

IFRS 15, *Revenue From Contracts With Customers*

- IFRS 15, *Revenue From Contracts With Customers*, effective for annual reporting periods beginning on or after January 1, 2018, replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards and provides a single principle based framework to be applied to all contracts with customers that are in scope of the standard. Under the new standard revenue is recognised when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. The standard introduces a new five step model to recognise revenue as performance obligations in a contract are satisfied.

SIITL will adopt the standard as of November 1, 2018 and plans to use the modified retrospective approach. Under this approach, SITIL will recognise the cumulative effect of initially applying the standard as an adjustment to the opening balances of retained earnings as of November 1, 2018, without restating comparative periods. SIITL currently recognises revenue similar to the requirements under IFRS 15 and therefore does not expect the application of IFRS 15 to result in a material difference in the value and timing of revenue recognition.

IFRS 16, *Leases*

- IFRS 16, Leases, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

SITTL is assessing the impact that this amendment will have on its 2020 financial statements.

6. Use of Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from these estimates.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(a) *Determining fair values with significant unobservable input*

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 5(c)(iv). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, on uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(b) *Identification and measurement of impairment*

At each reporting date, SITTL assesses whether there is objective evidence that financial assets not carried at fair value are impaired.

	2018 $	2017 $
7. Investment Securities		
Available-for-sale		
- Debt securities	29,970,946	-

	2018 $	2017 $
8. Other Receivables		
Accrued interest	2,205	6,735
Asset management fees	200,000	460,000
	202,205	466,735

9. Stated Capital

	2018 $	2017 $
Authorised		
Authorised capital consists of an unlimited number of ordinary shares		
Issued and fully paid		
3 (2017: 3) Ordinary shares of no par value	30,000,000	30,000,000

10. Statutory Reserve Fund

In accordance with the Financial Institutions Act, 2008, SITTL is required to transfer at the end of each financial year no less than ten percent of its net income after taxation to a Statutory Reserve Fund until the amount standing to the credit of the Statutory Reserve Fund is not less than its paid-up capital.

	2018 $	2017 $
The movement in the statutory reserve fund is as follows:		
Balance, beginning of year	638,520	468,520
Amount transferred	360,480	170,000
Balance, end of year	999,000	638,520

11. Related Party Balances and Transactions

A party is related to SITTL if:

(a) The party is a subsidiary or an associate of SITTL;

(b) The party is, directly or indirectly, either under common control or subject to significant influence with SITTL, or has significant influence over or joint control of SITTL.

(c) The party is a close family member of a person who is part of key management personnel or who controls SITTL;

(d) The party is controlled or significantly influenced by a member of key management personnel or by a person who controls SITTL;

(e) The party is a joint venture in which SITTL is a venture partner;

(f) The party is a member of SITTL's key management personnel;

(g) The party is a post-employment benefit plan for SITTL's employees.

(h) The party, or any member of a group of which it is a part, provides key management personnel services to SITTL.

A number of transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions.

Related party transactions include but are not limited to the following:

- Data processing and information technology support
- Technical and management services
- Operations support
- Transaction processing support
- Assets under administration
- Assets under management

	2018 $	2017 $
Outstanding Balances		
Cash and cash equivalents, investments and other assets		
Bank of Nova Scotia and its related entities	11,339,829	37,049,890
Total interest and other income		
Bank of Nova Scotia and its related entities	6,219,632	5,627,298
Total expenses		
Directors	93,600	80,000
Bank of Nova Scotia and its related entities	1,555,369	1,228,896
	1,648,969	1,308,896

	2018 $	2017 $
12. Other Expenses		
Management charges	1,555,369	1,228,896
Professional fees	246,899	206,880
Supervisory fees	100,000	100,000
Miscellaneous expenses	36,411	27,935
	1,938,679	1,563,711

13. Taxation

13.1 ***Provision for taxation***

	2018 $	2017 $
Deferred tax		
Origination and reversal of temporary differences	525,706	456,886
Changes in estimates related to prior years	-	(350,916)
	525,706	105,970
Current tax		
Green Fund levy	20,712	16,123
Business levy	38,429	35,244
Total provision for taxation	584,847	157,337

13.2 ***Reconciliation of provision for taxation***

The following is a reconciliation of the application of the effective tax rate with the provision for taxation:

	2018 $	2017 $
Profit before taxation	4,167,783	1,843,916
Computed tax using applicable tax rate	1,250,335	503,139
Tax effect of non-taxable income	(724,629)	(46,253)
Changes in estimates related to prior years	-	(350,916)
Green Fund levy	20,712	16,123
Business levy	38,429	35,244
Tax provision	584,847	157,337

13.3 ***Deferred taxation***

The net deferred tax asset is attributable to unutilised tax losses.

The movement in the deferred tax asset comprises:

Balance, beginning of year	(538,433)	(644,403)
Amounts recognised in profit and loss	525,706	105,970
Balance, end of year	(12,727)	(538,433)

14. Financial Risk Management

SITTL has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

This note presents information about SITTL's exposure to each of the above risk, SITTL's objectives, policies and processes for measuring and managing risk, and SITTL's management of capital.

Risk management framework

SITTL utilises the risk management framework used by Scotiabank Trinidad and Tobago Limited which is as follows:

The Board of Directors has overall responsibility for the establishment and oversight of SITTL's risk management framework. The Scotiabank Group has established the Group Asset Liability Committee (ALCO), Credit and Operational Risk committees, which are responsible for developing and monitoring SITTL's risk management policies in their specified areas.

SITTL's risk management policies are established to identify and analyse the risks faced by SITTL, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. Scotiabank, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Scotiabank Group Audit Committee is responsible for monitoring compliance with SITTL's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by SITTL. The Scotiabank Audit Committee is assisted in these functions by the Internal Audit function. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

14.1 **Credit risk**

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to SITTL. Credit risk is created in SITTL's investment activities where counterparties have repayment, or other obligations to SITTL.

Credit risk is managed through strategies, policies, and limits that are approved by the Board of Directors, which routinely reviews the quality of the major portfolios and all the larger credits.

SITTL's credit policies and limits are structured to ensure broad diversification across various types of credits. Limits are set for individual borrowers, particular industries and certain types of lending. These various limits are determined by taking into account the relative risk of the borrower or industry.

SITTL's credit processes include:

- A centralised credit review system that is independent of the customer relationship function.
- Senior management which considers all major risk exposures; and
- An independent review by the Internal Audit Department.
- Furthermore, SITTL's management conducts a full financial review for each investment at least annually, so that they remain fully aware of investments' risk profiles.

SITTL's maximum exposure to credit risk is detailed below:

	2018 $	2017 $
Cash resources	11,339,829	37,049,890
Investment securities (excluding equities)		
- available-for-sale	29,970,946	-
	41,310,775	37,049,890

14.2 **Market risk**

Market risk refers to the risk of loss resulting from changes in market prices such as interest rates, foreign exchange market prices and other price risks.

The Scotiabank Group Asset Liability Committee (ALCO) provides senior management oversight of the various activities that expose SITTL to market risk. This includes, asset liability management, while also approving limits for funding and investment activities, and reviewing SITTL's interest rate strategies and performance against established limits.

14.3.1 ***Currency risk***

SITTL has no significant foreign exchange exposure since assets are funded by liabilities in the same currency. Foreign currency transactions have not required the use of interest rate swaps, foreign currency options and other derivative instruments which all carry inherent risks.

Concentration of Assets and Liabilities

SITTL has the following currency positions:

	2018 TT $	2018 US $	2018 Total $
Assets			
Cash resources	11,312,676	27,153	11,339,829
Investment securities	29,970,946	-	29,970,946
Other receivables	202,205	-	202,205
Total assets	41,485,827	27,153	41,512,980
Liabilities			
Accounts payable and accrued liabilities	482,315	27,153	509,468
Net balance sheet position	41,003,512	-	41,003,512

	2017 TT $	2017 US $	2017 Total $
Assets			
Cash resources	37,022,759	27,131	37,049,890
Other receivables	466,735	-	466,735
Total assets	37,489,494	27,131	37,516,625
Liabilities			
Accounts payable and accrued liabilities	642,766	27,131	669,897
Net balance sheet position	36,846,728	-	36,846,728

14.3.2 ***Interest rate risk***

There is no significant interest rate risk exposure to SITTL.

14.3.3 ***Liquidity rate risk***

There is no significant liquidity risk exposure to SITTL.

14.4 **Capital management**

SITTL's capital management policies seek to achieve several objectives:

- SITTL's compliance with stock exchange rules as set by the Trinidad and Tobago Stock Exchange (TTSE);
- Ensure SITTL's ability to continue as a going concern;
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by SITTL's management. SITTL employs techniques in accordance with the Rules and Regulations of the Trinidad and Tobago Stock Exchange (TTSE) which includes maintaining at all times a minimum net worth of one million dollars or such other amount as the TTSE may from time to time prescribe.

SITTL's regulatory capital consists of the sum of the following elements:

- *Tier 1 capital*. Tier 1 capital comprises shareholder equity and retained earnings and is a measure of SITTL's financial position. Deductions such as losses incurred in the current year of operations, whether audited or unaudited and whether or not publicly disclosed are made from Tier 1.
- *Tier 2 capital*. Tier 2 capital comprises revaluation reserves created by the revaluation of investments.

The following table summarises the net worth as at October 31. SITTL complied with all the externally imposed capital requirements to which it is subject.

	2018 $	2017 $
Tier 1 capital		
Share capital	30,000,000	30,000,000
Statutory reserve fund	999,000	638,520
Retained earnings	10,244,575	7,022,119
Total qualifying Tier 1 capital	41,243,575	37,660,639
Tier 2 capital		
Investment revaluation reserve	48,142	-
Total qualifying Tier 2 capital	41,291,717	37,660,639
Risk weighted assets:		
On balance sheet	2,759,000	8,691,000
Total risk weighted assets	2,759,000	8,691,000
Total regulatory capital to risk weighted assets	1,496.62%	433.33%
Minimum regulatory capital	8%	8%

14.5 **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with SITTL's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of SITTL's operations.

SITTL's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to SITTL's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Scotiabank Operational Risk Committee. This responsibility is supported by the development of overall Scotiabank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Periodic assessment of operational risks, the adequacy of controls and procedures to address the risks identified
- Reporting of operational losses and proposed remedial action.
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

Compliance with the Scotiabank standards is supported by a programme of periodic review undertaken by Scotiabank's Internal Audit. The results of Internal Audit reviews are discussed with management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of SITTL.

15. Fair Value of Financial Assets and Liabilities

The fair value of financial instruments are based on the valuation methods and assumptions set out in the significant accounting policies Note 5(c).

(a) Valuation models

SITTL measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2 – Valuation techniques based on observable inputs 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 active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique included inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

There were no transfers between levels during the year.

(b) Financial instruments not measured at fair value

The table below is an analysis of financial instruments that are **not** presented on SITTL's statement of financial position at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised:

2018	Level 1 $	Level 2 $	Level 3 $	Total Fair Value $	Total Carrying Value $
Assets					
Cash resources	-	11,339,829	-	11,339,829	11,339,829
Liabilities					
Accounts payable and accrued liabilities	-	509,468	-	509,468	509,468

2017	Level 1 $	Level 2 $	Level 3 $	Total Fair Value $	Total Carrying Value $
Assets					
Cash resources	-	37,049,890	-	37,049,890	37,049,890
Liabilities					
Accounts payable and accrued liabilities	-	669,897	-	669,897	669,897

Due to the judgement used in applying a wide range of acceptable valuation techniques and estimations in the calculation of fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based upon market conditions at a specific point in time and may not be reflective of future fair values.

The fair values of these financial assets and financial liabilities have been determined to approximate their carrying value on the following basis:

(a) Cash resources

These amounts are short-term in nature and are taken to be equivalent to fair value. (Note 5 (d))

(b) Accounts payable and accrued liabilities

These amounts are short term in nature and are taken to be equivalent to fair value.

(c) Financial instruments measured at fair value – Fair value hierarchy

The table below is an analysis of financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised:

2018	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Investment securities	-	29,973,151	-	29,973,151
	-	29,973,151	-	29,973,151

16. Events After The Reporting Date

There are no events occurring after the reporting date and before the date of approval of the financial statements by the Board of Directors that require adjustments to or disclosure in these financial statements.