Statement of Management’s Responsibilities

Scotia Investments Trinidad and Tobago Limited (the Company) is responsible for the following:

• Preparing and fairly presenting 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;

• Ensuring that the Company keeps proper accounting records;

• Selecting appropriate accounting policies and applying them in a consistent manner 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.

These charged with governance are responsible for 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. Material 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 scepticism 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, intimidation, or other means to alter the financial statements that may not be detected.

Brian Fraser, Managing Director
Thcia De La Rosa, Chief Financial Officer

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, and notes, comprising significant accounting policies and other explanatory information.

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 has no other significant financial institutions other than the Central Bank of Trinidad and Tobago. The administration 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 measurement
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
These financial statements are prepared on the historical cost basis modified for the inclusion of available-for-sale investments at fair value.

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.

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

(b) Foreign currency
Transactions in foreign currencies are translated at the exchange rate 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 on transactions 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 (ii) - (iv), whilst, additional information on specific categories of SITTL’s financial instruments is discussed in Notes 5(b) - 5(e).

(i) Recognition
SITTL initially recognizes 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 instruments 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.

Financial assets at fair value through profit or loss
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 so is designated by management.

Loans and receivables
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 asset.

Held-to-maturity
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 either a significant amount of held-to-maturity assets, the entire category would be derecognized and reclassified as available-for-sale and would prevent SITTL from classifying investment securities as held for maturity for 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 fair value of the asset.
- Sales or reclassifications that occur after SITTL has collected substantially all of the original principal.
- Reclassifications that are attributable to non-recurring isolated events beyond SITTL's control that could not have been reasonably anticipated.

Available-for-sale
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.

Financial liabilities
Financial liabilities are recognized at fair value less any directly attributable transaction costs, and classified as per their contractual provisions. Based on management’s best estimates and the discount rate is related market rate at the reporting date for an instrument.

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 subsequently to date of recognition are recognized in other comprehensive income (OCI).

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

(c) Impairment
Amortised cost is calculated on the effective interest rate method. Premiums and discounts, and initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate over the instrument.

(iv) Derivatives
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 offset the asset against 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.

(v) 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 entered at fair value, or by designation.
The Scotiabank Group Audit Committee is responsible for monitoring compliance with SITTL’s risk management policies and measuring and managing risk, and SITTL’s management of capital.

Credit risk

SITTL’s credit processes include:

- Credit risk is managed through strategies, policies, and limits that are approved by the Board of Directors, which takes into account the relative risk of the borrower or industry.
- 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 takes into account the relative risk of the borrower or industry.

The movement in the deferred tax asset comprises:

- Amounts not recognized in profit and loss
- Balance, beginning of year
- Balance, end of year


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 (GALCO), 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, to monitor and adherence to limits. Risk management policies and systems are reviewed regularly by the Board of Directors, the Scotiabank Asset and Liability Committee and the GRC Committee.

SITTL’s risk management policies and practices are intended to ensure that risk management standards and procedures, as well as internal controls and procedures, are designed to both improve the accuracy and consistency of risk measurement and the reliability of risk management tools, which in all cases employees understand their roles and responsibilities.

The Scotiabank Asset and Liability Committee is responsible for reviewing the adequacy of the risk management framework in relation to the risks faced by SITTL. The Scotiabank Asset and Liability 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 counterpart to honour its financial or contractual obligations. 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.

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SITTL’s risk management framework is a comprehensive system that is independent of the customer relationship function. Senior management who considers all major exposures; and

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SITTL’s risk management framework is a comprehensive system that is independent of the customer relationship function. Senior management who considers all major exposures; and

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

2017

Bank of Nova Scotia and its related entities

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>36,000</td>
</tr>
<tr>
<td>Management charges</td>
<td>1,555,369</td>
</tr>
<tr>
<td>Professional fees</td>
<td>246,899</td>
</tr>
<tr>
<td>Supervisory fees</td>
<td>100,000</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>36,411</td>
</tr>
<tr>
<td></td>
<td>1,938,679</td>
</tr>
<tr>
<td>Total expenses</td>
<td>584,047</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>4,167,282</td>
</tr>
<tr>
<td>Computed tax using applicable tax rate</td>
<td>1,250,335</td>
</tr>
<tr>
<td>Tax effect of non-taxable income</td>
<td>(724,629)</td>
</tr>
<tr>
<td>Changes in estimates related to prior years</td>
<td>20,712</td>
</tr>
<tr>
<td>Green fund levy</td>
<td>38,429</td>
</tr>
<tr>
<td>Business levy</td>
<td></td>
</tr>
<tr>
<td>Tax provision</td>
<td>584,047</td>
</tr>
<tr>
<td>13.2 Reconciliation of provision for taxation</td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>(525,433)</td>
</tr>
<tr>
<td>Amounts recognised in profit and loss</td>
<td>525,070</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>(12,727)</td>
</tr>
</tbody>
</table>
**SCOTIA INVESTMENTS TRINIDAD AND TOBAGO LIMITED**

**FINANCIAL STATEMENTS AS AT OCTOBER 31, 2018**

**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 Capital management**
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:

<table>
<thead>
<tr>
<th>Currency</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ US Total</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Assets**
- Cash resources: 11,312,676, 27,153, 11,339,829
- Investment securities: 28,970,946, - , 28,970,946
- Other receivables: 202,209, - , 202,209

**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

**14.3.2 Interest rate risk**

There is no significant interest rate risk exposure to SITTL.

**14.3.3 Liquidity 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);
- To maintain a strong capital base to support the development of its business;
- To ensure SITTL’s ability to continue as a going concern;
- To comply with regulatory capital requirements to which it is subject.

**Capital adequacy and the use of regulatory capital are monitored daily by SITTL’s management. SITTL employs**

- Risk mitigation, including insurance where this is effective.
- Training and professional development
- Development of contingency plans
- Periodic assessment of operational risks, the adequacy of controls and procedures to address the risks identified
- 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 issues and proposed remedial action.

**SITTL’s capital management policies seek to achieve several objectives:**

- **Capital management**
- **SITTL’s regulatory capital consists of the sum of the following elements:**
  - **Tier 1 capital:**
    - Tier 1 capital comprises shareholders’ 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.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Share capital</th>
<th>Statutory reserve fund</th>
<th>Total</th>
<th>Tier 1 capital</th>
<th>Tier 2 capital</th>
<th>Total qualifying Tier 1 capital</th>
<th>Tier 2 capital</th>
<th>Total qualifying Tier 2 capital</th>
<th>Risk weighted assets:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>30,000,000</td>
<td>999,000</td>
<td>30,999,000</td>
<td>30,000,000</td>
<td>999,000</td>
<td>30,999,000</td>
<td>999,000</td>
<td>30,999,000</td>
<td>2,759,000</td>
</tr>
</tbody>
</table>

**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 issues and proposed remedial action.**
- **Development of contingency plans**
- **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 issues and proposed remedial action.**

**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(d).

- **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.

- **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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Fair Value</th>
<th>Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Liabilities</td>
<td>509,468</td>
<td>509,468</td>
<td>509,468</td>
<td>509,468</td>
<td>509,468</td>
</tr>
</tbody>
</table>

**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.