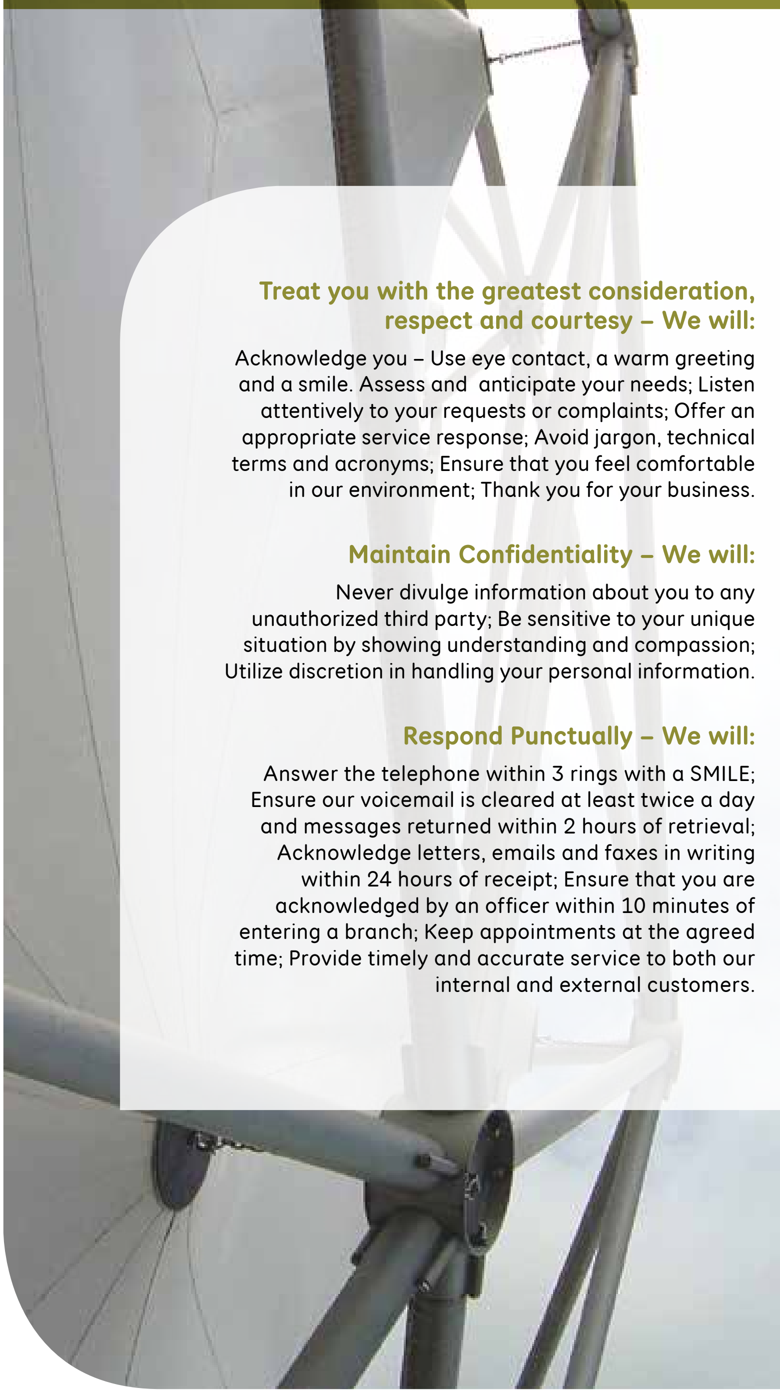
Team Strength

Scotia Investments

Annual Report 2013

Contents

Customer Creed



We commit to you, our most valued customer, that we will always:

Treat you with the greatest consideration, respect and courtesy – We will:

Acknowledge you – Use eye contact, a warm greeting and a smile. Assess and anticipate your needs; Listen attentively to your requests or complaints; Offer an appropriate service response; Avoid jargon, technical terms and acronyms; Ensure that you feel comfortable in our environment; Thank you for your business.

Maintain Confidentiality – We will:

Never divulge information about you to any unauthorized third party; Be sensitive to your unique situation by showing understanding and compassion; Utilize discretion in handling your personal information.

Respond Punctually – We will:

Answer the telephone within 3 rings with a SMILE; Ensure our voicemail is cleared at least twice a day and messages returned within 2 hours of retrieval; Acknowledge letters, emails and faxes in writing within 24 hours of receipt; Ensure that you are acknowledged by an officer within 10 minutes of entering a branch; Keep appointments at the agreed time; Provide timely and accurate service to both our internal and external customers.

Take Responsibility – We will:

Identify ourselves, our organization and department by name; Show a positive attitude and willingness to help; Ensure that when you are making telephone enquiries you do not have to interface with more than two persons; Never pass you waiting without enquiring about your need; Take responsibility for providing the appropriate solutions, escalating only if necessary; Address enquiries, requests, referrals and problems promptly and efficiently; Follow through with you to ensure that you are satisfied with the resolution or solution.

Act Professionally – We will:

Adhere to rules and regulations governing the financial industry; Observe and adhere to Scotiabank Group's code of conduct, policies and procedures; Adhere to Scotiabank Group's dress code; Demonstrate thorough knowledge of products and services; Clearly and simply communicate appropriate financial solutions and alternative courses of action; Always demonstrate sincere interest in you; Carry ourselves with dignity both on and off the job; Leave out-of-office messages if we are away from office for more than 24 hours.

Our Vision:

To be the **leading Wealth Management provider,** delivering **innovative financial solutions** and **superior customer experience** by a highly skilled and dynamic team, while achieving **profitable growth** for all our stakeholders.

Vision Statement

Our Strategic Imperatives:

Sustainable Revenue Growth:

Your company remains focused on growing non-interest revenues by continuing to develop a diverse suite of fee based products and services that offer unique client value propositions. This effort will be supported by an expansion in our proven and trusted portfolio advisory approach to client interaction.

Customer Intimacy:

Customers are at the heart of everything we do and we are striving to better understand their needs to provide them with relevant solutions, appropriate advice and exceptional service. We are on a mission to create special experiences for our clients when interacting with them to generate high levels of customer satisfaction and strengthen brand loyalty.

Operational Efficiency:

Greater utilization of technology and streamlining of processes are ongoing initiatives within your company.

High Performance Team:

Our continuing strategy is to align employee objectives and business processes with our business strategy; focus on developing, recruiting and retaining top talent; re-evaluating compensation and rewards and recognition practices; building leadership bench strength and ensuring employees enjoy a good work life balance.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Scotia Investments Jamaica Limited (the "Company") will be held on Friday, the 28th day of February 2014 at 2:00 p.m. at the Jamaica Pegasus Hotel, Kingston 5, Jamaica for the following purposes, namely:-

1. To receive the audited accounts for the twelve (12) months ended October 31, 2013. To consider and (if thought fit) pass the following resolution:

Resolution No. 1

That the audited accounts for the twelve (12) months ended October 31, 2013 and the reports of the Directors and Auditors circulated with the notice convening the meeting be adopted.

2. To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors.

Resolution No. 2

That KPMG, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.

3. To fix the remuneration of the Directors or to determine the manner in which such remuneration is to be fixed. To consider and (if thought fit) pass the following resolution:

Resolution No. 3

That the directors be and are hereby authorized to fix their remuneration for the ensuing year.

4. To approve and ratify interim dividends. To consider and (if thought fit) pass the following resolution:

Resolution No. 4

That the interim dividends paid of 45 cents on March 28, 2013, 45 cents on July 4, 2013, 45 cents on October 9, 2013 and 45 cents on January 13, 2014 be and are hereby ratified.

5. Retirement of Directors

To consider and (if thought fit) pass the following resolutions:

All Directors retire from Office pursuant to Article 100 (b) of the Articles of Incorporation of the Company: Barbara Alexander, Bruce Bowen, Anthony Chang, Angela Fowler, Jeffrey Hall, Anna Law, Lissant Mitchell, Marcel Schroder, Jacqueline Sharp and Cathy Welling.

Resolution No. 5

To approve the re-election or election of Directors recommended for appointment to the Board of Directors of the Company. To consider and (if thought fit) pass the following resolution:

(a) "That retiring Director Barbara Alexander be and is hereby re-elected a Director of the Company."

(b) "That retiring Director Bruce Bowen be and is hereby re-elected a Director of the Company."

(c) "That retiring Director Anthony Chang be and is hereby re-elected a Director of the Company."

(d) "That retiring Director Angela Fowler be and is hereby re-elected a Director of the Company."

(e) "That retiring Director Jeffrey Hall be and is hereby re-elected a Director of the Company."

(f) "That retiring Director Anna Law be and is hereby re-elected a Director of the Company."

(g) "That retiring Director Lissant Mitchell be and is hereby re-elected a Director of the Company."

(h) "That retiring Director Marcel Schroder be and is hereby re-elected a Director of the Company."

(i) "That retiring Director Jacqueline Sharp be and is hereby elected a Director of the Company."

(j) "That retiring Director Cathy Welling be and is hereby re-elected a Director of the Company."

6. Any other business for which due notice has been given.

BY ORDER OF THE BOARD

Julie Thompson-James
Secretary
December 2, 2013

REGISTERED OFFICE
7 Holborn Road
Kingston 10

A Member entitled to attend and vote at this meeting may appoint a Proxy to attend and vote in his/her stead. A Proxy need not also be a Member of the Company. Enclosed is a Proxy Form for your convenience, which must be lodged at the Company's Registered Office at least forty-eight hours before the time appointed for holding a meeting. The Proxy Form shall bear the stamp duty of $100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy.

Directors' Report

The Directors submit herewith the Statement of Consolidated Revenue, Expenses, Unappropriated Profits, Assets and Liabilities of the Company for the year ended October 31, 2013.

The Consolidated Statement of Revenue and Expenses shows pre-tax profit for the year of $2,796 million from which there has been provided $802 million for corporate income tax and deferred tax, leaving a balance of $1,994 million.

The appropriation of earnings detailed in the financial statements includes an interim dividend of 45 cents per stock unit payable to stockholders on record as at December 18, 2013 payable on January 13, 2014. This brings the total distribution for the year to $1.80 per stock unit compared with $1.74 per stock unit for the period ended October 31, 2012.

In view of the interim dividends paid, and to be paid, as mentioned above, the Directors do not recommend the declaration of a final dividend at the Annual General Meeting to be held on February 28, 2014.

Mr. Philip Martin resigned from the Board of Directors on November 22, 2013. The Board wishes to express its appreciation to Mr. Martin for his invaluable contribution to the Company and wishes him well in his future endeavors.

Mrs. Jacqueline Sharp was appointed to the Board of Directors on September 1, 2013.

The Auditors, KPMG, have signified their willingness to continue in office.

The Directors wish to thank the Management and Staff of the Company for their performance during the year under review.

On behalf of the Board

B. F. Bowen
Chairman
November 26, 2013

Statement to Shareholders

ON BEHALF OF THE BOARD OF DIRECTORS and the exceptional team at Scotia Investments Jamaica Limited (SIJL), I am pleased to share with you the financial results for the year ended October 31, 2013

Net profit for the year was $1,994.5 million, which represents an increase of 3.7% over the prior year. Earnings per share came in at $4.71 versus last year's performance of $4.54. The Balance Sheet of your company decreased to $73,747 million from $73,871 million the previous year, a decrease of 0.2%.

In keeping with its long-term strategy, your company continued to diversify its earnings away from interest income towards a more balanced composition, where it relies more on non-interest revenue for growth. Of note, your company saw a 27.2% increase in non-interest income in line with its long-term strategic objective to focus on fee and commission based revenue sources. Non-interest income now represents over 39% of the firm's revenues. These results were achieved with an increase of 21% in operating expenses, driven by staff-related costs and other expenditure as a result of inflationary expenses and the devaluation of the local currency.

The financial results achieved this year were against the backdrop of yet another extremely challenging operating and competitive environment which impacted investor confidence and the investment banking and brokerage industry.

The major event of the year was undoubtedly the signing of a new agreement in May with the International Monetary Fund (IMF) to stabilize Jamaica's balance of payments and economic program. As a precondition for a new IMF deal, the Government of Jamaica (GOJ) launched the National Debt Exchange (NDX), which affected all local holders of domestic debt. This was followed by a smaller corollary private debt exchange which impacted only the largest financial institutions. Your company participated fully in both transactions as there was no viable alternative that would have enabled a better outcome for Jamaica. The GOJ also launched a new tax package as a precondition to the IMF deal, which impacted our clients and your company with a higher cost of doing business.

Statement to Shareholders

The two debt exchanges, while placing the country on a firmer fiscal path, adversely affected the net interest revenues for the local securities dealer industry and resulted in a one-off hit to industry profitability. The new tax package also impacted the cost of doing business for the industry due to increased transaction and service related fees. In addition, the industry continued to be affected by an asset tax that came into effect in 2012, which has an ongoing impact on net profits. Finally, the industry, as part of a group of regulated firms, continued to pay the highest corporate tax rate of 33 1/3%, relative to other non-regulated corporations which pay a lower tax rate.

When all is considered, your company sees these issues as necessary preconditions for creating a more sustainable economy for the future of Jamaica, despite the short-term challenges they create for your company. Your company will endeavor to continue to make its contribution to national development, while encouraging policymakers to execute the agreed framework under the four-year agreement with the International Monetary Fund. Policymakers have taken some important first steps in this regard, and were well on their way to executing the agreed initiatives under the IMF program during the first half of the fiscal year. However, this is just the beginning and this level of consistency needs to be maintained for the duration of the program.

Despite the significant market events and challenging environment, the results this year show once again that your company has been well served by three key tenets; (1) focus on executing your company's sustainable business model, (2) the trust clients place in your company's products, services and financial strength that help to build long lasting relationships and (3) the expertise of your company's employees in delivering consistent results across all business lines both for clients and the bottom line. These three key tenets, which are part of our new brand campaign, will continue to serve your company's four business lines of Asset Management, Treasury & Securities Trading, Capital Markets and Retail Brokerage over the foreseeable future.

Your company continued to maintain its focus on executing its long-stated core strategy of diversifying its product suite to reduce its dependency on net interest revenues, given a more challenging regulatory environment for the balance sheet business. As such, at the end of October 31, 2013 your company's asset management business had 48% of the overall collective investment scheme market in Jamaica, inclusive of mutual funds and unit trusts. Overall, total funds under management, including the company's custody book, ended the year at $119.4 billion, up $16.1 billion from the previous year, despite an eventful year.

The trust clients have placed in your company's product suite during challenging times resulted in two critical milestones during the financial year. Your company's newest fund product launched at the end of the 2011 financial year, the Scotia Money Market Fund, surpassed the $5 billion funds under management milestone for the first time, up more than 260% from $1.6 billion the previous year. The success of this product in less than two years is a testament to its unique value proposition and the investing public's faith in our long track record for product innovation.

Another important milestone for this business line is the second newest fund product launched in 2009, the Scotia Caribbean Income Fund, which surpassed the US$75 million funds under management milestone. It is by far the single largest mutual fund in Jamaica. Again, this is testament to the enduring trusting relationships our sales team has been able to cultivate with your company's clients. We will continue to draw upon our network of local and international expertise to bring innovative products to market to fill specific client needs that are currently not being served.

The momentum of the Capital Markets business that was launched at the end of calendar year 2010 was another success story for your company during the year. The unit has executed approximately US$800 million in deal flow since inception and is an important contributor to your company's strategy to continue diversifying its revenue stream. The expertise of the Capital Markets team has gained it the reputation as the place for executing highly sophisticated, innovative deals to which a wide range of companies can attest. I am confident that we will continue to grow this business line as we seek to establish your company as the premier destination for capital markets solutions in the region.

The focus on the Treasury and Securities trading business was two-fold during the year: increase the thrust of the off-balance sheet securities trading business, while controlling balance sheet risks of the treasury business. Despite an eventful year and the challenging backdrop, the strength of your company's balance sheet ensured that your company maintained adequate levels of liquidity and capital adequacy ratios to meet regulatory and normal business operations. On the securities trading front, the unit increased the volume of non-domestic bond trading activity by more than 70% during the year and up more than 90% relative to the 2011/12 financial year. This is a key focus of your company to tap into the global footprint of expertise to bring the international financial markets to local clients. In addition, your company was ranked second in the value of equity transactions executed.

A contributing factor to the increase in international bond trading activity was the launch of the local Portfolio Advisory Group (PAG) which was highlighted in this report last year. During the year, the PAG placed special focus on providing increased access to fixed income tools, resources and research to aid the sales team in providing clients with the best expertise to make sound investment decisions. Overall, the Treasury and Securities trading business was able to meet the original business targets despite the challenging environment, which is a testament to the focus of the team and the supporting units that contributed to this result.

The performance of the Retail Brokerage business, which drives the other business lines, speaks squarely to the heart of your company's strategy and the trust that clients placed in our diversified product suite. In a challenging environment, your company was able to grow off-balance sheet sales by more than 30%. The effort of the sales team and non-sales units which contributed to this effort was simply stellar.

Your company also focused on executing initiatives aimed at increased efficiency and improved service delivery. During the year, your company established a Centralized Account Management unit to centralize key processes and functions. Your company has also been working on a new IT platform to create greater operational efficiencies, which will be rolled out within the next 12 to 15 months. We are continuously looking at new ways to improve the client experience and will be embarking on an end-to-end review of the client onboarding experience in the coming financial year.

Our unwavering focus on our employees continued last year, as a new compensation design was rolled out for sales and non-sales team members. Employee compensation now has a performance component that rewards employees not only when the company does well, but also when their individual performances meet certain metrics. In terms of learning and development, 18% of the employees were promoted during the year. We will continue to place great importance on having a diverse and talented group of employees, and on developing our leadership depth and capabilities.

As we look to the future, our economic environment is still characterized by heightened concerns about the direction of local macroeconomic policies and the sustained implementation of policies that are critical to building a better future for Jamaica. These concerns could continue to weigh on local investor sentiment, but we also see opportunities to grow our business lines and are well positioned to do so. As indicated last year, our strategic response to the environment maintains the same focus based on the four key pillars for long term success:

a. ***Customer Intimacy:*** *Customers are at the heart of everything we do and we are striving to better understand their needs to provide them with relevant solutions, appropriate advice and exceptional service. We are on a mission to create special experiences for our clients when interacting with them to generate high levels of customer satisfaction and strengthen brand loyalty.*

b. ***High Performance Culture:*** *Our continuing strategy is to align employee objectives and business processes with our business strategy; focus on developing, recruiting and retaining top talent; re-evaluate compensation, rewards and recognition practices; build leadership bench strength; and ensure that employees enjoy a good work life balance.*

c. ***Operational Efficiency:*** *Greater utilization of technology and streamlining of processes are ongoing initiatives within your company.*

d. ***Sustainable Profit Growth:*** *Your company remains focused on growing non-interest revenues by continuing to develop a diverse suite of fee-based products and services that offer unique client value propositions. This effort will be supported by an expansion in our proven and trusted portfolio advisory approach to client interaction.*

The quality of our business is underpinned by a well-diversified product suite complimented by deep and long-lasting relationships with our customers, and an excellent team. Your company's strategy is clear; the business model is well balanced and has proven its effectiveness during challenging times. This augurs well for the future.

Your company's strong balance sheet, commitment to efficiency, expense management and strong risk governance culture are key ingredients that will navigate us through the future. In addition, the ability to leverage the full benefits of an international network for the benefit of clients will play an important role as we execute our business strategy. The diversity, strength and expertise of your company's team at all levels will continue to be an important differentiator for us as we remain focused on executing our initiatives. Overall, maintaining an unwavering focus on building out a high-performance culture and creating the best client experience are invaluable tenets in any market condition.

As we look forward towards the new financial year, I want to recognize the continued support and guidance of the Board of Directors, all of whom have contributed to the success of your organization. Let me also extend a personal thank you to one of our former Directors Mr. Phillip Martin for the exceptional contribution and guidance he provided during his tenure.

I want to thank the entire SIJL team for an exceptional effort under difficult circumstances, for their commitment to our customers, their fellow employees and to our communities. Finally, I want to thank our valued clients for the trust placed in us and continued loyalty and support. The SIJL team will continue to work to ensure your company remains the premier financial institution where client expectations are exceeded and shareholder value is increased.

Lissant Mitchell

Chief Executive Officer

Board of Directors

Bruce Bowen (Chairman)

Mr. Bruce Bowen, former President & CEO of Scotia Group Jamaica Limited, was recently appointed to the position of Senior Vice- President, English Caribbean Region, International Banking of The Bank of Nova Scotia, effective September 1, 2013.

He began his career with Scotiabank in 1990 in the International Division. His career at Scotiabank has exposed him to various areas in banking and has taken him on assignments for Scotiabank in the Cayman Islands, Trinidad & Tobago, Jamaica and Puerto Rico.

Mr. Bowen was appointed to the Board of Scotia Group Jamaica Limited on November 27, 2008 and is a member of the Executive & Enterprise Risk and Human Resources & Pension Committees of the Board. He is a member of several Boards including The Bank of Nova Scotia Jamaica Limited, Scotiabank Trinidad & Tobago Limited, Scotiatrust and Scotia Merchant Bank Trinidad and Tobago Limited.

Mr. Bowen holds a BA Honours in Business Administration from the Wilfrid Laurier University in Waterloo, Ontario, Canada.

Jacqueline Sharp

Mrs. Jacqueline Sharp was appointed President and CEO of Scotia Group Jamaica Limited and to the Board of Directors of Scotia Investments Jamaica Limited effective September 1, 2013.

Mrs. Sharp joined Scotiabank in December 1997 and over the past 15 years has held progressively senior roles in the areas of Treasury, Finance, Private Banking and Insurance. She held the position as General Manager of Scotia Jamaica Life Insurance Company Ltd. from 2003 to 2009, and in September 2009 she was appointed Chief Financial Officer of the Group. In April 2011, Mrs. Sharp assumed additional responsibilities as Chief Administrative Officer and in April 2013 was appointed Executive Vice President, CFO and CAO.

She also serves as a member of the Boards of The Bank of Nova Scotia Jamaica Limited, Scotia Jamaica Building Society, Scotia Asset Management (Jamaica) Limited and Scotia Jamaica Microfinance Company Limited.

Mrs. Sharp holds a Bachelor of Science (BSc) degree with honours in Accounting from the University of the West Indies, she is a CFA Charter Holder and has successfully completed the Certified Public Accountant (CPA) examinations.

Lissant Mitchell

Mr. Lissant Mitchell has over 20 years experience in the local financial industry. He joined Scotia Investments in October 2007 as Senior Vice President Treasury & Capital Markets and was promoted to Chief Operating Officer in October 2010. In November 2011, he was promoted to Senior Vice President Wealth Management for the Scotiabank Group and Chief Executive Officer for Scotia Investments Jamaica Limited.

Mr. Mitchell has served as the President of the Primary Dealers Association and currently sits on the Scotiabank & Scotia Investments Asset & Liability Committees as well as the Group's Managed Funds Investment Committee. He is also a Director of Scotia Asset Management (Jamaica) Limited, Scotia Caribbean Income Fund, and the Jamaica Stock Exchange.

Mr. Mitchell holds an MBA from the University of Manchester, and a BSc in Accounting and Economics from the University of the West Indies.

Marcel Schroder

Mr. Marcel Schroder joined Scotiabank's International Banking Division in 1998 and has served in several areas of the Company including Marketing, Sales and Service, Sales Technology, Private Banking & Trust and International Wealth Management. He currently leads the International Asset Management department within Global Wealth Management with responsibilities for product design, product development and the Mutual Fund Business Units. He was appointed to the Board of Directors of Scotia Investments Jamaica Limited on May 22, 2012.

Mr. Schroder has over 27 years of experience in the financial sector and has worked at other leading Canadian banks and trust companies prior to joining Scotiabank. He obtained his Bachelor of Arts degree with a major in Economics from the University of Western Ontario, he holds a Certificate in Financial Planning from the Canadian Institute of Financial Planning and is a member of the Trust Companies Institute specializing in the areas of Mutual Funds, Financial Services and Mortgage Services.

Jeffrey Hall

Mr. Jeffrey Hall was appointed to the Board of Directors of Scotia Investments Jamaica Limited on August 28, 2012. He is the Chief Executive Officer of Jamaica Producers Group Limited and has worked with that Company since 2002.

Mr. Hall is a member of the Board of Directors of Scotia Group Jamaica Limited and The Bank of Nova Scotia Jamaica Limited since November 26, 2007. He is also a Director of Jamaica Producers Group Limited, Kingston Wharves Limited, Junior Achievement, Blue Power Group Limited, the Agro Investment Corporation, the Institute of Jamaica and Jamaica Promotions Corporation (JAMPRO). He has practiced as an Attorney-at-Law and has served as a Director of the Jamaica Stock Exchange and the Bank of Jamaica.

Mr. Hall is a graduate of Harvard Law School, Harvard University and Washington University. He holds a Bachelor's degree in Economics from the Washington University and a Masters in Public Policy from Harvard University.

Barbara Alexander

Ms. Barbara Ann Alexander is the Managing Partner in the law firm Myers, Fletcher and Gordon. Ms. Alexander's practice areas have been in banking and finance, international and local hotel development, real estate and commercial law.

Ms. Alexander is a Member of the Board of Directors of The Bank of Nova Scotia Jamaica Limited, Scotia Group Jamaica Limited, Scotia Jamaica Building Society and Scotia Asset Management (Jamaica) Limited, of which she is the Chairperson. She is also the Chairperson of the Human Resources and Pension Committee of the Company.

Ms. Alexander is a graduate of the University of the West Indies, a member of the Board of Governors of CVSS/ United Way of Jamaica and a Director of the Arts Foundation of the Edna Manley College.

Angela Fowler

Mrs. Angela Fowler was appointed to the Board of Directors on July 25, 2007. Mrs. Fowler is an Attorney-at-Law practicing in the areas of commercial law, estate and corporate tax planning, pensions and employee benefit schemes.

She is currently the Deputy Chairperson of the Jessie Ripoll Primary School Board, and is a former member of the University Hospital Board of Management and the Independent Schools' Committee of the Ministry of Education.

Mrs. Fowler is a graduate of the University of the West Indies. She is a member of the Jamaica Bar Association, Private Sector Organization of Jamaica, and the International Pension and Employee Benefits Lawyers' Association.

Anna Law

Dr. Anna Law was appointed to the Board of Directors of Scotia Investments Jamaica Limited on July 25, 2007. Dr. Law is also a Director of The Scotia Jamaica Building Society and the Managing Director of Align International Limited.

Dr. Law is an orthodontist by profession, and is a First Class Honours graduate of Tufts University where she earned her Doctor of Medicine and a Bachelor of Science in Chemistry. She is also a graduate of the University of Washington, where she earned a Certificate in Orthodontic and a Masters in Dentistry. She serves on various professional societies including the Jamaica Dental Association and the American Association of Orthodontists.

Board of Directors

Cathy Welling

Ms. Cathy Welling joined the Board of Directors in November 2011 and was recently appointed Managing Director & Head, International Wealth & Pensions. In this role, Cathy is responsible for the distribution of Scotia's International Private Banking, Trust Services, Investment Management, Brokerage and Pension businesses outside Canada.

Ms. Welling's prior roles with Scotiabank include: Managing Director & Head of Scotia Private Client Group (Canada), Managing Director Online Brokerage, and Managing Director Scotia Cassels Investment Counsel. Within these roles she has held a number of Officer positions: President of Scotiatrust (Canada), Chairman of CPA Financial and an Executive Officer of Scotia Capital. She has also held several Director positions at: Scotia Cassels Investment Counsel, Scotia Asset Management G.P., Scotiatrust (Canada), Montreal Trust, National Trust, Scotiatrust (Bahamas), CPA Securities and the WaterStreet Group Inc.

Ms. Welling holds a Bachelor of Arts degree from McMaster University, she completed the Executive Program at the Ivey School of Business, University of Western Ontario and holds the Partners, Directors and Officers certification.

Philip Martin

Mr. Philip Martin has been a member of the Board of Directors since 1992 and was a senior partner and shareholder in Dehring Bunting and Golding Limited now Scotia Investments. He is the Managing Director and Chief Executive Officer of Caribbean Fencing Limited, Deputy Chairman of Sportsmax Limited and International Media Content.

Mr. Martin is an entrepreneur and business professional with years of experience in creating businesses spanning investments, media, real estate and agriculture. Mr. Martin has done several management courses at the College of Arts, Science and Technology, now The University of Technology. He serves on the boards of Caribbean Sports Marketing and Wealthy Investors Limited.

Anthony Chang

Mr. Anthony Chang was appointed to the Board of Directors on December 14, 2006. He is a Director of Lasco Distributors Limited and Lasco Manufacturers Limited. He is also a member of the Board of Directors of Scotia Group Jamaica Limited, The Bank of Nova Scotia Jamaica Limited and Scotia Jamaica Life Insurance Company Limited. He is the Chairman of the Audit and Conduct Review Committee, Scotia Investments Jamaica Limited and is the Chairman of the Scotia Jamaica Life Insurance Company Limited.

Mr. Chang is a graduate of York University; Richard Ivey School of Business, University of Western Ontario; and Wharton Business School, University of Pennsylvania. He is also a recipient of the Hubert Humphrey Fellowship at American University.

Corporate Governance

INTRODUCTION

Scotia Investments Jamaica Limited and its subsidiaries are committed to maintaining high standards of corporate governance to preserve shareholder value and confidence in the long-term viability and profitability of the Company.

The Corporate Governance Policy outlines the criteria for selection of Board members, standards of business conduct and ethical behaviour, Board oversight and management, risk management, liquidity funding management and disclosure. This Policy is reviewed by the Board on an annual basis and incorporates various elements of the Private Sector Organization Code on Corporate Governance ("PSOJ Code").

THE BOARD

As at October 31, 2013, the Board consists of eleven (11) members. The Company's Articles of Incorporation provides the ability to increase the size of the Board.

The current Directors of the Board are Mr. Bruce Bowen (Chairman), Ms. Barbara Alexander, Mr. Anthony Chang, Mrs. Angela Fowler, Dr. Anna Law, Mr. Jeffrey Hall, Mr. Phillip Martin, Mr. Lissant Mitchell, Mr. Marcel Schroder, Mrs. Jacqueline Sharp and Ms. Cathy Welling. Mrs. Sharp, the new President and CEO of Scotia Group Jamaica Limited, was appointed to the Board on September 1, 2013.

The majority of the Board is comprised of independent Directors to ensure that the Board is managed for the long-term benefit of its stakeholders, shareholders, employees and customers. As at October 31, 2013, six (6) of the eleven (11) members of the Board of Directors are non-executive independent Directors.

Under our Corporate Governance Policy, a Director is not considered independent if:

1. *The Director has been an employee of the Company within the last five years;*
2. *The Director is, or has been within the last three years, an employee or executive officer of any company within the Group or its parent company;*
3. *The Director has received or receives additional remuneration from the Company apart from a director's fee, participates in the company's share option plan or performance-related pay scheme, or is a member of the Company's pension scheme;*
4. *The Director has close family ties with any of the Company's advisors, directors or senior employees;*
5. *The Director represents a significant shareholder;*
6. *The Director was a former Chief Executive Officer, unless there has been a period of at least three years between ceasing employment with the Company and serving on the Board.*

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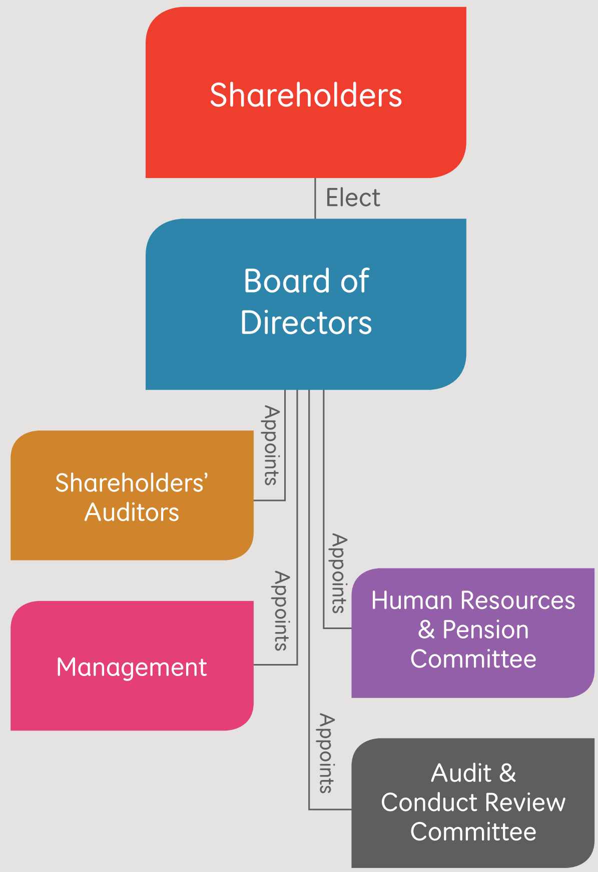
BOARD SELECTION

Individuals who are selected to join our Board are considered based on the following criteria:-

- *Prominence in business, institutions and professions;*
- *Integrity, honesty and the ability to generate public confidence;*
- *Ability to demonstrate sound and independent business judgment;*
- *Financial literacy;*
- *Knowledge and appreciation of public issues and familiarity with local, national and international affairs;*
- *Knowledge of the business of the Company;*
- *The ability to devote sufficient time to the Board and Committee work.*

Scotia Investments

CORPORATE GOVERNANCE STRUCTURE



The following Table highlights Independent/Non Independent Directors and their respective areas of expertise.

Board Expertise

Board Member	Independent (I)/ Non-Independent (NI)	General Management	Finance & Audit	Stategic Management	Banking	H.R. & Education	Legal
Barbara Alexander	I	√		√		√	√
Bruce Bowen	NI	√	√	√	√		
Anthony Chang	I	√	√	√			
Angela Fowler	I	√		√		√	√
Jeffrey Hall	I	√		√			√
Dr. Anna Law	I	√		√		√	
Philip Martin**	I	√		√			
Lissant Mitchell	NI	√	√	√	√		
Marcel Schroder	NI	√	√	√	√		
Jacqueline Sharp*	NI	√	√	√	√		
Cathy Welling	NI	√	√	√	√		

*Appointed September 1, 2013 **Resigned November 22, 2013

DUTIES AND RESPONSIBILITIES

The Board has an approved mandate which includes the following key duties and functions, some of which are delegated to sub-committees of the Board:

- *To develop the Company's corporate governance principles and practices;*
- *To oversee and approve the strategic direction of the Company, its succession planning and organisation structure;*
- *To monitor and review the financial performance of the Company;*
- *To identify the principal business risk and review and approve key policies and practices (including credit risks, capital risk management, market risk management, investment management, liquidity and funding management) for the long-term management of the Company;*
- *To oversee the integrity of the Company's internal controls and management information system;*
- *To review the performance of executive management.*

During the year, the Committee reviewed and recommeded to the Board for approval the following matters:

- *Staff compensation levels*
- *Senior level organizational structure and staffing needs*
- *Mandates for the negotiation of the collective bargaining agreement*
- *Monitoring Pension Fund Performance*
- *Review of actuarial reports, audited financial statements of the Pension Fund*

ASSESSMENT OF DIRECTOR PERFORMANCE

The Board undertakes an annual evaluation of its performance during the year. This assessment allows individual Directors to evaluate the performance of other Directors and Chairpersons of the Board and its Committees, to comment on the operations of the Board and its Committees and on the level of information provided by Management. The results of this evaluation significantly contribute to the refinement of the corporate governance policy year to year and has led to the implementation of an electronic board reporting portal.

DIRECTOR'S TENURE, RETIREMENT & APPOINTMENT

All Directors automatically retire from the Board at each Annual General Meeting after serving a term of one year. The Board may however recommend to shareholders that a Director be elected or re-elected (as the case may be) at the Annual General Meeting of the Company. The Board may appoint Directors during the year. Directors may be appointed to the Board prior to attaining the age of 70.

DIRECTOR EDUCATION

New Directors are provided with information on the Company along with their duties and responsibilities, and have the opportunity to meet with senior management, attend seminars and presentations on the Company's business and operations.

STANDARDS OF BUSINESS CONDUCT & ETHICAL BEHAVIOUR

Directors, officers and employees of the Company are expected to adhere to the Company's Guidelines for Business Conduct. These Guidelines outline the rules and expectations regarding proper conduct and ethical behaviour, including following the law wherever the Company conducts business, avoiding conflicts of interest, honest conduct and integrity and ensuring that the Company's transactions and communications are accurate and confidential.

In addition, Directors, senior management officers and their connected parties are subject to the Company's "Insider Trading Policy" in respect of trading in the securities of the Company. This policy prohibits trading in the Company's securities during particular intervals and requires disclosure of all trades in the Company's securities by them or by their connected parties.

All employees and Directors of the Company are required to provide written certification of their compliance with the Company's Guidelines for Business Conduct.

DISCLOSURE

The Company is committed to providing timely, accurate and balanced disclosure of financial results, significant developments and other material information about the Company to shareholders, the Financial Services Commission and the Jamaica Stock Exchange.

BOARD COMMITTEES

The Board has two (2) established Committees; the Audit & Conduct Review Committee and the Human Resources & Pension Committee each with clearly defined terms of reference.

1. Audit & Conduct Review Committee

Members of the Audit & Conduct Review Committee are appointed by the Board which determines its terms of reference. In accordance with its terms of reference, the Committee has oversight responsibility for the following areas and is reposed with the duty of critical review and recommendation to the Board, where appropriate:

- *Reviewing the quarterly and consolidated financial statements of the Company to ensure the integrity of the Company's financial reporting, disclosures and system of internal control over financial reporting;*
- *Ensuring the Company's compliance with legal and regulatory requirements;*
- *Monitoring the Company's internal audit and external audits;*
- *Developing and implementing policies to identify and resolve conflicts of interest which may arise from transactions conducted by the Company.*

Composition & Frequency of Meetings

The Audit & Conduct Review Committee meets quarterly and consists of five (5) independent members. The Committee members are Mr. Anthony Chang (Chair), Ms. Barbara Alexander, Mrs. Angela Fowler, Mr. Jeffrey Hall and Mr. Philip Martin.

2. The Human Resources & Pension Committee

The name of the Human Resources Committee was changed in August 2013 to the Human Resources & Pension Committee. Members of the Human Resources & Pension Committee are appointed by the Board which determines its terms of reference. This Committee has oversight for the following areas and is reposed with the responsibility of reviewing and making recommendations to the Board:

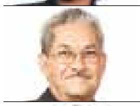
- *Compensation to be paid to Senior Executives and other Board-appointed officers of the Company, the general criteria and design of the Company's incentive/bonus schemes and the basis of distribution of incentives;*
- *Review of the senior level organisational structure and staffing of the Company;*
- *Approval of the incentive pay awarded to staff under the Company incentive/bonus scheme.*

Composition & Frequency of Meetings

The Human Resources & Pensions Committee meets quarterly and consists of five (5) members. The Committee members are Ms. Barbara Alexander (Chair), Mr. Bruce Bowen, Mrs. Angela Fowler, Dr. Anna Law and Mrs. Jacqueline Sharp. Three (3) of the five (5) members of the Committee are Independent Directors.

BOARD & COMMITTEE MEETING REGISTER

The attendance of the Directors at Board, Committee and Annual General Meetings is reflected in the table below:-

	Position	AGM (SIJL)	Board Meeting	Audit & Conduct Review	Human Resources & Pensions
Number of Meetings for the Year		1	6	4	4
 Barbara Alexander	Non-Executive	1	6	4	4
 Bruce Bowen	Executive Chairman	1	6	-	3
 Anthony Chang	Non-Executive	1	6	4	-
 Angela Fowler	Non-Executive	1	6	4	4
 Jeffrey Hall	Non-Executive	1	6	4	-
 Anna Law	Non-Executive	1	5	-	4
 Philip Martin	Non-Executive	0	3	3	-
 Lissant Mitchell	Executive	1	6	-	-
 Marcel Schroder	Executive	0	4	-	-
 Jacqueline Sharp *	Executive	-	1	-	1
 Cathy Welling	Executive	0	5	-	-

*Appointed September 1, 2013

Website – The Corporate Governance Policy has been uploaded to Scotia Investment's Website at **http://www.scotiainvestments.jm.com** to provide investors and stakeholders with ready access to information on how our operations are governed.

Senior Management



Lissant Mitchell, CEO

Lissant Mitchell has over 20 years experience in the local financial industry. He joined Scotia Investments in October 2007 as Senior Vice President, Treasury & Capital Markets and was promoted to Chief Operating Officer in October 2010. In November 2011, Lissant was promoted to Senior Vice President, Wealth Management for the Scotiabank Group and Chief Executive Officer of Scotia Investments.

Lissant has served as the President of the Primary Dealers Association and currently sits on the Scotiabank Group and Scotia Investments Asset & Liability Committees as well as the Group's Managed Funds Investment Committee. He is also a Director of Scotia Asset Management (Jamaica) Limited, Scotia Caribbean Income Fund, and the Jamaica Stock Exchange.

Lissant holds an MBA from the University of Manchester, and a BSc in Accounting and Economics from the University of the West Indies.

Hugh Miller- SVP, Chief Operating Officer

Hugh Miller is responsible for strategically managing Scotia Investments' business and operational infrastructure which includes Treasury & Trading, Finance, Business Support, as well as, the company's operational projects.

Prior to his role at Scotia Investments, Hugh was the Vice President of the Treasury Division at Scotiabank Group, and was charged with the responsibility of leading the Group's Treasury Operations, Investment and Trading activities along with the company's Foreign Exchange Trading activities.

During his 19 years in the financial sector, he has held senior positions in the stock broking industry and the commercial banking sector. He currently sits on the Asset & Liability Committees for Scotiabank Group and Scotia Investments, as well as the Group's Managed Funds Investment Committee. He is a Director of Scotia Asset Management Jamaica Limited and Scotia Caribbean Income Fund.

He holds a Bachelor of Science (BSc) degree with honours in Economics (Accounting minor) from the University of the West Indies and is a Chartered Financial Analyst (CFA) charter holder.

Brian Frazer - VP, Asset Management & GM, Scotia Asset Management (Jamaica) Ltd

As Vice President, Asset Management, Brian Frazer is responsible for developing the strategic direction and focus for the Investment Management, Mutual Funds and Unit Trusts business lines. Brian leads an investment management team that currently manages in excess of US$770 million of assets on behalf of mutual funds, corporate clients and individual investors.

Brian has over 15 years of experience in the financial services industry and has wide-ranging experience in trading, treasury, asset management, risk management, operations and product development.

Brian is a Chartered Financial Analyst (CFA) charterholder, and a member of the CFA Institute and the CFA Society of Trinidad and Tobago. He is also a Director of the Pension Funds Association of Jamaica.

Brian earned his undergraduate degree in Accounting and Economics at The University of the West Indies and has received professional training in accounting, asset/liability and risk management both locally and overseas.

Karl McKenzie, VP, Business Support

Karl McKenzie joined Scotia Investments in August 2011 from his prior assignment as Senior Manager of Scotiabank's Business Service Centre, where he led a team of over 52 persons. He is responsible for the Business Support Group which comprises Operations, Central Support and Compliance Units.

Karl is a career banker of 37 years, with extensive experience in operations, electronic banking services, project management and workflow processing.

Karl holds a MBA in Financial Services from the Dalhousie University, Bachelor of Commerce in Financial Services from Nipissing University and is a Fellow of the Institute of Canadian Bankers.

Jason Morris- VP, Business Analytics, Portfolio Advisory & Product Development

Jason Morris joined Scotia Investments in March 2010 as Assistant Vice President, Product Development and was promoted to Vice President, Business Analytics, Portfolio Advisory and Product Development in June 2012. He is a CFA charter holder with over 10 years experience in developing investment strategies for local and international capital markets.

In his current role, Jason is responsible for developing and managing the firm's strategic plan, executing business strategic initiatives, providing investment strategy advice to internal and external clients, developing and executing new investment product initiatives and overseeing the investment research team.

Jason is a member of the Private Sector Organization of Jamaica's (PSOJ) Economic Policy Committee and is a past Director of the Statistical Institute of Jamaica (STATIN). Jason serves as a Justice of the Peace for the Parish of Kingston.

Yvonne Pandohie- VP and Chief Financial Officer

Yvonne Pandohie was appointed Chief Financial Officer effective October 24, 2011. She joined Scotia Investments following her previous appointment as Chief Auditor at Scotiabank; a post which she held from 2004.

Yvonne has had a long and distinguished career in finance, having worked as an external auditor prior to joining Scotiabank. Yvonne received advanced training in Scotiabank's Toronto offices in both the Corporate and Commercial Banking Business and Audit Departments. She has also worked as Accounts Manager assigned to the Corporate & Commercial Banking Centre.

Yvonne holds a MBA from Manchester Business School, is a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Institute of Chartered Accountants of Jamaica.

Senior Management

Vanessa Scott, VP, Sales and Service

Vanessa Scott is charged with driving the sales and delivery channel strategy of Scotia Investments and motivating her team to continue to provide exceptional service. She ensures that the team is trained and equipped to offer quality investment advice on the firm's full range of investment products.

Vanessa has over twelve years banking and investment experience covering foreign exchange and fixed income trading, commercial and corporate credit loan structuring, deal origination and collections.

Vanessa holds two First Class Honours degrees, one an MSc in Marketing from the Zicklin School of Business and the other a BSc in Management Studies from the University of the West Indies.

Andrea Tinker - VP, Reengineering Projects

Andrea Tinker joined Scotia Investments in March 1993 and served as Chief Financial Officer for Scotia Investments for over 6 years. In her current role, she will oversee an important system transition that will enhance the first-class customer service offered at Scotia Investments.

Andrea is also a Director of the Scotia Caribbean Income Fund. She is a member of the Association of Chartered Certified Accountants with over 20 years in the accounting profession.

“You can’t buy confidence.”

“I know I’m in the right hands.”

I chose a trusted partner for my investments.

What’s the key to a great relationship? Trust. It’s the sense of confidence I have in my financial partner. My Scotia Investments advisor truly understands my needs and knows how to match these with opportunities, everyday. I know that those decisions grow my wealth, and that’s exactly what Scotia Investments offers me.

Scotia Investments™

Subsidiary & Divisional Reports 2013

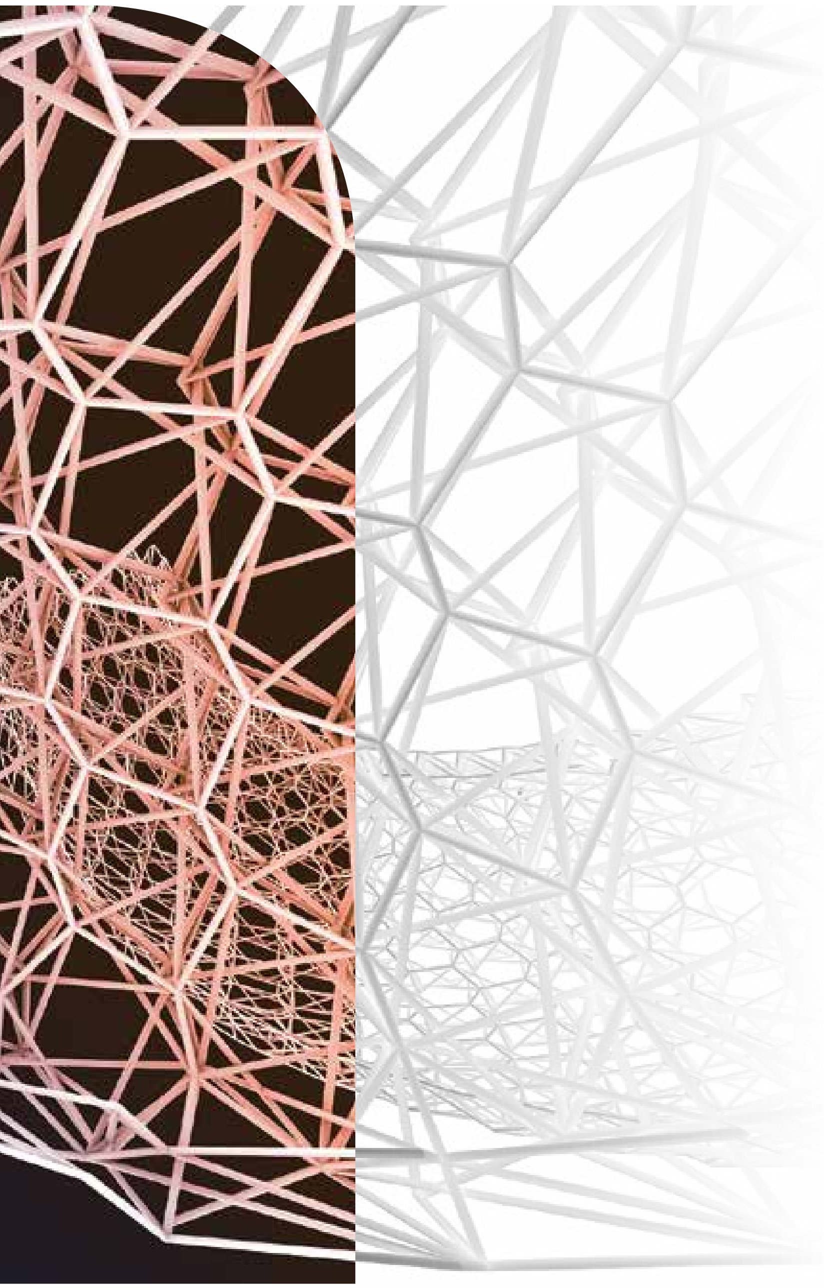
SCOTIA ASSET MANAGEMENT (JAMAICA) LIMITED

Scotia Asset Management (Jamaica) Limited (SAMJ) demonstrated its enviable track record of being the experts in the Fund Management business by continuing to deliver attractive and competitive returns to its investors while focusing on providing diversified fund product solutions to investors with varying risk appetites and time horizons.

Despite the challenges experienced in the local market with the National Debt Exchange (NDX) and the lingering uncertainties that followed, SAMJ's Assets Under Management (AUM) increased by 11% over the 12-month period.

SAMJ also achieved these significant milestones during the year:

- Scotia Caribbean Income Fund (CIF) Net Asset Value (NAV) surpassed the US$75 million mark
- Scotia Premium Money Market Income Fund exceeded the $5 billion mark



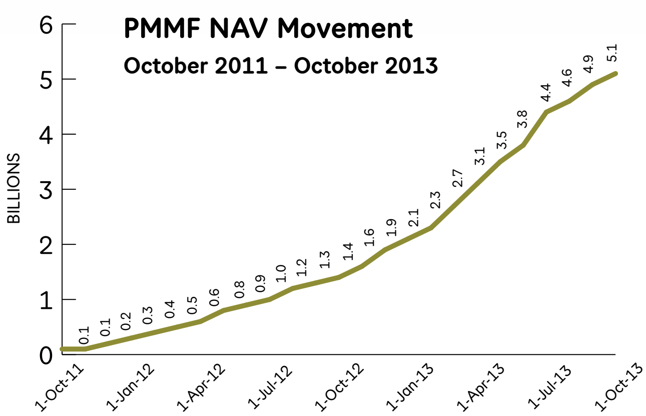
SAMJ's focus on providing appropriate solutions for its clients also resulted in the launch of its Institutional Class (I-Class) shares for the CIF and the Unit Trust funds. This class of shares targets institutional investors and provides them with more competitive management fees.

During the year, we also launched our Unit Trust Asset Management Service (AMS) which provides investors with the option to select from five (5) pre-designed portfolios based on their profiles, which automatically rebalance periodically. This service provides convenience to investors who do not have the time to continuously monitor their investments and make a decision on when to rebalance.

SAMJ also made adjustments to the expense structure of the Scotia Premium Fixed Income Fund (SPFIF) and the Scotia Premium Growth Fund (SPGF) during the year, so that the operational costs associated with each of these Funds were borne directly by them. This change was effective May 1, 2013.

The new structure takes into consideration the unification of all funds on the globally recognized State Street platform in the prior year. The benefits of the system to clients include the recently launched AMS portfolios, Institutional Classes and other features which will be offered in the future. Based on our assessment, the impact of this change on the respective funds' NAV was deemed immaterial and is consistent with international best practice.

As at October 31, 2013, the Unit Trust Industry stood at $53.83 billion with SAMJ controlling 42.10% with AUM of $22.67 billion compared to $21.57 billion as at the end of October 2012. During the fiscal year, SAMJ contributed $315 million to the revenues of Scotia Investments Jamaica Limited compared to $289 million the previous year.



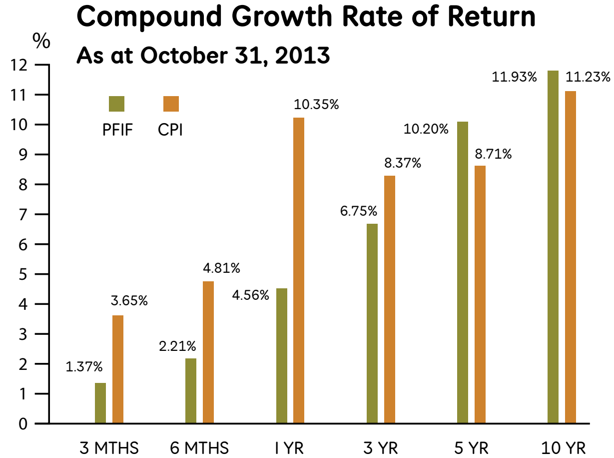
Scotia Premium Money Market Fund (SPMMF)

The Scotia Premium Money Market Fund continued its stellar performance throughout the year, increasing by $3.7 billion to close at a NAV of $5.10 billion at October 31, 2013. SIJL launched this product in 2011 as it recognized the need for a cash-based unit trust product that provides principal stability.

Despite the uncertainty in the market prior to and subsequent to the NDX, the SPMMF has delivered on its commitment to its unit holders to provide competitive returns, capital preservation and a quarterly income. In addition, as a result of the deliberate design of the SPMMF, the impact of the NDX on the Fund was immaterial. Over the 12-month period to October 31, 2013, it generated return to its investors of 5.37%.

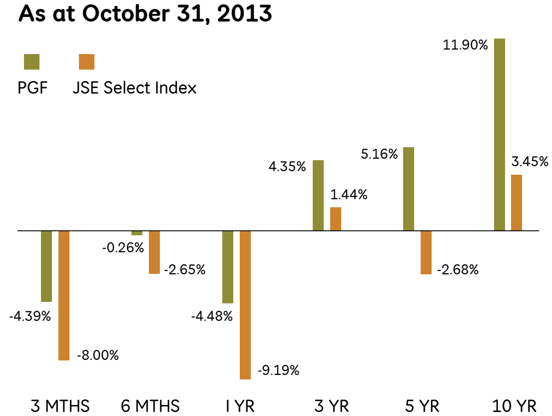
Compound Growth Rate of Return

As at October 31, 2013



Compound Growth Rate of Return

As at October 31, 2013



Scotia Premium Fixed Income Fund (SPFIF)

The Scotia Premium Fixed Income Fund continues to be the largest unit trust portfolio in Jamaica with a NAV of $15.9 billion. It also dominates the fixed income unit trust market, accounting for 60% of the market share.

The SPFIF's NAV was impacted by the NDX in February 2013, however, this was less than 1.25%. The impact arising from the NDX was relatively small and this was attributable to the Fund Manager's strategy to reduce risk by diversifying the Fund across issuers, sectors and currencies. Although there was a reduction in interest rates after the NDX, this was short-lived as there was worsening liquidity in the market which resulted in upward movement in Treasury bill (T-Bill) yields. On average, six month T-bill yields increased by 127 basis points over the 1-year period.

Despite these unforeseen market events, the Fund delivered 12-month return to its investors of 4.56% and a calendar year-to-date return of 3.83%. However, in an environment with increasing inflation rates, it will be challenging to achieve a positive real return on fixed income investments in the short term. The 12-month and year-to-date inflation rates were 10.35% and 8.57% respectively.

Scotia Premium Growth Fund (SPGF)

The Scotia Premium Growth Fund ended the year at $1.63 billion, commanding 33% of the equity-based unit trust market.

The local equities market was negatively impacted by the low investor confidence that permeated the market until May 2013, when the IMF Agreement was signed. Although there was a brief recovery in the market subsequent to the signing of the IMF Agreement, investors' aversion to risk remained. This resulted in the market suffering from increased volatility during the last three months of the financial year.

Although the SPGF would have been affected by the lacklustre performance of the local stock market, its exposure to foreign currency assets and investments in good dividend-paying stocks would have mitigated some of this negative impact. In addition, the NDX impact on the Fund was immaterial as it has a relatively small exposure to GOJ fixed income securities.

In light of the Fund Manager's diversification strategy, the Fund's return outperformed its benchmark, the JSE Select Index. The 12-month return was -4.48% and the calendar year-to-date return was -7.61% compared to the benchmark returns for the same period of -9.19% and -12.03% respectively.

Scotia Caribbean Income Fund

The Scotia Caribbean Income Fund reported a stellar performance over the 12-month period with its NAV increasing by 19% to US$76.5 million as at October 31, 2013.

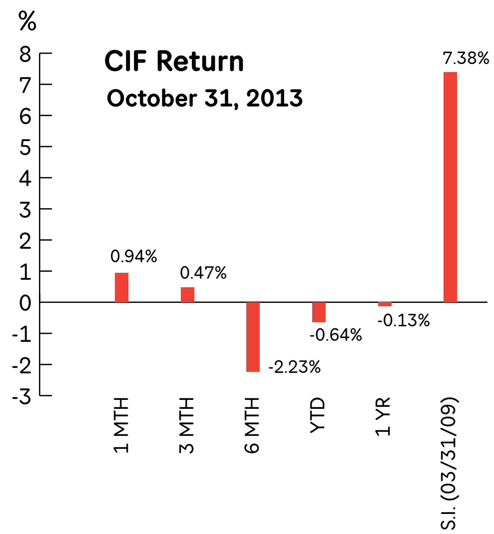
Although the Fund would have been impacted by the 85 basis points increase in interest rates during the year, the Fund's unique offering, which includes providing USD fixed income exposure to the Caribbean and Latin American region whilst being tax-free and paying quarterly dividend, was attractive to investors.

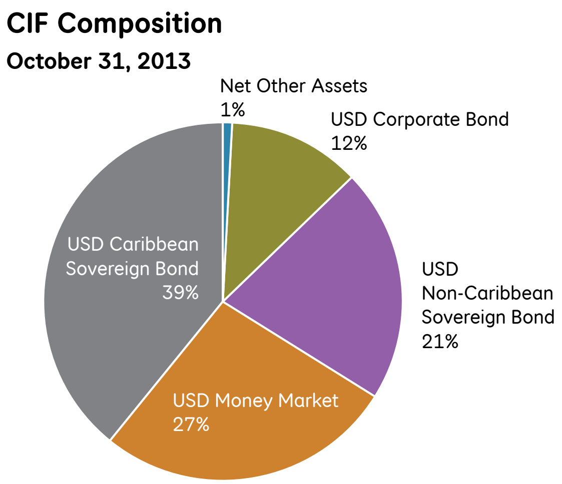
As such, the marked to market losses experienced from a rise in interest rates was partially offset by the positive net inflows to the Fund. The Fund's dividend yield was 2.26% and had capital losses of -2.33%. The total return over the 12-month period was -0.13%. However, the JP EMBIG 12-month return, which comprise bonds from the emerging markets (including Latam and the Caribbean) was –0.10%.

The Fund Managers had anticipated the rise in interest rates and had adjusted its investment strategies to minimise the adverse impact this could have on the Fund. These strategies included reducing the Fund's duration, diversifying across issuers and geography, and increasing its cash exposure.

The Fund Managers expect the short-term uncertainty to remain in the global fixed income market until the Federal Reserve definitively communicates the tapering of its asset buy-back policy. However, the Fund Managers remain focused on managing the Fund consistent with its investment objectives while providing investors with a consistent and stable tax-free income stream.

During the year shareholders received quarterly distributions totalling US$0.08068.



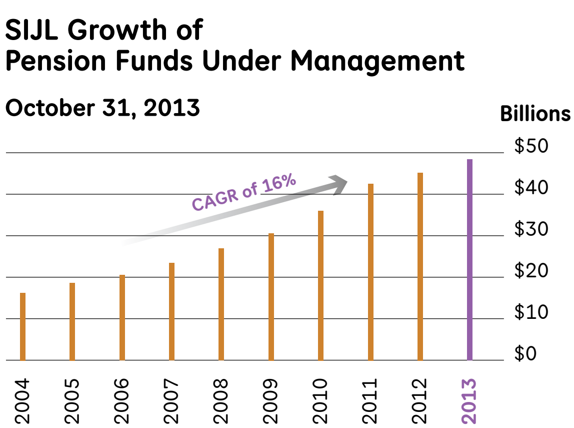


SCOTIA INVESTMENTS ASSET MANAGEMENT DIVISION

Investment Management Services

The Asset Management Unit (AMU) had funds under management (FUM) of $49.8 billion as at October 31, 2013; a growth of 8.0% compared to the $46.1 billion under management at the end of the previous year. Pension funds, inclusive of the ScotiaBRIDGE Retirement Scheme, grew to $49.3 billion, while foundations, personal trust and investment management accounts amounted to $472.6 million.

The challenging economic conditions during the year had a significant impact on the market values of the funds under management. The NDX reduced portfolio values by an average of 2%. Further, with the uncertainties surrounding the delay in signing the Agreement with the IMF and reduced short-term liquidity in the market, investors demanded higher interest rates which contributed to the decline in value of fixed rate bonds in the portfolios. In anticipation of the uptick in interest rates, we implemented strategies to minimise the impact of the decline in value of the fixed income portfolios.

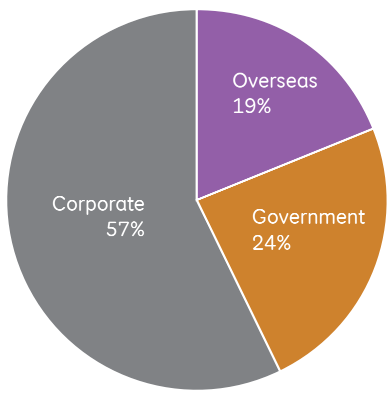


The stock market also grappled with lower confidence levels as investors awaited a new IMF Agreement and liquidated their positions to convert to USD. This resulted in declines in all Indices on the main market which also negatively affected our funds under management. However, our core strategy of holding fundamentally strong stocks enabled us to outperform the benchmark JSE Select Index during the period.

Revenues from investment management as at October 31, 2013 contributed $175.8 million to the overall revenues of SIJL. This represents a 7.9% increase compared to the previous year's revenues. The unit will continue its focus on growing revenues by expanding its investment management services and exploring additional product offerings to support and/or complement our existing services.

Corporate Trust Clients

October 31, 2013



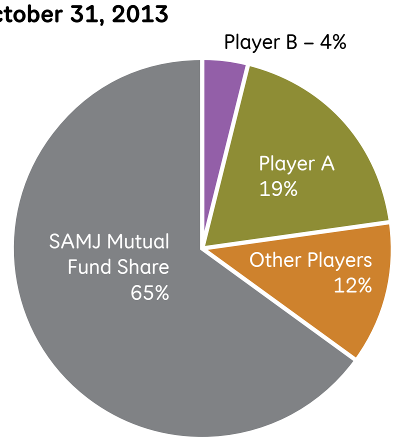
Corporate Trust

The Corporate Trust division continued its success this year as the strong relationship with the Capital Markets unit resulted in growth in the number of new accounts and FUM. The unit also acts in the Trustee and Administrative agent capacity for several structured products arranged and brokered by SIJL. We also benefited from co-partnering with Scotia Group Jamaica in providing varying corporate trust solutions to our clients.

The unit has $5.3 billion in Assets Under Administration (AUA), from which it generated revenues of $38.9 million. The Corporate Trust business is ideally positioned for further growth in the new financial year as we will continue to leverage the strong international brand, our expertise in escrow and administrative agent services to increase our client base.

Mutual Fund Industry Market

October 31, 2013



Mutual Funds

SIJL has the largest market share in the collective investment scheme market and offers a total of 39 Mutual Funds. These include our proprietary Scotia Caribbean Income Fund, five Scotiabank Mutual Funds and CI Mutual Funds.

These allow investors the option of including all of the major asset classes: cash, fixed income and equity in their portfolios and gives them local access to global and regional assets with the ability to adequately diversify their holdings. In addition, clients can enjoy tax-free income in the Scotia Caribbean Income Fund.

As at October 2013, SIJL dominated the mutual fund segment with a market share of 65% (including the Scotia Caribbean Income Fund). The CI and Scotiabank Mutual Funds had a net asset value in excess of US$45 million as at October 2013.

SIJL enjoyed an excellent year for Mutual Fund sales against a backdrop of a depreciating Jamaican dollar to the US dollar and another debt exchange. Investors sought US dollar denominated investments and diversification for their portfolios.

The Jamaican dollar continues to depreciate against the US dollar and investors are still seeking protection from the on-going devaluation. As such, we expect that sales in the upcoming year will continue to be robust as we seek to offer our clients the largest and most diverse Mutual Funds in the market. Furthermore, in the coming year, we expect that institutional class of Mutual Funds, including the Scotia Caribbean Income Fund, will grow our AUM and increase our market share in the collective investment scheme industry.

Product development remains a major strategic focus of the Unit.

BUSINESS ANALYTICS, PORTFOLIO ADVISORY AND PRODUCT DEVELOPMENT

The major responsibilities of the Business Analytics, Portfolio Advisory and Product Development Unit include developing, prioritising, managing and executing strategic business initiatives. The unit is also responsible for providing investment strategy, research, insights and recommendations on local, regional and international financial markets. Finally, the unit has responsibility for creating new investment products and services including fund and brokerage products, in addition to advisory services for corporate clients who want exposure to international capital markets.

Over the past year, the unit continued to optimize the firm's business strategy in line with the medium-term outlook for the local business environment. This is an ongoing process and we are confident that SIJL has a robust strategic framework and business model that will allow it to respond to changing market dynamics, while exploring new opportunities to achieve its strategic business objectives.

During the second quarter of the 2011/12 financial year, the unit launched the Portfolio Advisory Group (PAG) Jamaica. This service provides investment strategy and cutting edge insights to SIJL's sales team to service our high net worth and corporate clients seeking exposure to international financial markets. It also provides strategic input into the investment decisions of various portfolios and funds managed by the Asset Management Unit.

The PAG leverages Scotiabank's global footprint of experts in North and Latin America and provides access to a global network of third-party expertise over a wide range of asset classes. Proprietary research on the local economy and local financial markets is also a key constituent of the PAG.

As a direct result of the PAG, the level of advice, resources, tools and access to expertise was significantly expanded during the 2012/13 financial year, with a particular focus on US, Latin America, Central America and Caribbean markets.

We will be executing a number of initiatives to broaden the service of the PAG to focus on opportunities in other markets such as Europe and Asia in the coming financial year. The PAG will also seek to add value to clients, by increasing the number of delivery channels through which our expertise can be accessed, as we seek to enable corporate and retail clients to make more informed investment decisions.

The PAG's coverage of local, regional and international financial markets, in combination with our proprietary research on the Jamaican economy, continues to provide an invaluable source of expertise for our clients.

Finally, product development remains a major strategic focus of the unit. In keeping with SIJL's objective to focus on off balance sheet products, we are working on a number of initiatives to broaden the product range for our clients over upcoming quarters, which will give clients more unique options to tailor their investments to meet their respective risk appetites.

TREASURY & TRADING

The Treasury & Trading Department, in its capacity as the main revenue driver of Scotia Investments' operations, continued to form an integral part of the group's wealth strategy this year. The unit remained a leader in the delivery of innovative investment management, trade execution and fiduciary services to affluent individual and institutional clients. Our focused business culture differentiated us from other financial service providers and allowed us to offer significant flexibility in the form of solutions customised to our clients' goals, objectives and risk/reward profiles. Demand for added direction from our clients, given the increasingly complex global investment environment, fuelled improvements in our levels of client responsiveness. This also allowed us to accomplish key Client Intimacy mandates over the course of the year.

Prudent Risk and Balance Sheet management strategies continue to underpin our Money Market operations. However, following the completion of the National Debt Exchange (NDX) Programme, we adopted a revisionist approach toward the crafting of our financial blueprints and the generation of cash flows. As a complement to our operational mandates, we sought to improve our soft competencies. One of the ways in

…we have maintained our position as one of the island's leading Primary Dealers as ranked by the Bank of Jamaica's Performance Index Score.

which we accomplished this was by ensuring that our Financial Advisors remained current and fully trained over the course of the financial year. As a consequence, we have maintained our position as one of the island's leading Primary Dealers as ranked by the Bank of Jamaica's Performance Index Score. As at August 2013, SIJL is reported to have captured a significant market share of total BOJ Open Market Operations.

Our Foreign Exchange operations continued to be a cornerstone of the unit. In a year dominated by spread tightening resulting from the use of foreign exchange positions for net investment hedging, this division performed exceedingly well. The business line leveraged branch-wide capabilities to deliver tailored solutions for foreign exchange position management. Our net revaluation gains on Foreign Exchange activity were testimony to our dominance as a local market maker, and have proven our status as a major player in the market for third currencies. Continued demand pressures are expected to positively impact the unit's long-position revenues in the near term.

The Securities Trading arm ended 2013 with over US$419 million of client global bond holdings entrusted to us, an all-time high. The achievement of this milestone allowed us to successfully translate our fully-integrated local Treasury Services into regional Securities Services, which are now extended to the group's wealth division in Trinidad & Tobago. This strategic move was of crucial importance, as it provided us with the necessary network to deliver products and services extra-territorially to new clients. In the coming year, demonstrable trading expertise in Emerging Markets will be a critical deliverable, as we expect that this area will continue to outgrow trade opportunities in the traditional developed markets in the future.

In our Equities Division, the volatility of market conditions precipitated the re-focus of our efforts toward strategies intended at preserving the purchasing power of our clients. This imperative was underpinned by research-based equity strategies with attractive dividend returns. One of our execution priorities was to continue with the roll out of our groundbreaking international equity portfolio wealth options. While the unit aims to participate in more equity transactions across multiple industry verticals locally, our key deliverable in the 2013/2014 financial year will be the provision of fiduciary and brokerage services to private and intermediary clients in the wider Caribbean region. Our ultimate goal is to offer high-quality researched products in addition to our global trade execution capabilities.

BUSINESS SUPPORT UNIT

The Business Support Unit comprises the Central Support, Operations Support, Centralized Account Management and Compliance Units. The unit's role has expanded over the past year as a part of the Company's strategic objective to strengthen its regulatory compliance framework and improve operational efficiency.

During the year, in order to achieve greater operational efficiencies, the unit continued its drive in restructuring the branches by: (1) removing all cash transactions from all our locations and (2) centralizing certain administrative functions. These initiatives have enabled the branches to focus on providing improved service to our clients.

Central and Operations Support Units

During the 2012/2013 fiscal year, several initiatives were undertaken and we continue to look at opportunities that will lend greater support to our investment advisory team.

One of the key initiatives was the conversion of branches to non-cash transaction facilities. This initiative started just over three (3) years ago, when our Mandeville Branch was converted to a non-cash transaction facility and our Signature Investments Branch located at the Constant Spring Financial Centre opened without cash transactions being a part of its service offerings. This year, the remaining three (3) branches (Savanna-La-Mar, Kingston and Montego Bay) were successfully converted. This move will have a positive impact on our operating expenditure and will allow us to improve customer satisfaction and client intimacy.

Centralized Account Management Unit

The Centralized Account Management Unit has primary responsibility for ensuring that all client onboarding activities are performed within the guidelines of established policies and procedures, along with the ongoing monitoring of our high risk accounts. The main focus of the unit is to ensure uniform quality in the account opening process across all branches to enhance the process of monitoring account takeovers and high risk accounts.

With improved quality in our customer information, this will ensure improved effectiveness in communicating with our clients, as well as enable us to provide better service to our clients.

With the implementation of the Centralized Account Management Unit, capacity was created for our Sales Team Leaders to focus more on client relationships and the environment created to manage new regulatory/compliance requirements.

Business Continuity

Scotia Investments' Business Continuity Plan (BCP) is robust and has been structured to ensure that the business is able to recover from disasters, pandemics and other disruptions in the shortest time possible, without significant impact to our business operations and customer service.

The BCP outlines the response to be undertaken in specified scenarios and indicates the levels of resources required to ensure the continuity of key business functions in the event of disruptions.

The Plan is broken down into individual sub-plans for branches and critical business units. It is a part of the Scotiabank Group global plan, and is stored centrally in a web-based repository which is supported directly by a dedicated team located in the Group's Toronto offices. This team facilitates plan distribution, sharing, updating and continuous review for relevance.

A cross functional Local Incident Management Team is responsible for monitoring the effective execution of the Plan at the point of business disruption. Throughout the year, senior management continued to play a leading role in ensuring that the Plan's key components are in a state of readiness.

There was also increased focus on developing and implementing policies and procedures aimed at managing and mitigating operational risk. One key measure was the development of an operational risk framework, which provided a roadmap for the business in identifying and categorizing the risks to the organization, and developing strategies to guard against these risks. This framework will form an integral part of the business strategy in the next financial year.

Compliance

Strengthening the compliance framework remained a key priority for SIJL during the year, with an even greater focus on the implementation of appropriate controls and procedures. In the upcoming year, we will continue to implement appropriate controls to strengthen the compliance framework and our corporate governance structure in order to ensure that we are conforming to international best practices. We will ensure that all our team members are aware of their compliance responsibility by continuous staff training.

In keeping with our core values of Trust and Expertise, we will continue to focus on assessing clients' trade suitability to ensure adherence to global and local compliance practices, as well as ensuring that our clients are receiving products that are suitable to their needs.

Corporate & Commercial Banking Team), local currency notes offering, and sale & leaseback financing.

Highlighted below are some of the key transactions executed during the fiscal year:

HUMAN RESOURCES

At Scotia Investments Jamaica Limited, the Human Resources team ensures that effective methods of goal setting, communication and empowerment through responsibility, are combined to build employee ownership of the organization.

Scotia Investment's organizational culture and climate provide an enabling environment which ensures that our team members demonstrate the behavioral and technical competencies along with the commitment to serve our internal and external customers.

The Human Resource Department supports the organization by managing a range of activities which include rewards and recognition, performance management, employee career development and succession planning.

The department's main focus during 2013 was to improve employee engagement and the delivery of business-driven compensation design. This also assisted in managing initiatives aimed at increasing key staff retention.

The department continued to leverage the support provided by the Scotiabank Group's Human Resource Division, by improving the internal service provided to the Scotia Investments family of employees.

CAPITAL MARKETS UNIT

Insight, Innovation, Execution

The fiscal year ending October 31, 2013 represented the third year of operations of our Capital Markets business. The Capital Markets Unit has quickly established its name as a leader in the Jamaican capital markets industry and earned a reputation for executing innovative transactions.

During the year, the unit was able to successfully close approximately US$230 million in transactions. The transactions closed delivered a cross-section of fund raising solutions for our clients: equity financing, syndicated loans (with Scotiabank Corporate & Commercial Banking Team), local currency notes offering, and sale & leaseback financing.

- **Equity Financing:** Scotia Investments Capital Markets Unit was the Co-Arranger and Joint Lead-Broker for Non-Redeemable Cumulative Preference Shares for the Jamaica Public Service (JPS) which were listed on the Jamaica Stock Exchange (JSE) at the end of the fiscal year.
- **Syndicated Loans:** The extension of the Facey Group Syndicated Loan bears out a key strategic imperative to collaborate with Scotiabank's Corporate & Commercial Banking Team to deliver a strong value proposition to our corporate banking clients.
- **Sale & Leaseback Financing:** Over J$3.0 billion in transactions continued to showcase innovation as a key pillar of our Capital Markets value proposition.
- **Notes Offering:** Important transactions helped the unit to add to the development of the local debt capital markets as more corporate entities saw the possibilities for tailored financing and access to a widened investor base.

The unit currently has a robust pipeline of transactions going into the 2014 fiscal year.

SALES & SERVICE UNIT

This year, the sales team members were invited to ***Dominate and Conquer*** the market at the Group retreat in January. Team members were encouraged to focus their efforts on how to acquire, deepen and retain our clients and ensure that we build and grow our business in this competitive landscape.

This frame of mind would prove essential to the team as the 2012 financial year started out as a very challenging one against the backdrop of market sentiment around whether the GOJ would be able to secure a second IMF deal.

Team members were kept abreast with research and economic updates from our Business Analytics, Portfolio Advisory and Product Development team. Their expertise and monthly conference calls enabled our team to bring expert advice to clients in positioning their portfolios.

This focus on our clients' portfolios and investment strategies was consistently communicated via several interactions with them throughout the year, including our "Cocktails and Conversations" series which took place in Mandeville, Kingston and Montego Bay.

We were happy to welcome two new branch managers to the team, both with a depth of understanding of the investment market and our client needs. The client events in Mandeville and Montego Bay were fitting backdrops against which to introduce them to our valued clientele.

We sought to deepen and retain client business through on-going touch-base campaigns focusing on our Unit Trust and Mutual Fund clients, and those in our Jamaican Dollar Capital Management Accounts.

We drew on the expertise and competencies within the Scotiabank group and were aided on many of our client events and one-on-one visits by the International Product Group in International Wealth Management. Team members also benefited immensely from the support provided by persons from the Scotia Asset Management Jamaica team who often accompanied them on client visits and added their expertise and insights to our interactions.

At our SIJL staff retreat in December, we welcomed the first inductees into the Chairman's Club recognition program, and this year, we are happy to welcome several advisors who embody excellence and passion in becoming their clients' most trusted financial advisors.

The Government of Jamaica's National Debt Exchange program saw the team reaching out to our clients and transforming the usual sales role into that of service and operations as we moved to quickly present to our clients the details of the GOJ's program and to execute their requests.

It also presented an opportunity for us to educate our clients on SIJL's advisory approach to investing, which is supported by our underlying principles for investing namely Start Early, Invest Regularly, Continue to Invest and Diversify. We were therefore able to diversify client portfolios and successfully grow our off balance sheet products.

We continued the quarterly feedback survey from our clients, as well as on-going action planning to improve survey results. Sales team members received monthly skill builders on improving service which were then rolled out in monthly team meetings.

For the wider SIJL, the sales and service team rolled out a Service Blitz in the fourth quarter focusing team members on the behaviors needed to improve service delivery to our internal and external customers. We were able to recognise even more team members across SIJL this year with our Service Stars program, aimed at recognising and rewarding members who go above and beyond.

At a business level, we started the necessary groundwork to improve cross selling within the Scotiabank Group, as team members worked at improving referrals to our Scotiabank Group partners in order to fulfill our clients' entire financial needs.

To build the expertise within the team, we aggressively implemented our annual training plan. Team members benefited from mutual fund accreditation, product training, service training, sales process training and monthly conference calls with our Fund Managers. There was also observational coaching by the sales lead and our investment consultant to cement the behavioral competencies within the team, which have led our clients to brand us as their most trusted financial advisors.

SIJL Best of the Best

The Best of the Best Awards acknowledges and rewards employees in each unit who were selected by their peers for their extraordinary performance and the success of Scotia Investments in 2013.

The following individuals were honoured:

- **Ainelee Tracey,** Operations Officer, Montego Bay Hub.
- **Alicia Silvera Grant,** Securities Officer, Business Support Unit.
- **Asha Dalley,** Investment Representative, Montego Bay Hub.
- **Cheryl Davy,** Investment Advisor, Kingston Branch.
- **Denise Blackwood-Jones,** Relationship Officer, Sav-La-Mar Branch.

SIJL Best of the Best (continued)

- **Jacquelyn Nairne,** Assistant Manager, Business Support Unit.
- **John Martin,** Investment Representative, Kingston Branch.
- **Kenisha Dwyer Powell,** Senior Investment Advisor, Mandeville Branch.
- **Lisa Dixon,** Senior Manager, Asset Management, Asset Management Unit.
- **Mario Ahjahorie,** Portfolio Analyst, Asset Management Unit.
- **Marion Schloss,** Senior Operations Officer - Corporate Trust, Business Support Unit.
- **Mickeisha Robinson,** Assistant Manager, Finance, Finance Unit.
- **Nadine May,** Senior Relationship Officer, Signature Branch.
- **Nicola Warren,** Business Analyst, Business Support Unit.
- **Nikeisha Williams,** Senior Investment Strategist, Business Analytics, Portfolio Advisory & Product Development.
- **Odeon Wilmot,** Senior Investment Advisor, Montego Bay Hub.
- **Odessah Wade,** Investment Advisor, Kingston Branch.
- **Phillip Thomas,** Operations Officer, Kingston Branch.
- **Ronalda Blackwood,** Manager, Treasury, Treasury & Trading.
- **Shanette Martin,** Junior Investment Advisor, Signature Branch.
- **Shanique Plummer,** Senior Operations Officer - Loans & Recoveries, Business Support Unit.
- **Shawnette Davis,** Relationship Officer, Signature Branch.
- **Stacey Betancourt-Henry,** Manager, Operations, Kingston Branch.
- **Tanicia Thomas,** Assistant Manager Operations, Business Support Unit.
- **Valmore Stewart,** Senior Business Analyst, Capital Markets Unit.

MARKETING DEPARTMENT

The Marketing Department enjoyed another exciting and fulfilling year, providing support to the Scotia Investments team. In our goal to ensure that the company's brand was properly represented in the marketplace, we focused our efforts on accomplishing these major objectives:

Increasing Brand Awareness

We continued our thrust to strengthen and build brand awareness for Scotia Investments. The highlight of the year was the launch of the company's all media corporate campaign which communicated our core values: Trust, Expertise and Focus.

Our corporate promotions also included a Mutual Fund and Unit Trust product campaign, which successfully showcased the wide range of fund products available to our customers, and reinforced the dominance of SIJL in this industry.

Sponsoring Events

Various sponsorship activities held over the year in Kingston and Mandeville also helped to solidify Scotia Investments' brand presence. Some of these events included: the Manchester Chamber of Commerce Awards Banquet, Santa Gold Tournament, the Neurosciences Symposium and the Mandeville Wine and Cheese Festival.

Educating Investors

We also played an integral role in furthering the image of Scotia Investments as knowledgeable financial experts, by working with the Asset Management team to host investor education seminars and forums in Kingston, Mandeville and Montego Bay.

These events allowed our local and international team of experts to discuss the Jamaican and global economic climate, and to explain how our Unit Trust and Mutual Fund products could help our clients achieve their financials goals despite the challenging conditions.

Strengthening Client Relationships

The Marketing Department continued to work with our Sales and Service team to deepen bonds with our valued customers through the hosting of several intimate client events. The Signature Soiree affairs, which were aimed at our Signature Investments client base, were well attended and well received.

We also worked with the Capital Markets Unit in forging relationships with their clients by hosting appreciation luncheons. Another high point in our calendar was the Capital Markets Awards ceremony, which showcased the successful deals made in the unit's first year of operation.

Corporate Profile

In our quest to maintain our status as the leading wealth management company in Jamaica, Scotia Investments Jamaica Limited continues to offer a comprehensive selection of financial products and services to our clients:

- Unit Trust and Mutual Funds (including US and Canadian dollar Mutual Funds)
- Stockbrokerage & Equity Trading Service
- Capital Market Services
- Pension & Asset Management Services
- Money Market Investment Products
- Trust Services
- Cambio Services

Our dominance in providing asset management services is evidenced by our results. Scotia Investments controls some 42.1% of the local Unit Trust market collectively through the Scotia Caribbean Income Fund, the Scotia Premium Fixed Income Fund, the Scotia Premium Growth Fund and the Scotia Premium Money Market Fund, which grew to $5 billion in just two years.

In addition, Scotiabank was conferred with the Best Pension Fund, Caribbean designation at the prestigious Global Pension Fund Awards 2013 in March. This award-winning fund is managed by the Asset Management Unit of Scotia Investments.

Much of our success can be attributed to the tremendous performance of our dedicated team. Our Senior management ably directed by our Chief Executive Officer with the support of our qualified Board of Directors supply the vision and strategy required to stay on top of the competition. The talented professionals who interface with our clients proudly represent the Scotia Investments brand, and persistently convey our core values of Trust, Expertise and Focus.

Continuous training is our hallmark of excellence, as our Investment Advisors are accredited both locally and internationally by the Financial Services Commission and the Canadian Securities Institute respectively. This policy of knowledge sharing and development has reaped rich rewards, as our representatives are among the finest financial experts in the Caribbean.

Outstanding service delivery is another trademark of the Scotia Investments experience. With four main branches and one sub branch, as well as Investment Advisors in thirty-two Scotiabank locations across the island, we are confident of providing convenient access to our clients. We also supply first-class service through other delivery channels such as our responsive Wealth Contact Centre and our informative website.

2013 Year in Review

THE INTERNATIONAL MARKET

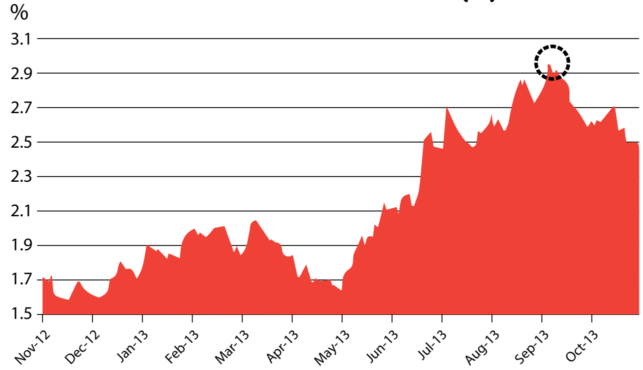
The first half of the fiscal year was characterised by a slowdown in global growth as developed economies struggled to create enough jobs to maintain full employment, while global growth was sluggish. The beginning of the year was also marked by political gridlock in the United States which resulted in automatic spending cuts and the expiration of tax cuts, leading to weaker than expected US growth in the first half of the year.

In response to this lethargic growth, the leading global central banks launched an unprecedented volley of unconventional monetary policy which pushed interest rates to record lows. The central banks of Japan, the United States, the United Kingdom and the Eurozone enacted or continued record asset purchase programmes to keep interest rates low and stimulate economic growth.

In December 2012, the US Federal Reserve increased its asset purchase program from US$40 billion to US$85 billion. Not to be outdone, the Japanese central bank, under new leadership, began the world's most intense burst of monetary stimulus by unleashing the first phase of a US$1.4 trillion stimulus to run over two years. Meanwhile, the Bank of England maintained its record £375 billion asset purchase programme. The Eurozone central bank continued its unlimited bond buying program launched in September 2012, known as outright monetary transactions (OMT), which allowed the central bank to intervene in European financial markets to purchase bonds maturing between one and three years.

The second half of the fiscal year was characterised by escalating volatility and risk aversion. This began with an uprising in Egypt followed by rising geopolitical tensions in Syria which threatened to disrupt the supply of crude oil. In addition, the US Federal Reserve had hinted in June that it intended to taper its stimulus program just six months after it had expanded the programme. As a result, the benchmark US ten-year treasury yields, which fell to a record low of 1.6% in May, jumped to 2.62% in June and peaked at 3.0% in early September.

US Government 10 Year Yield (%)



Source: Bloomberg, SIJL

…the biggest threat to global financial markets during the period came from the political gridlock in the United States…

The impact of rising rates was far reaching: the US housing market slowed as mortgage rates increased; investors fled emerging markets assets in droves, resulting in currency crisis in a number of countries led by India and Indonesia and to a lesser extent Brazil, whose currencies experienced double digit declines; emerging market bonds plunged as investors pulled record amounts of cash from bond funds over the June to July period.

However, the biggest threat to global financial markets during the period came from the political gridlock in the United States, which resulted in a 15-day running partial shutdown of the US government and the real threat of a US default stemming from the uncertainty related to the extension of the US debt ceiling.

The reduced global growth forecast by the IMF for the world economy to expand by 2.9% in 2013 and 3.6% in 2014 would be seriously at risk if the United States were to default on its obligations, financial or otherwise. As we head into 2014, we hope that the negotiations will conclude with a positive outcome.

THE JAMAICAN MARKET

The new IMF Agreement

The financial year commenced with negotiations between the Portia Simpson-led administration and the International Monetary Fund (IMF) reaching an advanced stage. Before a deal could be completed however, the government had to undertake a set of prior actions which involved a National Debt Exchange (NDX) and a new budget in line with achieving a primary surplus of 7.5% of GDP.

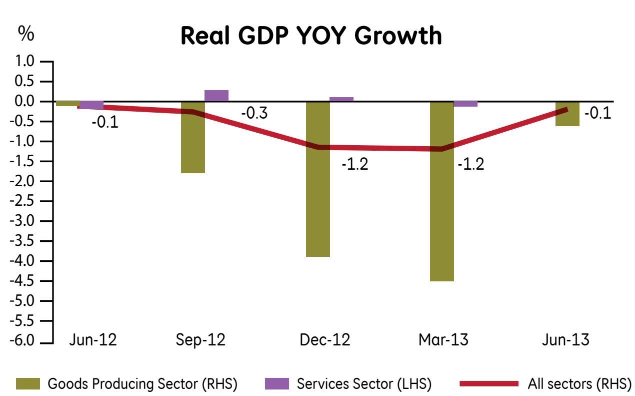
In February 2013, the government undertook the NDX to swap $860 billion worth of Government of Jamaica old bonds for new ones with longer maturities and lower coupon rates; a deal aimed at yielding savings of 1.25% of GDP or $17 billion in annual interest payments through to 2020. However, only 98.8% of bondholders participated in the offer, prompting the government to embark upon a second round in order to achieve the 100% rate agreed upon with the IMF. Eight financial institutions participated in the private offer, swapping $26 billion worth of local bonds.

As part of a wider tax reform programme and in line with its budgetary objectives, the government implemented a $15.9 billion tax package in February. The administration was also successful in getting the majority of civil servants to forego any wage increases for the next three years, a deal critical to the attaining the wages-to-GDP ratio of no more than 9.0% of GDP by March 2016.

After successfully completing the prior actions, an agreement was finally reached on May 1, 2013 for a new four-year Extended Fund Facility (EFF) totaling SDR615.38 million or US$932 million. The new deal encompasses a set of reform measures and time-bound fiscal consolidation aimed at sustainably reducing the country's public debt stock to no more than 96% of GDP by fiscal year 2019/20. The World Bank and the Inter-American Development Bank (IDB) also pledged support for the four-year programme, each offering US$510 million in loans and grants to the Jamaican authorities.

Gross Domestic Product (GDP)

Incoming data from the Statistical Institute of Jamaica (STATIN) reflected continued economic weakness on the domestic soil. Real GDP has now fallen for six consecutive quarters with output for Q2 of 2013 down by -0.1% when compared to the similar period of 2012. Previously, output contracted by -1.2% in Q4 of 2012 and -1.3% for Q1 of 2013. Both the Goods Producing and Services sectors fared weak with the former down for all quarters of the review period while the latter remained relatively flat.



Source: STATIN, SIJL

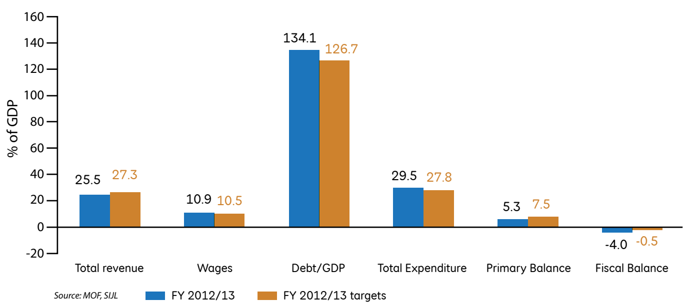
In the Goods Producing sector, Agriculture has been the chief decliner impacted by the lingering effects of hurricane Sandy in October 2012 and severe drought conditions in the first half of 2013. Likewise, the Manufacturing sub-sector reflected lower levels of output. In the earlier stage of the year, Mining suffered from lower alumina capacity utilization but rebounded in Q3 of 2013. Notably, Construction rebounded, posting gains for the first half of 2013 due largely to increased civil engineering activities. As it relates to Services, Finance and Insurance remained the sole sub-sector to record positive growth in all quarters so far.

In our view, the economy is likely to contract by 1.0% for 2013. The proposed private investment projects provide significant medium-term growth potential, but continued fiscal consolidation coupled with global headwinds could dampen the prospects.

Fiscal Accounts

For the fiscal year ended March 2013, central government's fiscal profile improved markedly. Bolstered by the new tax measures and tight expenditure control, the primary balance expressed as a percentage of GDP increased to 5.3% from 3.1% previously, while the fiscal deficit narrowed to 4.0% of GDP from 6.4% of GDP the prior year. Notwithstanding, generating a minimum primary balance of 7.5% of GDP for the medium term remains crucial to the government's effort of lowering its debt-to-GDP ratio to the targeted 96.0% of GDP by 2020.

FY 2012/13 Actual (% of GDP) versus FY 2013/14 Targets (% of GDP)



For the period April to August of the current year, the primary balance trails its planned number by $261.2 million while the fiscal deficit is ahead by $4.9 billion. When compared to budget, total revenue fell short by $5.9 billion reflecting a much weaker than anticipated performance in tax collection. Despite the tax measures implemented this past February, tax inflows dropped 13.6% YOY in August alone, causing the month's total to fall $6.5 billion shy of the planned amount.

The weak data for August led to a reversal in the previously recorded tax surplus, bringing the year-to-date shortfall in tax collections to $5.9 billion. Interestingly, growth in tax revenue for the five-month period slowed to 6.0% YOY from 11.7% for the four months to July and 4.7 percentage points lower than budget, but marginally above the 5.3% for the comparable period a year ago. The current growth pace remains well below the 12.7% necessary to meet the primary balance goal of 7.5% of GDP.

While revenues are underperforming, the expenditure data indicates lower spends in all categories. Total expenditure trails the planned amount by $10 billion, due to underspends of $5.1 billion in interest payments and $4.9 billion in primary expenditure (Wages, Recurrent programmes and Capital).

Given global headwinds and a still relatively weak domestic private demand situation, the risk to future tax revenue growth lies to the downside. Against this background, we believe that the primary balance is likely to rise from the 5.3% of GDP in FY 2012/13 to 6.4% of GDP by FY 2013/14-end while the fiscal deficit could fall to an 18-year low of 1.6% of GDP from 4.0% of GDP for FY 2012/13. However, due largely to continued foreign exchange pressures we expect central government debt as a percentage of GDP to rise to 135.6% from 134.1% in the previous year.

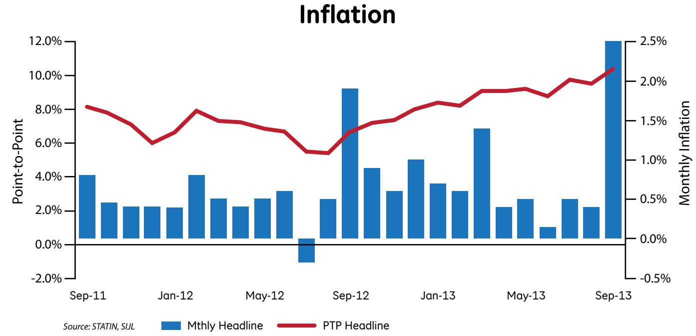
Inflation

For the financial year under review, volatility in international commodity prices, particularly oil, and a much-depreciated Jamaican dollar dominated the movement in the headline rate.

During the first quarter, monthly headline rose from 0.6% in November to 0.9% in December, and then slowed to 0.7% in January on lower cost for utilities. In the next quarter, inflation peaked at 1.4% in March driven largely by increased costs for transport, utilities and food. The rate then moderated sharply to average 0.4% for April and May before reaching an eleven-month low of 0.2% in June. The slowdown witnessed in the third quarter was largely the result of deflation in the utilities category.

Despite a significant reduction in mobile termination rates, increased costs for food and utilities kept inflation within a band of 4% and 5% for July and August. Subsequently, the monthly pace accelerated to 2.8% in September, the most witnessed since July 2008. The rise in September's CPI was led by the transport category, which accelerated by 17.1% due largely to the 25% increase in bus and taxi fares. Higher cost for tuition, food and electricity also contributed to the month's gain.

Inflation



Looking at the year ahead, volatile domestic agriculture prices will continue to influence the path of our local CPI.

As at September 2013, point-to-point headline inflation amounted to 10.4%, up from 9.5% the previous month and also higher relative to the 6.7% for the same period of 2012. The calendar year to September rate amounted to 7.7% relative to the 5.3% for the comparable period of the previous year, while fiscal year-to-date inflation amounted to 4.8%,1.6% above the same period a year earlier.

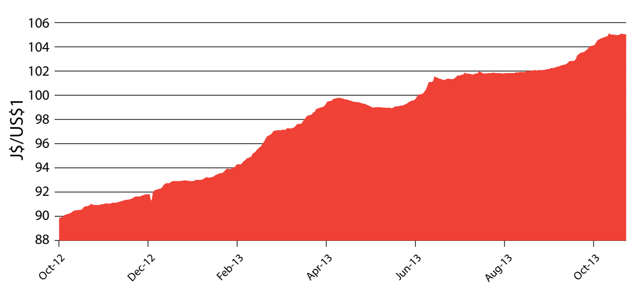
Looking at the year ahead, volatile domestic agriculture prices will continue to influence the path of our local CPI. The continued depreciation of the Jamaican dollar, as well as fluctuating international commodity prices, should also impact domestic prices.

Foreign Exchange

At the start the financial year, US dollar demand increased significantly, fueled largely by heightened uncertainty regarding the timing of a new IMF deal. For the first three months, the local dollar depreciated at an average monthly pace of 1.1% relative to the US dollar. The rate of depreciation then jumped to 3.15% in February, the highest witnessed since January 2009. However, the rate eased to 0.47% in April following the announcement of an IMF staff level agreement the same month.

Market conditions improved further in May after the deal was finally reached, causing the Jamaican dollar to lose only 0.1%; ending the month at an average selling rate of $99.45/US$1. However, strong demand for the US currency reappeared in June. Despite the Bank of Jamaica intervening on the supply side, the dollar accelerated past the $100 mark, ending the month at $101.38/US$1. The weakening of the dollar continued through to year-end.

JMD/USD 12 Month Movements



Source: BOJ, SIJL

In the financial year to October 30, 2013, the Jamaican dollar lost 15.32% or $13.96 against its US dollar counterpart. For the review period, the local currency also lost versus the British Pound, depreciating by 15.53% or $22.83. Similarly, the Jamaican dollar lost 11.18% or $10.26 to the Canadian dollar, as the exchange rate moved from $91.77/CAD$1 at November 1, 2012 to $102.03/CAD1$ at the end of the period.

Exchange Rates - JAD	November 1, 2012	October 30, 2013	% Change
POUND	146.99	169.83	15.53%
CAD	91.77	102.03	11.18%

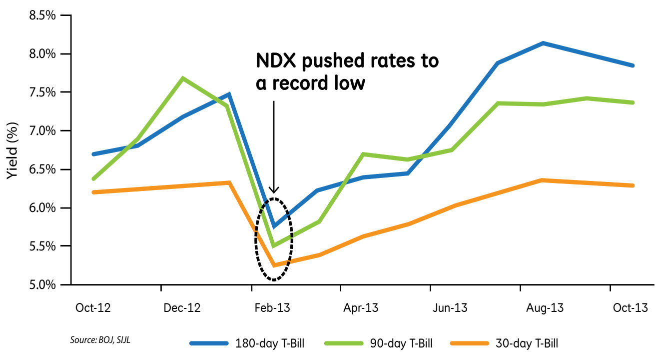
In light of the absence of an IMF Agreement in the earlier stage of the year, the resultant lack of multilateral funding coupled with strong US dollar demand initiated an overall decline of the net international reserve (NIR) of US$222.65 million as at the end of September 2012. At current levels, the NIR is adequate to finance 11.40 weeks of goods and services imports, below the international benchmark of 12 weeks.

Jamaica's comparatively high current account deficit which we estimate at 11.9% of GDP for 2013 could weigh on the future path of the local dollar. The country therefore needs significant foreign direct investment flows to abate the current pressure on the local dollar.

Domestic Money Market

Following the National Debt Exchange (NDX) in February 2013, the Bank of Jamaica on February 25, 2013 slashed its policy rate by 50 basis points to a historical low of 5.75%. The bank held firm the rate at this level for the remainder of the year as inflationary pressure remained tilted to the supply side.

In contrast, market-determined interest rates ended the period at higher levels notwithstanding the record lows reached in February. Driven by tight liquidity conditions due in part by the NDX and to a large extent, policy measures of the Bank of Jamaica, the average rate on the 90-day tenor rose to 7.37%, 187 basis points above the rate reached after the NDX and 0.99% higher than where it started the year. Similarly, average yield on the 180-day and 30-day declined to 5.75% for the former and 5.25% for the latter immediately following the NDX but rose steadily to end October at 7.84% and 6.28% correspondingly.



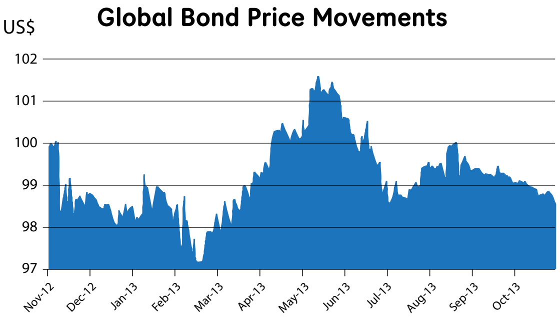
Going forward, the Jamaican dollar liquidity situation could tighten further as public entities, in keeping with the mandate of the central treasury management system, continue to remove funds from local financial institutions for placement at the BOJ. We also expect the central bank to continue issuing variable rate certificate of deposits to support the local dollar and boost its net international reserves. Against this background, market-determined interest rates are likely to face upward pressure near term.

Global Bond Market

Investors remained mostly on the sidelines during the financial year following the National Debt Exchange and the signing of a new four-year deal with the International Monetary Fund. While the global bonds were not affected in the debt exchange, the low credit rating of CCC+ with a negative outlook kept investment interest lukewarm. Further, rising 10-year US benchmark rates during the latter part of the financial year through to September, followed by the political gridlock in the United States, kept interest muted.

However, credit rating agency Standard & Poors upgraded Jamaica one notch to B- / Stable in September which should be positive for the credit, once global financial markets settle down and the country continues to meet its fiscal targets.

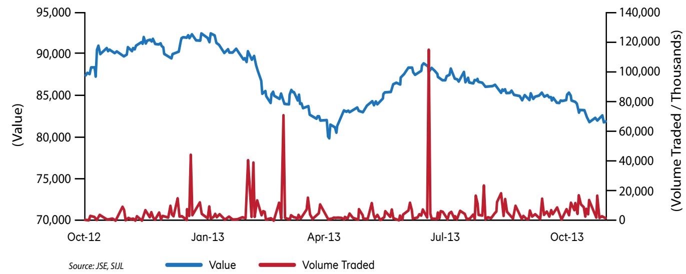
Jamaican Government 2019 Global Bond Price Movements



Stock Market

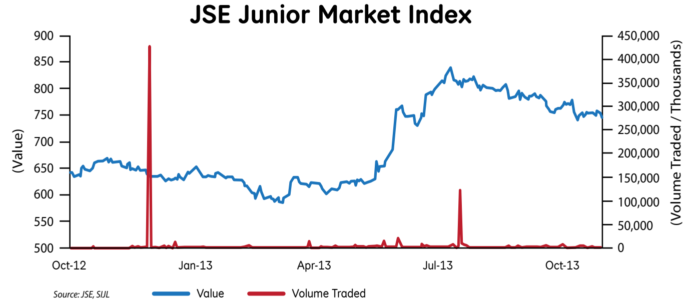
The Jamaica Stock Exchange Market Index recorded a decline of 6% during the financial year. This resulted mainly from the ongoing difficult economic environment combined with the adverse effects of the National Debt Exchange (NDX) amid sluggish growth in earnings in key listed companies. Further, the market struggled to post strong gains and remained largely in the negative territory amid the uncertainties associated with the Stand-by Agreement with Jamaica and the International Monetary Fund.

JSE Market Index



The JSE Junior Market saw a strong performance to advance by 15.13% during the financial year. This resulted mainly against the backdrop of a creditable earnings performance of the listed companies. Notably, there were listings of three new companies to the JSE Junior Market during the year.

JSE Junior Market Index



Looking ahead, the expectation is that the JSE Main Market could experience challenges in recording strong gains amid lackluster growth in earnings of listed companies. However, the JSE Junior Market could see a positive performance given the evolution of the general earnings of the listed companies.

Corporate Social Responsibility

Scotia Investments believes in the importance of being good corporate citizens in the lives of our clients and the wider Jamaican community. Recognising that the route for growth and development for many persons has traditionally been through excellence in education and sports, the company has chosen to focus its attention in these two areas.

During the 2012-2013 period, the company maintained its corporate commitment by supporting education and sports projects which it believes will significantly contribute to the advancement of young Jamaicans. Here are some of the highlights of the projects which we have supported this year:

Brian Frazer VP, Asset Management & GM, Scotia Asset Management Jamaica Ltd makes cheque presentations to winners of the Education Wealth Plan (EWP) promotion Rajiv Badaloo (above) of Mannings High and medical student Anna- Lee Clarke (below) of the University of West Indies in September 2013.

EDUCATION OUTREACH

Education Wealth Plan

Scotia Investments and Scotia Insurance had another successful partnership this year in providing scholarships and bursaries through the Education Wealth Plan (EWP). The EWP awarded 16 scholarships and bursaries to university, high school and GSAT students valued at $425,000.

Trench Town Reading Centre

Some five years ago, Scotia Investments forged a relationship with the Trench Town Reading Centre, and we continued to nurture our association with this worthwhile institution during the period under review.

The reading centre houses homework facilities and a community library, and provides daily reading sessions and art and craft classes, which serve over 200 children from the neighbouring communities of West Kingston.

Although the centre was unable to host its annual Spelling Bee Competition this year, we were able to participate in several other projects directed at improving the lives of the children in the community.

While we are pleased that our partnership with the Reading Centre has benefitted the community of Trench Town, we are also grateful that the collaboration has enriched the lives of our volunteers who continue to give willingly of their time to make a difference.

National Children's Home

Scotia Investments' team members continued to provide support to the daily operations at the National Children's Home. The institution houses over 100 children from the parishes of Kingston, St Andrew and St Catherine.

Our involvement aims at supplying assistance, wherever possible, to supplement the admirable efforts of the home's staff in ensuring that the physical and social needs of the wards are being fulfilled.

SPORTS OUTREACH

Scotia Investments, in association with the Scotia Wealth Division, was once again honoured to contribute to sports development through the hosting of the annual Golden Cleats Awards in association with the Jamaica Athletics Administrative Association (JAAA).

The Golden Cleats Awards ceremony, which recognises top-performing Jamaican athletes and coaches based on their local and international meet results during the year, gives us an excellent platform to demonstrate our support for the national athletics programme.

Along with our sponsorship of the awards luncheon, we also made a donation to purchase sports equipment. This year, in memory of the late JAAA President, Howard Aris, Scotia Wealth Management presented the inaugural Howard Aris Scholarship awards to young athletes Fedrick Dacres and Janieve Russell.

Winners of 2012 Golden Cleats Awards The Hon. Usain Bolt –Male Athlete of the Year, Stephen Francis -Coach of the Year and Shelly-Ann Frazer-Price-Female Athlete of the Year pose for the cameras with from l-r Hugh Reid-President Scotia Insurance , The Hon Natalie Neita-Headley-Minister without Portfolio, Lissant Mitchell –CEO of Scotia Investments and Dr. Warren Blake –President of the JAAA at the 2012 Golden Cleats Awards hosted at the Terra Nova Suite and Hotel in January 2013.

Brian Frazer- VP, Asset Management & GM, Scotia Asset Management (Jamaica) Ltd selects a winner at the Education Wealth Plan drawing held on September 20th , 2013. The Education Wealth Plan is a scholarship /bursary programme which offers our Mutual Fund Customers to opportunity to win a scholarship/bursary for high school and university education.

Lissant Mitchell CEO Scotia Investments present Dana Dick winner of the Scotia Investments 100 words for $100,000 Facebook competition for the Scotia Investments Core Values Brand Campaign which was launched in September 2013.

Our

Tanya Powell-Branch Manager at the Scotia Investments Mandeville Branch eagerly responds to questions of the Wealth Business Access host Allison at the Mandeville Conversation and Cocktails hosted at the Bloomfield Greathouse in April 2013.

Nigel Clarke Group CEO –Facey Commodity delivers his acceptance speech after receiving the “Deal of the Year Award” at the Scotia Investments Capital Markets Cocktails & Awards Ceremony hosted at Scotiabank Group Financial Centre in December 2012.

From (l-r) Annnette Phillpotts Branch Manager for the Kingston Branch and Hugh Miller Chief Financial Officer share a light moment with a guest at the Scotia Investments Conversation & Cocktails hosted at the Scotiabank Financial Centre in November 2012

Signature Investments clients Mrs. Rosa Lym and Mr. Ainsley Henriques gladly try some of the wines being offered at the Signature Soiree Wine Tasting event hosted at the Cru Bar in July 2013.

(From L-R) Pablo Breard – Vice President, Head of International Research; Adrian Stokes – Vice President Strategy, Business Intelligence & Risk Management, Scotiabank Jamaica, Bruce Bowen – Chairman of the Board for Scotia Investments, and Don Wehby – CEO for Grace Kennedy have a light discussion at the Conversation and Cocktails event hosted at the Knutsford Court Hotel in May 2013.

Moments

From l-r Suzette Burley Regional Sales Manager at Digicel, The Hon. PJ Patterson, Vanessa Scott-Director of Sales and Service and Lissant Mitchell are all smiles as the Manchester Chamber of Commerce Annual Banquet hosted in January 2013.

Lissant Mitchell –CEO of Scotia Investments greets track athlete Michael Frater as The Hon Natalie Neita-Headley-Minister without Portfolio looks on the annual Golden Cleats Awards luncheon hosted in January 2013.

Members of the panel; Jason Morris- Vice President-Business Analytics, Portfolio Advisory and Product Development, George Abdo –Director, Scotiabank Mutual Funds, Brian Frazer –Vice President & GM Scotia Asset Management and Randy Warrington Manager- Scotiabank Mutual Funds at the Montego Bay Investments Forum and Cocktails hosted at the Seaind Resort in October 2013.

Lissant Mitchell –CEO of Scotia Investments shares a light moment with Tuuli McCully -Senior Economist, International Research, Scotiabank Group, Bruce Bowen - President and CEO –Scotiabank Jamaica and Adrian Stokes –Vice President, Strategic Planning at the Scotia Investments Investment Forum hosted in November 2012

2013 Financial Highlights

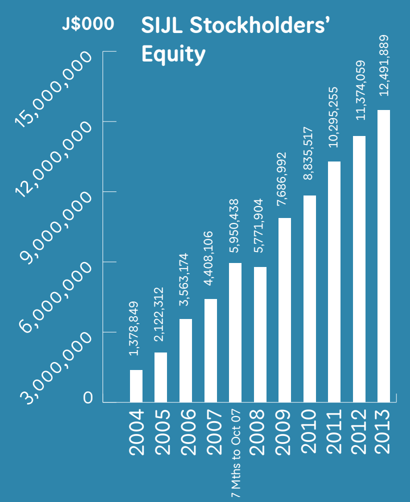
	2004 J$ ('000)	2005 J$ ('000)	2006 J$ ('000)	2007 J$ ('000)
Gross Operating Revenue	4,540,765	4,069,059	4,157,027	4,228,630
Net Interest Revenue	320,434	630,313	773,844	854,915
Other Operating Revenues	871,722	1,026,682	1,041,599	745,971
Other Operating Expenses	644,549	846,042	929,014	930,863
Net Profit attributable to members	538,595	802,642	882,319	702,955
Balance Sheet				
Total Assets	23,652,828	28,422,734	30,572,360	37,749,263
Total Liabilities	22,273,979	26,300,422	27,009,186	33,341,157
Total Stockholders' Equity	1,378,849	2,122,312	3,563,174	4,408,106
Total Funds Under Management	24,564,132	30,697,330	31,720,431	38,519,109
Outstanding Shares*	276,825,714	290,385,731	303,194,744	309,258,639
Key Financial Ratios				
Earnings per share (cents)	1.95	2.76	2.85	2.27
Book Value per share	4.98	7.31	11.75	14.25
Efficiency Ratio	54%	51%	51%	57%
Return on Average Equity	55%	58%	42%	20%
Return on Average Asset	2%	3%	3%	2%
Net Profit Growth (% growth)	125%	49%	10%	-20%
Asset Growth (% growth)	7%	20%	8%	23%
Equity Growth (% growth)	41%	54%	68%	24%
Average Equity	1,178,897	1,750,581	2,842,743	3,985,640
Average Assets	22,879,472	26,037,781	29,497,547	34,160,812
Net Revenue	1,192,156	1,656,646	1,815,443	1,630,965

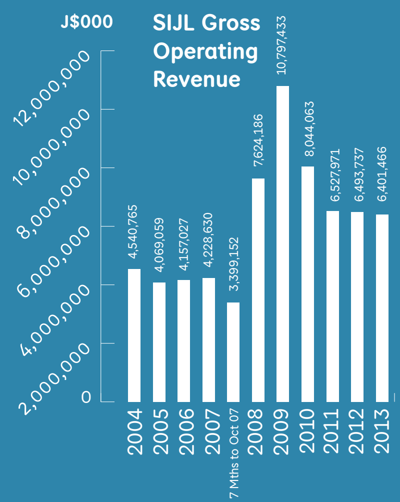
**Weighted average number of ordinary stock*

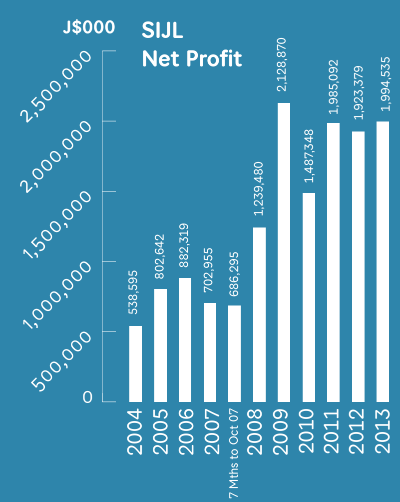
7 Mths to Oct-2007 J$ ('000)	2008 J$ ('000)	2009 J$ ('000)	2010 J$ ('000)	2011 J$ ('000)	2012 J$ ('000)	**2013 J$ ('000)**
3,399,152	7,624,186	10,797,433	8,044,063	6,527,971	6,493,737	**6,401,466**
724,633	1,960,014	3,359,099	3,105,843	2,816,466	2,812,148	**2,713,029**
340,353	642,217	657,105	701,072	1,065,049	1,294,014	**1,645,611**
595,607	1,062,059	1,360,236	1,228,395	1,260,446	1,368,359	**1,659,672**
686,295	1,239,480	2,128,870	1,487,348	1,985,092	1,923,379	**1,994,535**
56,352,603	65,996,518	74,010,727	70,974,893	72,854,001	73,871,395	**73,746,560**
50,402,165	60,224,614	66,323,735	62,139,376	62,558,746	62,497,336	**61,254,671**
5,950,438	5,771,904	7,686,992	8,835,517	10,295,255	11,374,059	**12,491,889**
84,480,969	96,790,241	109,433,421	118,884,463	135,213,981	138,302,969	**143,679,286**
374,364,997	423,194,765	423,194,765	423,194,765	423,194,765	423,194,765	**423,194,765**
1.83	2.93	5.03	3.51	4.69	4.54	**4.71**
15.89	13.64	18.16	20.88	24.33	26.88	**29.52**
57%	41%	34%	33%	32%	33%	**37%**
14%	21%	32%	18%	20%	17%	**17%**
1%	2%	3%	2%	3%	3%	**3%**
**67%	5%	72%	-30%	33%	-3%	**4%**
49%	17%	12%	-4%	3%	1%	**0%**
35%	-3%	33%	15%	17%	10%	**10%**
5,179,272	5,090,005	6,729,448	8,261,255	9,565,386	10,834,657	**11,932,974**
47,050,933	51,872,891	70,003,623	72,492,810	71,914,447	73,362,698	**73,808,978**
1,053,094	2,599,695	3,944,492	3,672,952	3,907,622	4,127,582	**4,456,194**

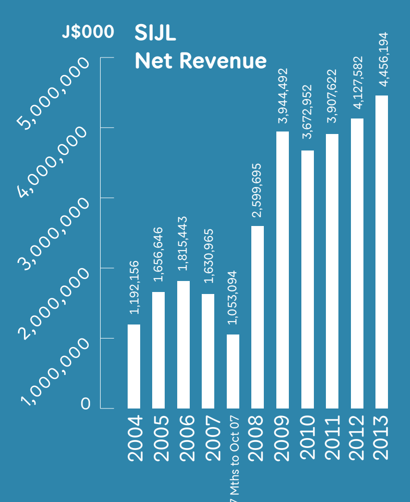
***Based on annualised Net profit after tax for 7 months ended Oct 2007*

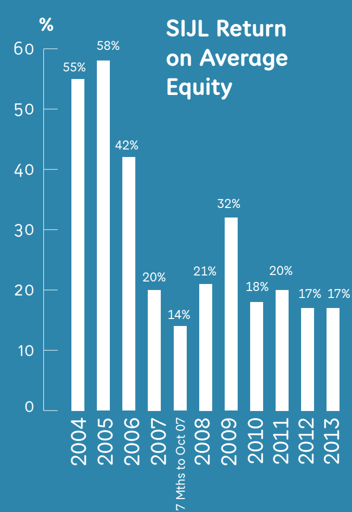
2013 Financial Highlights











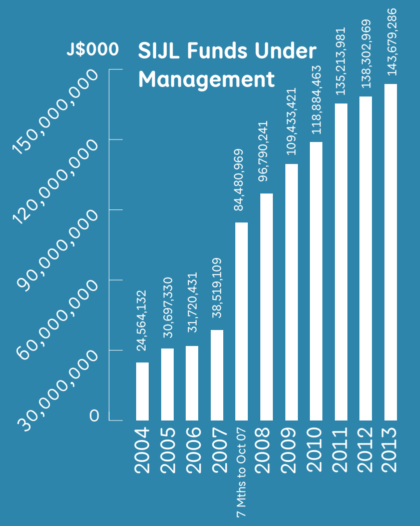
Stockholders' Equity
Stockholders' Equity represents the equity stake currently held on the books by a firm's ordinary shareholders. It is calculated either as a firm's total assets minus its total liabilities or as share capital plus retained earnings minus treasury shares.

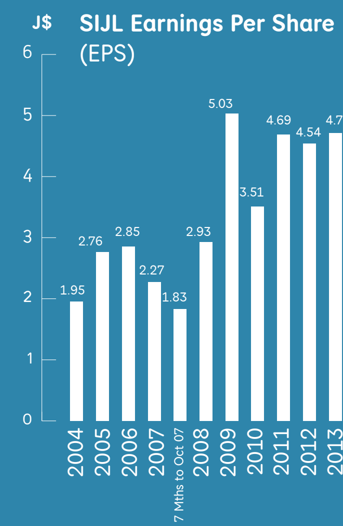
Return on Average Equity
A measure of a company's profitability that indicates the profit per unit of equity invested in the company. Return on Equity is often calculated by dividing net income by average shareholders' equity. Average shareholders' equity is calculated by adding the shareholders' equity at the beginning of a period to the shareholders' equity at period's end and dividing the result by two.

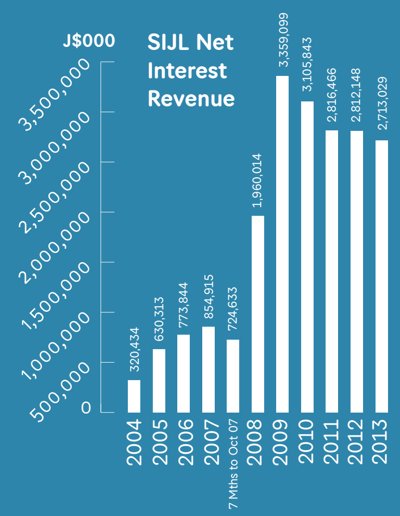
Return on Assets (ROA)
An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. ROA is calculated by dividing a company's annual earnings by its total assets. ROA tells what earnings were generated from invested capital (assets). The ROA figure gives investors an idea of how effectively the company is converting the money it has to invest into net income.

Net Income (NI)
A company's total earnings (or profit) which is calculated by taking revenues and adjusting for operating costs, depreciation, interest, taxes and other expenses. The number is found on a company's income statement and is an important measure of how profitable the company is over a period of time. The measure is also used to calculate earnings per share. Net Income is often referred to as "the bottom line" since net income is listed at the bottom of the income statement.

Net Revenue
The amount of money that a company actually earns during a specific period, excluding impairment losses.





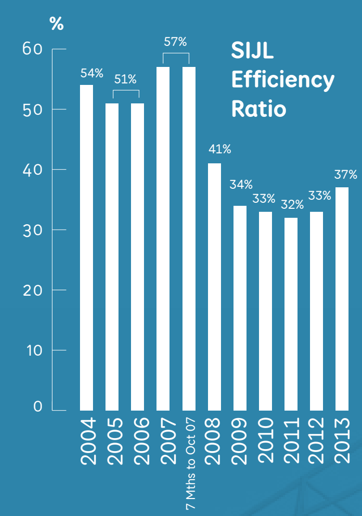


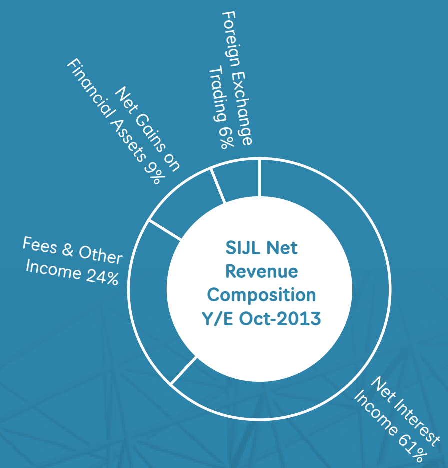
Gross Operating Revenue
The amount of profit realized from a business' own operations, but excluding operating expenses.

Earnings Per Share (EPS)
The portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share are generally considered to be the single most important variable in determining a share's price. EPS is also a major component of the price-to-earnings valuation ratio.

Efficiency Ratio
A ratio used to evaluate the overhead structure of a financial institution. The efficiency ratio gives us a measure of how effectively a company is operating. Efficiency is usually an acceptable measure of profitability as the more efficient companies are those that are able to generate increased revenues while containing increases in operating costs. The efficiency ratio may be calculated in a number of ways, but the most common is non-interest expense divided by total revenue less interest expense (net revenue). An increasing efficiency ratio means the company is losing a larger percentage of its income to expenses. If the ratio is getting lower, it is good for the company and its shareholders.

Net Interest Income
Net interest income (NII) is the difference between the interest income earned and the interest payments made to customers.
NII = (Interest earned on assets) - (interest payments on liabilities)
Depending on the firm's specific portfolio of assets and liabilities (fixed or floating rate), the firm's NII can be more or less sensitive to the changes in interest rates.





Management's Discussion & Analysis

INTRODUCTION

Scotia Investments Jamaica Limited (SIJL) continues to provide high quality financial services, supported by a network of 4 branches and 154 employees. We are a 77.01% subsidiary of Scotia Group Jamaica Limited ("Scotia Group") which is incorporated and domiciled in Jamaica with the ultimate parent company, Bank of Nova Scotia, headquartered in Toronto, Canada.

We are a licensed securities dealer, a member of the Jamaica Stock Exchange and have primary dealer status from the Bank of Jamaica. The principal activities of the Company comprise investment advisory and brokerage services, portfolio management, fund management, investment management services for pension plans and operating foreign exchange cambios. We deliver investment products to both retail and institutional clients as well as structured financing arrangements to corporate clients through our Capital Markets unit.

OUR ENVIRONMENT

Scotia Investments operated in a very challenging environment during the financial year with macroeconomic headwinds which directly impacted our profitability. Jamaica's weak fiscal position led to an agreement with the International Monetary Fund (IMF) and other multilateral donor agencies to embark on an aggressive fiscal reform program in exchange for a 4-year facility aimed at supporting the country.

The fiscal reform program has largely been of a contractionary nature, with the implementation of an aggressive tax package and a 3-year wage freeze for public sector workers. Also included in the reforms was the implementation of the National and Private Debt Exchange programs in which $860 billion of Government of Jamaica (GOJ) bonds were swapped for new bonds with longer maturities and lower coupons. This allowed the government to reduce its debt obligations by $17 billion over the next seven years. Scotia Investments participated in this program, exchanging J$41.1 billion and US$22.9 million, which resulted in an immediate loss on our Revenue and Expense Statement of approximately $230 million, as well as ongoing lower income from investments.

On a micro level, business and consumer confidence indices in September 2013 are almost at record lows as consumers are faced with shrinking disposable incomes and the private sector is expecting further declines in profitability. The confidence indices stem from general economic uncertainty related to six quarters of negative economic growth. As at the Government's second quarter of the year, point to point inflation (as at October 2013) was 10.33% and there was a 15.32% or $13.96 decline year over year (to October 31, 2013) in the Jamaican dollar against its US counterpart.

Notwithstanding these challenges, the collective investment industry (unit trusts and mutual funds) grew by 9.96% to US$701.3 million during the year to October 2013 as customers moved to diversify their portfolios.

AT A GLANCE

Scotia Investments delivered Net Profit available to common shareholders of $1.99 billion, while our return on equity remained strong at 16.55%. These results, which translate to earnings per share of $4.71 up 3.74% over the previous year, were realised because of our diversified business model, prudent risk management practices and our employees' innate ability to dominate the financial services market with targeted value propositions to you our customers.

Management's Discussion & Analysis

In a competitive financial services industry, SIJL remains a dominant player in the investment sector…

In a competitive financial services industry, SIJL remains a dominant player in the investment sector, and boasts a 48% share in the total collective investment schemes sector. Our success was achieved primarily through the execution of our long-term strategy to grow our off-balance sheet. This year, non-interest revenue represented 38% of total revenue, coming from 16% five years ago, and this is a testament to the trust our clients have placed in us as they sought stability through diversification of their portfolios.

Our growth was achieved within our risk tolerance levels due to strong management and oversight. Our risk management framework incorporates risk principles and risk appetite measures which guide the management of our business lines. During the year, our provision for credit losses was reduced by $370 million due to the recovery of a significant impaired loan.

SIJL is committed to maintaining a solid capital base as we continue to exceed the regulatory capital requirement. We have reinvested 61.81% of our dividends into the business, growing our capital base by $1.1 billion during the year. This will ensure that we continue to deliver to our valued customers, as well as strategically position the company to take advantage of any future opportunities.

Financial Highlights	2013	2012
	$000's	$000's
Total Assets	73,746,560	73,871,395
Pledge Assets	62,860,190	65,441,552
Investment Securities	5,180,082	4,200,586
Liabilities under Repurchase Agreements	44,865,128	45,684,047
Shareholder's Equity	12,491,889	11,374,059
Net profit after tax	1,994,535	1,923,379
Return on equity	16.55%	17.4%
Earnings per share (cents)	471	454
Dividend per share (cents)	180	174

OUR STRATEGY

Our strategic imperatives are the roadmap for our continued long-term success and are geared towards leveraging our team's strengths to meet the complex and dynamic needs of our customers, while generating sustainable and profitable growth.

As we look to the future, our economic environment is still characterised by heightened concerns about the direction of local macroeconomic policies and the sustained implementation of policies that are critical to building a better future for Jamaica. These concerns could continue to impact local investor sentiment, but we also see opportunities to grow our business lines and are well positioned to do so. As indicated last year, our strategic response to the environment maintains the same focus on the four key pillars for long-term success:

Customer Intimacy: Customers are at the heart of everything we do and we are striving to better understand their needs to provide them with relevant solutions, appropriate advice and exceptional service. We are on a mission to create special experiences for our clients when interacting with them to generate high levels of customer satisfaction and strengthen brand loyalty.

High Performance Culture: Our continuing strategy is to align employee objectives and business processes with our business strategy; focus on developing, recruiting and retaining top talent; re-evaluate compensation, rewards and recognition practices; build leadership bench strength and ensure that employees enjoy a good work life balance.

Operational Efficiency: Greater utilisation of technology and streamlining of processes are ongoing initiatives within the company. We continue to leverage the size and international footprint of our parent company to drive efficiencies and proactively manage expenses.

Sustainable Profit Growth: We remain focused on growing non-interest revenues by continuing to develop a diverse suite of fee-based products and services that offer unique client value propositions. This effort will be supported by an expansion in our proven and trusted portfolio advisory approach to client interaction.

Our strategy is grounded in our robust risk management culture where risks must be understood, measured and managed. Our risk management framework incorporates risk principles and risk appetite measures which guide the management of our business lines. We continued to strengthen our risk management framework and processes throughout the year.

The quality of our business is underpinned by a well-diversified product suite complimented by deep and long-lasting relationships with our customers, and an excellent team. Our strategy is clear; the business model is well balanced and has proven its effectiveness during challenging times. This augurs well for the future, as we strive to remain the institution of choice in the Jamaican financial services sector.

FINANCIAL PERFORMANCE

PROFIT & LOSS HIGHLIGHTS

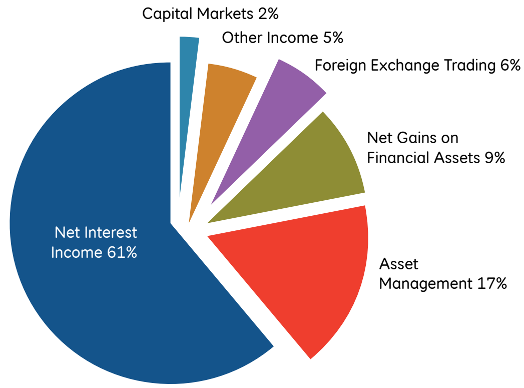
Total Revenue

Total revenue was $4.46 billion in 2013, an increase of 8% or $0.33 billion over the prior year. Net interest income recorded a decline of 4% as a result of lower interest margins in the context of the operating environment after the debt exchanges. Nevertheless, as we continue to focus on our long-term strategic imperative to grow our off balance sheet business, the contribution of net interest income to total revenue continues to decline, representing 61% in 2013 versus 68% in 2012.

The continued growth in our off-balance sheet business allowed us to achieve an increase of 16% in our assets management revenues. The growth in our capital market revenues is testament to the number of deals executed in 2013, as SIJL becomes a major player in that segment of the market. Net gains on financial assets and foreign exchange trading revenues increased from the market making activities of our Treasury unit and movement in the exchange rate. The JMD/USD exchange rate depreciated by 15% during the year.

	2013	2012	Change	
	$000	$000	$000	%
Net Interest Income	2,713,029	2,812,148	(99,119)	(4)
Asset Management	744,390	639,625	104,765	16
Net Gains on Financial Assets	425,511	333,202	92,309	28
Foreign Exchange Trading	256,000	115,433	140,567	122
Capital Markets	108,801	79,373	29,428	37
Other Income	208,463	147,801	60,662	41
	4,456,194	**4,127,582**	**328,612**	**8**

Total Revenue 2013



Net Interest Income

We recorded net interest income of $2.71 billion in 2013, down $99 million from last year. In line with the lower interest rate environment, the earning asset yield continued the downward trend; however, the overall results were achieved through the proactive management and control over spreads.

The average yields on JMD earning assets decreased relative to prior year by 54 basis points to 7.56%, while the average volumes reduced marginally by $0.7 billion to $43.9 billion. The average yields on our USD earning assets decreased relative to prior year by 134 basis points to 5.53%, and the average volumes decreased by US$46.8 million or 17.3% to US $224.1 million.

Interest expense decreased by $0.34 billion to $2.04 billion as at the year-end and the company's net interest margin on its JMD earning assets portfolio decreased relative to prior year by 31 basis points to 2.32%. The net interest margin on the USD earning assets portfolio also decreased relative to prior year by 8 basis points to 4.64%.

Our margins were well managed during the period despite the impact of the reduced incomes from government instruments as a result of the National and Private debt exchanges and competitive pressures.

Net Interest Income ($ Billions)

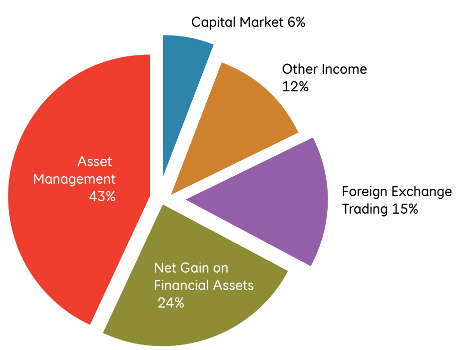
Management's Discussion &
Analysis

Other income was $1.64 billion for the year, up $0.35 billion or 27.0% over last year.

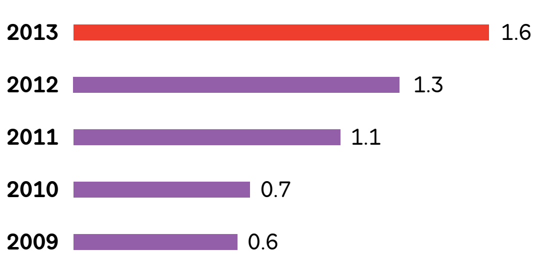
Non-Interest Income

Other income, which represents all non-interest income, is comprised of fees and commission income, foreign exchange trading income, net gains on financial assets and other revenue. Other income was $1.64 billion for the year, up $0.35 billion or 27.0% over last year. The increase was driven largely by the growth of $140 million in our foreign currency trading income as a result of exchange rate movements during the year. Commensurate with the growth in off-balance sheet business, related fees have increased by $105 million. Growth of 28% in gains from net gains on financial assets was after taking into account losses of $0.23 billion resulting from our participation in the government debt exchanges during the year.

2013 Non-Interest Revenue



Non Interest Income ($ Billions)



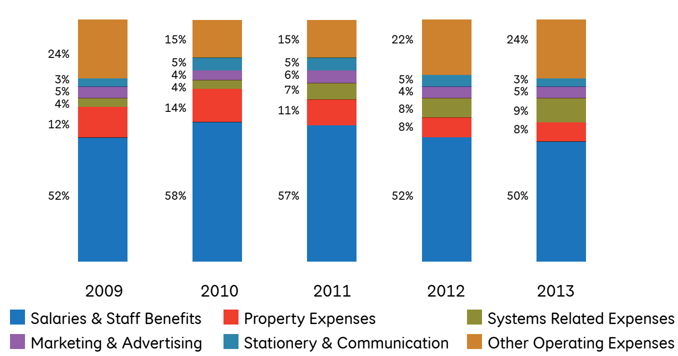
Non-Interest Expenses

Non-Interest expenses for the year totalled $1.660 billion, up $291 million or 21% over last year. We continued our efforts to focus on expense management during the year; however, the impact of the devaluation of the Jamaican dollar was a significant factor, as we continue to rely on regional and international support.

	2013	2012	Change	
	$000	$000	$000	%
Salaries & Staff Benefits	834,697	715,595	(119,102)	-17
Property Expenses	137,331	112,100	(25,231)	-23
System Related Expenses	157,645	106,626	(51,019)	-48
Marketing & Advertising	81,820	61,039	(20,781)	-34
Stationery & Communication	57,114	67,501	10,387	15
Other Operating Expenses	391,065	305,498	(85,567)	-28
	1,659,672	**1,368,359**	**(291,313)**	**-21**

Salaries and employee benefits costs, the largest component of our expenses, were $0.835 billion, up $0.119 billion or 17% over last year. Salary costs rose by 17% as a result of a contractual and other salary increases during the financial year. This component of the total operating costs represented a 50% allocation in 2013, down from the 52% last year and also consistent with the downward trend for the past 5 years.

Non-Interest Expense Allocation

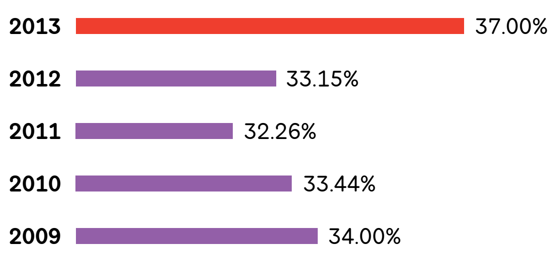


Systems-related expenses and property expenses were up $51 million and $25 million respectively over last year, due mainly to the devaluation of the Jamaican dollar.

Marketing and advertising expenses increased by 34% or $21 million due to activities related our unit trust campaigns. Other expenses increased by $85 million or 28% over the past year largely due to costs related to legal provisions.

Our productivity ratio, total operating expense as a percentage of total revenue, increased to 37% from 33% in 2012. The decline in productivity in 2013 is attributable to the net effect of our growth in operating costs of 21% outpacing our growth in revenues of 8%.

Productivity Ratio (%)



Taxes

In 2013, our income tax expense was $0.802 billion, down 4% or $34 million from last year. The reduction is attributable to the impact of the NDX on interest receivable and payable given the change in the terms and payment dates of the new instruments exchanged under the program.

Credit Quality

Total loan loss provisions at the end of the year stood at $1.5 million down $370 million over last year due to the pay-out of the impaired loans that were reported last year. The loan loss provisions are determined by IFRS and are based on the present value of the expected future cash flows that may arise from a restructured payment arrangement with the debtors or the foreclosure less costs associated with the sale for the collateral. As at the end of the financial year, total loan loss provisions represented 100% of total non-performing loans (2012: 50.7%).

Summary of Quarterly Results

Scotia Investments experienced four quarters of strong performance as net income has been relatively stable throughout the year (quarterly average of $0.491 billion, 2012: $0.480 billion). Our peak performance occurred in the last quarter and although our operating expenses have been carefully managed throughout the year, the increase in the last quarter was as a result of a legal provision.

	2013				2012			
($BILLIONS)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross Operating Income	1.714	1.469	1.618	1.697	1.608	1.653	1.602	1.629
Total Operating Income	1.108	0.950	1.178	1.220	1.004	1.068	1.022	1.033
Operating Expenses	0.428	0.417	0.366	0.447	0.338	0.319	0.327	0.384
Net Profit	0.487	0.372	0.563	0.573	0.499	0.536	0.476	0.412
Earnings per share (cents)	115	88	133	135	118	127	113	97
ROE (percentage)	16.94	12.63	18.69	18.59	19.09	19.86	17.17	14.57
Total Assets	**74.630**	**73.618**	**72.652**	**73.746**	**73.503**	**73.374**	**72.116**	**73.871**
Stockholder's Equity	**11.633**	**11.924**	**12.164**	**12.492**	**10.618**	**10.973**	**11.238**	**11.374**

While we experienced growth primarily in the cash resources, our stock of investment assets and loan portfolio declined...

FINANCIAL CONDITION

BALANCE SHEET HIGHLIGHTS

Assets

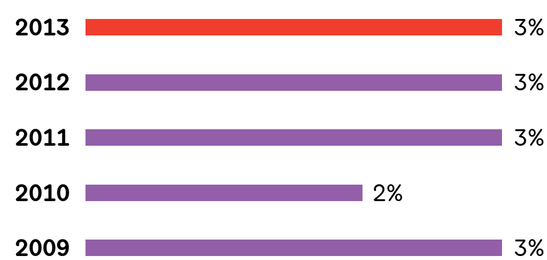
Total assets of $73.7 billion at year end were marginally below the $73.9 billion reported last year. While we experienced growth primarily in the cash resources, our stock of investment assets and loan portfolio declined, in line with our thrust to focus on our off-balance sheet business.

Cash Resources
Our cash resources held to meet our cash outflow obligations and respond effectively to unexpected liquidity events stood at $1.98 billion (2012: $1.01 billion). This growth is largely due to inflows from maturity of investments that were placed on short-term instruments at other institutions.

Securities
Total investment securities, including pledged assets, decreased by $1.524 billion to $68.3 billion. Pledged assets, mainly relating to securities sold under repurchase agreements and the capital management accounts, declined by $2.58 billion to $62.8 billion and represented 92% (2012: 94%) of total investment securities. This is in line with our strategy to move assets off balance sheet in order to adequately respond to upcoming changes in capital adequacy requirements from the regulators and place greater emphasis on growth in our Unit Trust and Mutual Fund business which resides off balance sheet.

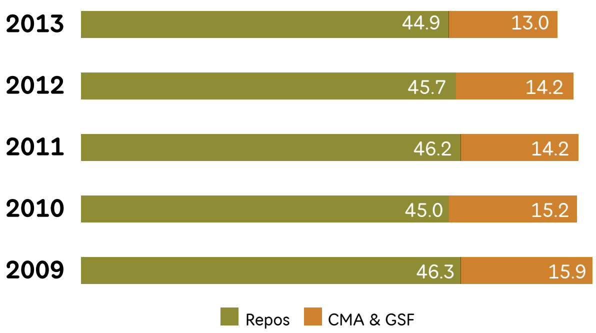
Loans
Our loan portfolio after allowances for impairment amounted to $80 million, down $348 million from the $428 million for the prior year. The significant reduction was due to the payout of an impaired loan that was partially provided for. The credit exposure for loans reflected at their carrying value shows the highest concentration among personal loans.

Return on Average Assets

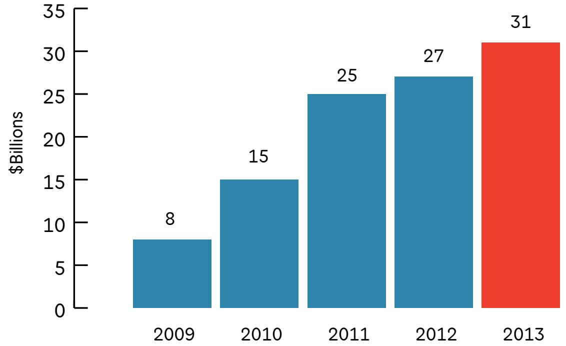


	2013		2012	
	$000's	%	$000's	%
Financial assets at fair value through statement of revenue and expenses	253,305	0.37	175,313	0.25
Pledged assets	62,860,190	92.04	65,441,552	93.73
Investment securities: available-for-sale	5,180,082	7.59	4,200,586	6.02
Total securities	**68,293,577**	**100.00**	**69,817,451**	**100.00**

Repurchase Agreements and Capital Management Accounts ($Billions)



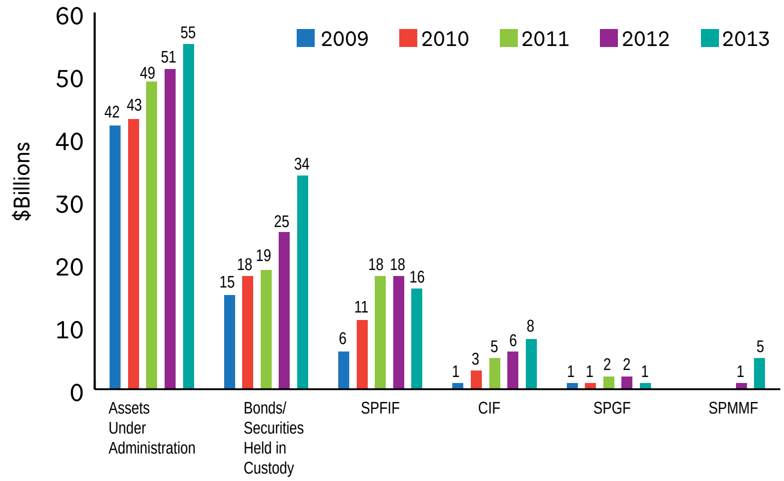
Managed Funds (Unit Trust & Mutual Funds)



Off Balance Sheet Portfolio

5 Year movement showing over 83% ($65 Billion in 2009 vs $119 Billion in 2013)

Year/year movement of 15% ($103 Billion in 2012 vs $119 Billion in 2013)



Liabilities

Total liabilities were $61.3 billion as at October 31, 2013, a reduction $1.2 billion or 2% from last year, driven solely by the reduction in our customer's investment base.

Obligations related to repurchase agreements, capital management and government securities funds

These represent funds invested by our clients; the total obligations declined by $2 billion or 3.3% during the year as we focused our customers towards wealth creation through mutual fund and unit trust vehicles. Consequently, there was a $4 billion increase in our off-balance sheet managed funds portfolio as we maintained our dominant position in the unit trust and mutual fund industry.

Funds Under Management

Scotia Investments maintained its overall dominant position in the provision of investment management services. As at October 31, 2013, the off-balance sheet portfolio was $86 billion, which represented 60% of the total assets under management; with client funds under management on balance sheet of $58 billion, representing the remaining 40%. In addition, assets under custodial arrangements totalled $34 billion (2012: $25 billion).

The funds included in the off-balance sheet portfolio are managed on a non-recourse basis on behalf of investors and the Group has no equitable rights or interest.

The funds managed through the unit trusts and mutual funds totalling $31 Billion (2012: $27 billion) are up 15%, due to both growth in volume and appreciation in value of the funds.

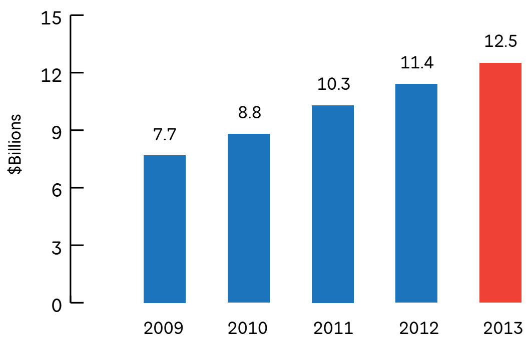
- *The Scotia Money Market Fund which was launched two years ago, continues to experience significant inflows, and has achieved an impressive $5 billion mark.*
- *The Caribbean Income Fund (CIF) achieved a 19% increase in net asset value to end the year at US$76 million (2012: US$64).*

Other funds under administration for which the Group provides investment management advisory and trustee services to third parties stood at $55 billion (2012: $51 billion). The 8% increase over last year was influenced primarily by contributions to the funds over the year as well as an appreciation in the value of the assets of the funds.

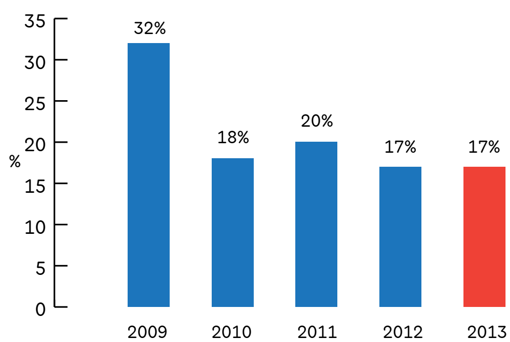
Shareholders' Equity

Total shareholders' equity rose to $12.5 billion in 2013, $1.1 billion more than prior year. This represented a 9.8% increase influenced primarily by retained earnings.

Shareholders' Equity



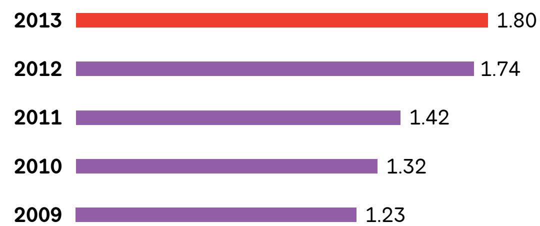
Return on Equity



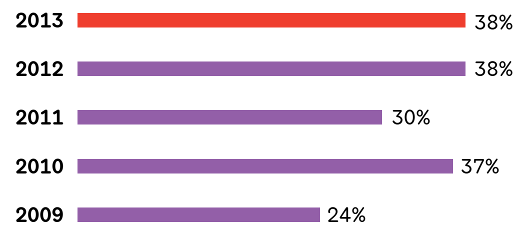
Shareholders' Return

Shareholders continued to receive quarterly dividends, which totalled $1.80 per share for this year. We remain focused on achieving sustainable, long-term earnings growth and stable dividend income streams to our shareholders. The dividend payout ratio for 2013 was 38.19% compared to 37.84% last year.

Dividend Per Share



Dividend Payout Ratio



Capital Adequacy

Scotia Investments maintains a strong capital base to support the risks associated with its diversified businesses. This base contributes to safety for our customers and fosters investor confidence, while allowing the company to take advantage of growth opportunities that may arise. Our risk-based capital adequacy ratio, a measure of the Company's overall strength, continues to exceed the regulatory requirements and remains among the highest of its peer group. As at October 31, 2013, capital adequacy ratio was 41.45% (2012: 36.67%), which was 31.45% (2012: 26.67%) in excess of the regulatory requirement of 10%.

BUSINESS OUTLOOK

For fiscal year 2014, Scotia Investments remains committed to working assiduously to identify innovative products and investment opportunities to satisfy the needs of our diverse client base, thereby allowing our clients to become financially better off. Our team is dedicated to delivering excellent client service while driving value for our various stakeholders.

The outlook for the financial sector is for moderate growth as the effects of a tight economy linger through 2014. We will continue our focus on our long-term strategic initiative to grow our off-balance sheet business and further reduce our reliance on interest income.

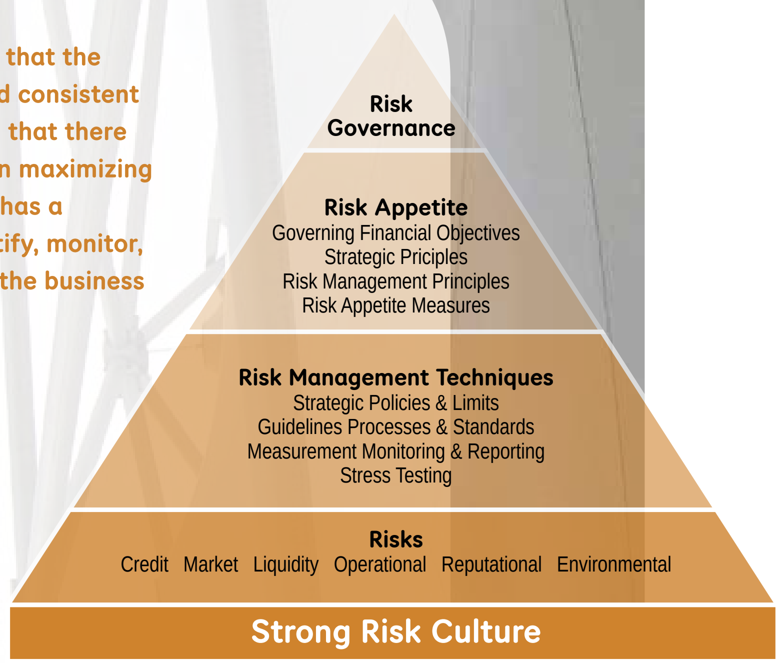

“The time is now.”
“I’m ready to achieve my goals.”
The right financial advice is priceless.
Expertise matters right now, when I want to protect my wealth. I’ve set the course, defined my goals and through the expertise of my Scotia Investments advisor I’m bringing it all to life. Having my Scotia Investment advisor on my side is like having my own personal coach to help me achieve financial victory.
Scotia Investments™
™ Trademark of the Bank of Nova Scotia, used under licence.

RISK Management

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are predictable and consistent with the company's strategies and risk appetite, and that there is an appropriate balance between risk and reward in maximizing shareholder returns. To this end, Scotia Investments has a comprehensive risk management framework to identify, monitor, evaluate and manage the principal risks assumed in the business activities.

Risk Management Framework

The risk management framework includes risk principles, organisational structures, and risk measurement and monitoring processes that are closely aligned with the activities of the business units. The framework is supported by a robust risk management culture perpetuated throughout Scotia Group Jamaica Limited & its affiliates (Scotia Group).



Each of the components in the framework is continually reviewed and updated to ensure that they are consistent with risk-taking activities, and remain relevant to the business and financial strategies of the company.

Scotia Investments' risk management framework consists of three key elements, which is consistent with the framework for Scotia Group:

- **Risk Governance,**
- **Risk Appetite, and**
- **Risk Management Techniques**

Risk governance - The Company has a well-established risk governance structure, with an active and engaged Board of Directors supported by an experienced senior management team, and the Scotia Group centralized risk management function that is independent of the business lines. Decision-making is highly centralized through a number of senior and executive risk management committees. The Board approves key risk policies, limits, strategies, and risk appetite and receives quarterly updates on the key risks of the company's risk profile and performance of the portfolios against defined goals. Scotia Group's Internal Audit department reports independently to the Board (through the Audit and Conduct Review Committee) on the effectiveness of the risk governance structure and risk management framework.

Risk appetite - The Company's Risk Appetite Framework governs risk taking activities on an enterprise-wide basis. It consists of four components, and combines qualitative as well as quantitative terms of reference to guide the company in determining the amount and types of risk it wishes to prudently undertake.

Risk management techniques - Effective risk management includes techniques that are integrated with the Group's strategies and business planning processes. Risk management techniques are regularly reviewed and updated to ensure consistency with risk-taking activities, and relevance to the business and financial strategies of the company.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour a financial or contractual obligation to the Group. Credit risk is created in Scotia Investments' direct lending operations, and in its funding, investment and trading activities where counterparties have repayment or other obligations to the Firm.

The Credit Risk framework for Scotia Investments seeks to support business outcomes that are consistently within the risk tolerance of the company. Doing this involves ensuring that target markets and product offerings are well defined and understood; risk parameters for new underwritings and for the portfolios as a whole are clearly specified, and consistently complied with; activities, including origination and syndication are managed in a manner to ensure the goals for the overall portfolio are met; and transactions are initiated and monitored within applicable limits.

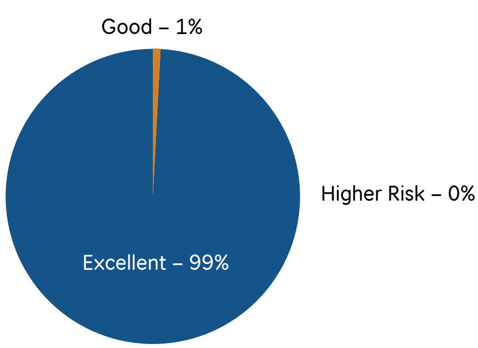
Risk Management

The Board of Directors reviews and approves market risk policies and limits annually.

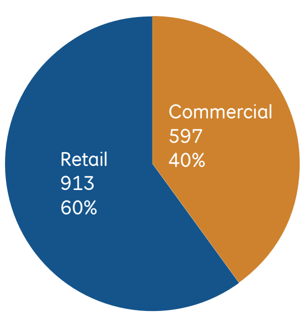
Scotia Investments' credit risk management revolves around Group credit risk policies, business specific policies, a defined credit risk strategy and risk appetite, business ownership in managing risks, and centralised Group expertise to assist in identification, guidance, and oversight of credit risk elements including adjudication of large loans and/or management of exception exposures.

Scotia Investments' credit portfolio includes personal, private sector, and sovereign borrowers. Private sector exposure is generally secured by marketable securities. The credit risk approaches applied meet the objectives of client friendly yet risk appropriate credit adjudication and lending standards. Scotia Investments' periodically reassesses its credit risk policies and methodologies and makes enhancements when necessary.

Credit Quality of SIJL Loans & Credit Commitments



Non-Performing Loans by Business Segment



Market Risk

Market risk is the risk of loss from changes in market prices and rates (including interest rates, credit spreads, equity prices, and foreign exchange rates), the correlations among them, and their levels of volatility.

The Board of Directors reviews and approves market risk policies and limits annually. The Asset & Liability Committee (ALCO) oversees the application of the framework set by the Board, and monitors the company's market risk exposures and the activities that give rise to these exposures. The Board of Directors establishes specific operating policies, and sets limits at the product, portfolio, business unit and business line levels, and for the company in total. Limits are reviewed at least annually.

The Scotia Group's Market Risk Management unit provides independent oversight of all significant market risks, supporting the ALCO with analysis, risk measurement, monitoring, reporting, proposals for standards and support for new product development. To ensure compliance with policies and limits, market risk exposures are independently monitored on a continuing basis, by Market Risk Management and by the Treasury Back Office support units. They provide senior management, business units, and the ALCO with a series of daily, weekly and monthly reports of market risk exposures by business line and risk type.

Areas of Market Risk Exposure

Types of Risk	Investment Activities	Trading Activities	Funding Activities
Interest Rate Risk	√	√	√
Foreign Currency Risk	√	√	√
Credit Spread & Equities Risk	√	√	

Investment and Funding Activities

Market risk arising from the Company's investment and funding activities is identified, managed and controlled through the company's asset-liability management processes. The ALCO meets monthly to review risks and opportunities, and evaluate performance.

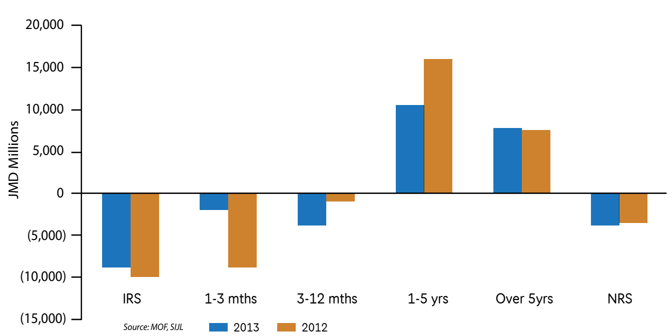
Interest Rate Risk

The Company actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk is managed in accordance with Board-approved policies and limits, which are designed to control the risk to income and economic value of shareholders' equity. The income limit measures the effect of a specified change in interest rates on the company's annual net interest income, while the economic value limit measures the impact of a specified change in interest rates on the present value of the Company's net assets. Interest rate exposures in individual currencies are also controlled by gap limits.

Gap analysis, simulation modeling, sensitivity analysis and Value at Risk (VaR) are used to assess exposures and for planning purposes. Interest rate risk exposure is generally based on the earlier of contractual re-pricing or maturity of the Group's assets and liabilities. Certain assets and liabilities without a fixed maturity (such as credit cards and savings deposits) are assigned a maturity profile based on the longevity of the exposure. Common shareholders' equity is assumed to be interest rate sensitive between one and three months.

The interest rate risk exposure for the Company is summarized in Note 35.

Static Interest Rate Gap



Foreign Currency Risk

Foreign currency risk arises from foreign currency operations.

The company mitigates the effect of foreign currency exposures by financing its foreign currency assets with borrowings in the same currencies. The differences between foreign currency assets and liabilities are reflected in either positive or negative spot positions. Spot position limits are approved by the Board at least annually, and the ALCO reviews and manage these positions.

The foreign currency risk exposure for the Company is summarized in Note 35.

Equity Risk

Equity Risk is the risk of loss die to changes in the prices and the volatility of individual equity instruments and equity indices. The Board sets limits on the level of exposure and diversification. This is a key strategy employed to reduce the impact of non-performance of a specific class of assets.

The equity risk exposure for the Company is summarized in Note 35.

Trading Activities

Scotia Investments' policies, processes and controls for trading activities are designed to achieve a balance between pursuing profitable trading opportunities and managing earnings volatility within a framework of sound and prudent practices. Trading activities are primarily customer focused, but also include a proprietary component. In its trading activities, the company buys and sells currencies in the spot market; equities and bonds for its customers. Gains and losses from these activities are included in other income.

Market risk arising from these activities is managed in accordance with Board-approved policies, and aggregate VaR limits. The quality of the company's VaR is validated by regular backtesting analysis, in which the VaR is compared to theoretical and actual profit and loss results.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, settlement of securities borrowing and repurchase transactions, and lending and investment commitments.

Effective liquidity risk management is essential in order to maintain the confidence of clients and counterparties, and to enable the core businesses to continue to generate revenue, even under adverse circumstances.

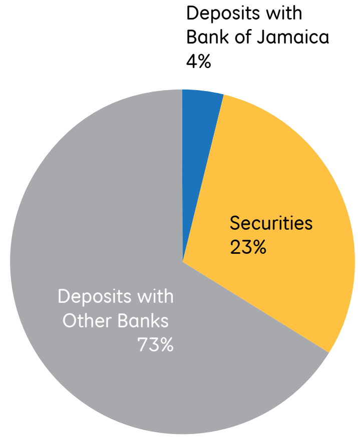
Liquidity risk is managed within the framework of policies and limits that are approved by the Board of Directors. The Board receives reports on risk exposures and performance against approved limits. The Asset & Liability Committee (ALCO) provides senior management oversight of liquidity risk and meets monthly to review the company's liquidity profile.

Risk Management

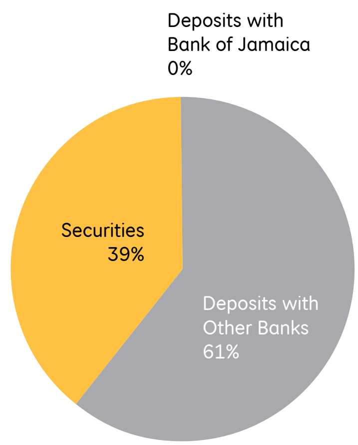
The key elements of the liquidity risk framework are:

- **Measurement and modelling –** the company's liquidity model measures and forecasts cash inflows and outflows, including off-balance sheet cash flows on a daily basis. Risk is managed by a set of key limits over the maximum net cash outflow by currency over specified short-term horizons (cash gaps) and a minimum level of core liquidity.
- **Reporting –** independent oversight and reporting of all significant liquidity risks through analysis, risk measurement, stress testing, monitoring and reporting.
- **Contingency planning –** the company maintains a liquidity contingency plan that specifies an approach for analyzing and responding to actual and potential liquidity events. The plan outlines the governance structure for the management and monitoring of liquidity events, processes for effective internal and external communication, and identifies potential counter measures to be considered at various stages of an event. The liquidity contingency plan is approved by the Board of Directors.
- **Funding diversification –** the company actively manages the diversification of its client liabilities by source, type of client, instrument, and term.
- **Core liquidity –** the company maintains a pool of highly liquid assets that can be readily sold or pledged to secure borrowings, under stressed market conditions or due to company specific events.

Liquid Assets



2013



2012

Liquidity Profile

The Company maintains large holdings of liquid assets to support its operations. These assets generally can be sold or pledged to meet the Group's obligations. As at October 31, 2013 liquid assets were $12.7 Billion or 17% of total assets, compared to $11.4 Billion or 15% of total assets as at October 31, 2012.

Operational risk

Operational risk is the risk of loss, whether direct or indirect, to which the Company is exposed due to inadequate or failed internal processes or systems, human error, or external events. Operational risk includes legal and regulatory risk, business process and change risk, fiduciary or disclosure breaches, technology failure, financial crime and environmental risk. It exists in some form in every business and function.

The impact of Operational risk may not only result in financial loss, but also regulatory sanctions and damage to the Company's reputation.

Scotia Investment has adopted the policies, processes and assessment methodologies utilized by Scotia Group to ensure that operational risk is appropriately identified and managed with effective controls. The governing principles of the Group's operational risk management program include:

- A clear, effective and robust governance structure with well defined, transparent and consistent lines of responsibility. The Operational Risk Management Framework is based on the three lines of defense operating model:
  - The Business Line owns the operational risks in their operations;
  - Operational Risk and Control functions provide independent oversight and develop the methodologies, policies, process and tools to support the Operational Risk Management Framework; and
  - Internal Audit provides independent validation of the effectiveness of framework.
- Senior Management within the Business Lines is responsible for implementing the Operational Risk Management Framework to ensure the ongoing management of operational risks;
- Processes are developed and implemented with a goal of managing and mitigating operational risk, and as a result minimizing operational risk losses;
- All material operational risks, including risks due to new products/ services or changes to existing products/ services, are identified, managed, measured, monitored and reported;
- Operational Risk Management information is meaningful and is leveraged in business decision-making;
- The Operational Risk Management Policy is approved by the Board on an annual basis; and
- The Group has established contingency and business continuity plans to ensure its ability to operate on an ongoing basis and assist in limiting losses in the event of severe business disruption.

The Scotia Group Operational Risk Management Framework sets out an integrated approach to identify, assess, control, mitigate and report operational risks.

Reputational risk

Reputational risk is the risk that negative publicity regarding Scotia Investment's conduct, business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.

Negative publicity about an institution's business practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Negative publicity and attendant reputational risk frequently arise as a by-product of some other kind of risk management control failure.

Reputational risk is managed and controlled throughout the Scotia Group by codes of conduct, governance practices and risk management programs, policies, procedures and training. Many relevant checks and balances are executed through the company's well-established compliance program and operational risk management. All directors, officers and employees have a responsibility to conduct their activities in accordance with the Scotiabank Guidelines for Business Conduct, and in a manner that minimizes reputational risk. The activities of the Legal, Corporate Secretary, Public Corporate and Government Affairs and Compliance departments, are particularly oriented to the management of reputational risk.

Scotia Investment has adopted the policies, processes and assessment methodologies utilized by Scotia Group...

Shareholdings as at 31 October, 2012

10 Largest Shareholders as at 31 October 2013

Shareholder	No. of Units	Percentage
Scotia Group Jamaica Limited	325,891,065	77.01
Sagicor PIF Equity Fund	14,441,768	3.41
Mayberry West Indies Limited	7,354,899	1.74
Trading A/C - National Insurance Fund	7,021,597	1.66
JCSD Trustee Services Ltd - Sigma Optima	3,263,448	0.77
JCSD Trustee Services Ltd. A/C #76579-02	2,237,886	0.53
JPS Employees Superannuation Fund	2,149,200	0.51
Gerald W. Purdy	2,078,688	0.49
Grace Kennedy Limited Pension Scheme	1,984,000	0.47
P.A.M. Ltd - Pooled Pension Equity Fund	1,848,251	0.44
TOTAL	**368,270,802**	**87.02**

Shareholdings of Senior Management & Connected Parties as at 31 October 2013

SENIOR MANAGERS				
Last Name	**First Name**	**Total Shareholding**	**Direct**	**Connected Parties**
Dixon	Dave	0	0	0
Frazer	Brian	838	0	838
Hosang-Bancroft	Karlene	0	0	0
James	Marie	0	0	0
McKenzie	Karl	0	0	0
Miller	Hugh	0	0	0
Mitchell	Lissant	4,000	0	4,000
Morris	Jason	0	0	0
Pandohie	Yvonne	0	0	0
Phillpotts	Annette	0	0	0
Powell	Tanya	1,060	1,060	0
Samuels	Gregory	0	0	0
Scott	Vanessa	4,715	4,715	0
Sylvester	Courtney	0	0	0
Tinker	Andrea	981	981	0
Todd	Sherene	0	0	0
Wright	Michelle	0	0	0

Shareholdings of Directors & Connected Parties as at 31 October 2013

DIRECTORS AND CONNECTED PARTIES

Last Name	First Name	Total Shareholding	Direct	Connected Parties
Alexander	Barbara	39,876	0	39,876
Bowen	Bruce	7,590	7,590	0
Chang	Anthony	0	0	0
Fowler	Angela	0	0	0
Hall	Jeffrey	0	0	0
Law	Anna	1,000	1,000	0
Martin	Philip	100	100	0
Mitchell	Lissant	4,000	0	4,000
Schroder	Marcel	0	0	0
Sharp	Jacqueline	0	0	0
Welling	Cathy	0	0	0

Shareholding Mix as at 31 October 2013

SHAREHOLDINGS	NUMBER OF SHARE-HOLDERS	TOTAL SHARES HELD	HOLDING %
Up to 500	491	137,731	0.03
501 to 2,000	793	1,009,722	0.24
2,001 to 5,000	580	2,052,051	0.48
5001 to 10,000	303	2,340,674	0.55
10,001 to 50,000	427	10,207,801	2.41
50,001 to 100,000	87	6,602,210	1.56
100,001 to 250,000	66	10,886,191	2.57
250,001 to 500,000	20	7,814,693	1.85
Over 500,000	28	382,141,376	90.30
TOTAL	2,799	423,194,765	100.00

Ordinary Shareholders as at 31 October 2013

CATEGORY	NUMBER OF SHARE-HOLDERS	NUMBER OF UNITS
Insurance Companies	15	8,743,875
Pension Funds	33	12,448,037
Individual	2611	32,822,132
Other	140	369,180,721
TOTAL	2,799	423,194,765

Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Members of
<u>**SCOTIA INVESTMENTS JAMAICA LIMITED**</u>

Report on the Financial Statements

We have audited the financial statements of Scotia Investments Jamaica Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 67 to 150 , which comprise the group's and the company's statements of financial position as at October 31, 2013, the group's and the company's statements of revenue and expenses, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

To the Members of
SCOTIA INVESTMENTS JAMAICA LIMITED

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at October 31, 2013, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

November 26, 2013

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Revenue and Expenses
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2013	2012
Net interest income and other revenue			
Interest from loans and deposits with banks		268,792	356,891
Interest from securities		4,487,063	4,842,832
Total interest income	6	4,755,855	5,199,723
Interest expense	6	(2,042,826)	(2,387,575)
Net interest income		2,713,029	2,812,148
Impairment losses on loans	22	97,554	21,420
Net interest income after impairment losses on loans		2,810,583	2,833,568
Fee and commission income	7	936,515	764,091
Net foreign exchange trading income	8	256,000	115,433
Net gains on financial assets	9	425,511	333,202
Other revenue	10	27,585	81,288
		1,645,611	1,294,014
		4,456,194	4,127,582
Expenses			
Salaries, pension contributions and other staff benefits	11	834,697	715,595
Property expenses, including depreciation		132,579	111,489
Amortisation of intangible assets	27	134	611
Other operating expenses		692,262	540,664
	12	1,659,672	1,368,359
Profit before taxation	13	2,796,522	2,759,223
Taxation	14	(801,987)	(835,844)
Profit for the year	15	1,994,535	1,923,379
EARNINGS PER STOCK UNIT (expressed in $ per share)	16	4.71	4.54

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2013	2012
Profit for the year	15	1,994,535	1,923,379
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Unrealised losses on available-for-sale securities		(61,168)	(227,120)
Realised gains on available-for-sale securities		(30,849)	(195,144)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables		(33,013)	56,692
Other comprehensive loss before tax		(125,030)	(365,572)
Taxation on other comprehensive income	28(a)	(12,152)	237,561
Other comprehensive loss, net of tax		(137,182)	(128,011)
Total comprehensive income for the year attributable to stockholders of the company		1,857,353	1,795,368

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Financial Position
October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2013	2012
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call at, Bank of Jamaica	17	1,873	36,653
Government and bank notes other than Jamaican	17	-	15,086
Amounts due from other financial institutions	17	902,062	234,647
Accounts with parent and fellow subsidiaries	17, 18	1,074,930	725,444
		1,978,865	1,011,830
Financial assets at fair value through profit or loss	19	253,305	175,313
Pledged assets	20	62,860,190	65,441,552
Loans, after allowance for impairment losses	21	79,997	427,670
Investment securities			
Available-for-sale	24	5,180,082	4,200,586
Other assets			
Customers' liabilities under guarantees		2,326,594	1,880,486
Taxation recoverable		808,992	452,101
Sundry assets	25	114,562	161,247
Property, plant and equipment	26	49,480	56,309
Intangible assets	27	60,144	64,301
Deferred tax assets	28(b)	34,349	-
		3,394,121	2,614,444
		73,746,560	73,871,395

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Financial Position (Continued)
October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2013	2012
LIABILITIES			
Capital management fund and government securities fund	20, 29	13,018,564	14,174,566
Other liabilities			
Guarantees issued		2,326,594	1,880,486
Securities sold under repurchase agreements	20	44,865,128	45,684,047
Other liabilities	30	550,213	292,328
Taxation payable		477,976	356,072
Deferred tax liabilities	28 (b)	719	73,654
Assets held in trust on behalf of ESOP participants		15,477	36,183
		48,236,107	48,322,770
STOCKHOLDERS' EQUITY			
Share capital	31	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	32	(161,829)	(24,647)
Capital reserve	33	22,075	22,075
Reserves for own shares-ESOP	34	(20,578)	(42,806)
Unappropriated profits		10,740,318	9,507,534
		12,491,889	11,374,059
		73,746,560	73,871,395

The financial statements on pages 67 to 150 were approved for issue by the Board of Directors on November 26, 2013 and signed on its behalf by:

_________________ Director
Bruce Bowen

_________________ Director
Anthony Chang

_________________ Director
Lissant Mitchell

_________________ Secretary
Julie Thompson-James

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Changes in Stockholders' Equity
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	Share capital	Cumulative remeasurement result from available-for-sale financial assets	Capital reserve	Reserve for own shares	Un-appropriated profits	Total
Balances at October 31, 2011		1,911,903	103,364	22,075	(54,137)	8,312,050	10,295,255
Total comprehensive income for the year:							
Profit for the year	15	-	-	-	-	1,923,379	1,923,379
Other comprehensive(loss)/income:							
Unrealised losses on available-for-sale investments, net of taxes	32	-	(134,074)	-	-	-	(134,074)
Realised gains on available-for-sale Investments, transferred to statement of revenue and expenses		-	(130,096)	-	-	-	(130,096)
Amortisation of fair value reserve on financial Instruments reclassified to loans and receivables	23	-	136,159	-	-	-	136,159
Total comprehensive income/(loss) for the year		-	(128,011)	-	-	1,923,379	1,795,368
Transactions with owners of the company:							
Dividends	38	-	-	-	-	(727,895)	(727,895)
Movement in ESOP reserve	34	-	-	-	11,331	-	11,331
Balances at October 31, 2012		1,911,903	(24,647)	22,075	(42,806)	9,507,534	11,374,059

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Changes in Stockholders' Equity (Continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	Share capital	Cumulative remeasurement result from available-for-sale financial assets	Capital reserve	Reserve for own shares	Un-appropriated profits	Total
Balances at October 31, 2012		1,911,903	(24,647)	22,075	(42,806)	9,507,534	11,374,059
Total comprehensive income for the year:							
Profit for the year	15	-	-	-	-	1,994,535	1,994,535
Other comprehensive income/(loss):							
Unrealised losses on available-for-sale investments, net of taxes	32	-	(43,261)	-	-	-	(43,261)
Realised gains on available-for-sale Investments, transferred to statement of revenue and expenses		-	(20,566)	-	-	-	(20,566)
Amortisation of fair value reserve on financial Instruments reclassified to loans and receivables	23	-	(73,355)	-	-	-	(73,355)
Total comprehensive income/(loss) for the year		-	(137,182)	-	-	1,994,535	1,857,353
Transactions with owners of the company:							
Dividends	38	-	-	-	-	(761,751)	(761,751)
Movement in ESOP reserve	34	-	-	-	22,228	-	22,228
Balances at October 31, 2013		1,911,903	(161,829)	22,075	(20,578)	10,740,318	12,491,889

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Cash Flows
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2013	2012
Cash flows from operating activities			
Profit for the year		1,994,535	1,923,379
Items not affecting cash:			
Interest income	6	(4,755,855)	(5,199,723)
Interest expense	6	2,042,826	2,387,575
Impairment loss on loans	22	(97,554)	(21,420)
Impairment loss on goodwill	27	4,618	-
Depreciation	26	20,192	13,402
Amortisation of intangible assets	27	134	611
Income tax charge	14	921,423	805,182
Deferred taxation	14, 28(a)	(119,436)	30,662
		10,883	(60,332)
Changes in operating assets and liabilities:			
Amount due from other banks		(362,318)	(76,533)
Pledged assets		5,272,017	2,059,208
Loans and leases		445,316	20,513
Capital management and government securities fund		(1,156,360)	(66,264)
Securities sold under repurchase agreements		(776,165)	(506,020)
Taxation recoverable		(356,891)	147,458
Other assets		(399,425)	(415,832)
Promissory notes		-	(2,376)
Financial assets at fair value through profit or loss		(77,959)	179,407
Other liabilities		683,287	451,892
		3,282,385	1,731,121
Interest received		5,137,703	5,165,322
Income tax paid		(799,518)	(446,655)
Interest paid		(2,085,222)	(2,409,318)
Net cash provided by operating activities		5,535,348	4,040,470

(carried forward to page 74)

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Cash Flows (Continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2013	2012
Net cash provided by operating activities (brought forward from page 73)		5,535,348	4,040,470
Cash flows from investing activities			
Investment securities		(1,096,127)	(4,359,980)
Shares acquired for ESOP		22,227	11,331
Purchase of property, plant and equipment	26	(24,787)	(29,824)
Purchase of intangible assets	27	(595)	(10,946)
Proceeds from disposal of property, plant and equipment		11,424	-
Net cash used by investing activities		(1,087,858)	(4,389,419)
Cash flows from operating and investing activities		4,447,490	(348,949)
Cash flows from financing activity			
Dividends, being cash flows used by financing activity	38	(761,751)	(727,895)
Effect of exchange rate changes on cash and cash equivalents		362,319	76,533
Net increase/(decrease) in cash and cash equivalents		4,048,058	(1,000,311)
Cash and cash equivalents at beginning of year		5,497,384	6,497,695
Cash and cash equivalents at end of year	17	9,545,442	5,497,384

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Revenue and Expenses
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2013	2012
Net interest income and other revenue			
Interest from loans and deposits with banks		267,750	356,115
Interest from securities		4,487,063	4,842,831
Total interest income	6	4,754,813	5,198,946
Interest expense	6	(2,046,110)	(2,388,053)
Net interest income		2,708,703	2,810,893
Impairment losses on loans	22	97,554	21,420
Net interest income after impairment losses on loans		2,806,257	2,832,313
Fee and commission income	7	493,933	358,273
Net foreign exchange trading income	8	233,468	110,777
Net gains on financial assets	9	423,471	334,234
Other revenue	10	27,585	1,947,141
		1,178,457	2,750,425
		3,984,714	5,582,738
Expenses			
Salaries, pension contributions and other staff benefits	11	834,697	715,595
Property expenses, including depreciation		139,469	117,593
Amortisation of intangible assets	27	134	611
Impairment loss on subsidiary	12(i)	-	1,585,627
Other operating expenses		590,477	450,430
	12	1,564,777	2,869,856
Profit before taxation	13	2,419,937	2,712,882
Taxation	14	(719,754)	(732,976)
Profit for the year	15	1,700,183	1,979,906

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Profit or Loss and Other Comprehensive Income
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2013	2012
Profit for the year	15	1,700,183	1,979,906
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Unrealised losses on available-for-sale securities		(61,168)	(227,120)
Realised gains on available-for-sale securities		(30,849)	(195,144)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivable		(33,013)	56,692
Other comprehensive loss before tax		(125,030)	(365,572)
Taxation on other comprehensive income/(loss)	28(a)	(12,152)	237,561
Other comprehensive loss, net of tax		(137,182)	(128,011)
Total comprehensive income for the year attributable to stockholders of the company		1,563,001	1,851,895

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Financial Position
October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2013	2012
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call, at Bank of Jamaica	17	1,873	36,653
Government and bank notes other than Jamaican	17	-	15,086
Amounts due from other financial institutions	17	899,039	231,470
Accounts with parent and fellow subsidiaries	17, 18	953,340	711,136
		1,854,252	994,345
Financial assets at fair value through profit or loss	19	18,603	22,649
Pledged assets	20	62,860,190	65,441,552
Loans, after allowance for impairment losses	21	79,997	427,670
Investment securities			
Available-for-sale	24	5,180,082	4,200,586
Investment in subsidiaries	12(i)	442,526	441,138
Other assets			
Customers' liabilities under guarantees		2,326,594	1,880,486
Taxation recoverable		804,154	445,220
Sundry assets	25	69,644	119,749
Deferred tax assets	28(b)	34,306	-
Property, plant and equipment	26	40,302	42,238
Intangible assets	27	38,649	38,188
		3,313,649	2,525,881
		73,749,299	74,053,821

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Financial Position (Continued)
October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2013	2012
LIABILITIES			
Capital management and government securities fund	20, 29	13,020,576	14,175,062
Other liabilities			
Amounts due to subsidiaries		473,292	427,232
Guarantees issued		2,326,594	1,880,486
Securities sold under repurchase agreements	20	45,040,360	45,805,787
Other liabilities	30	507,947	252,979
Taxation payable		465,402	324,807
Deferred tax liabilities	28(b)	-	73,590
		48,813,595	48,764,881
STOCKHOLDERS' EQUITY			
Share capital	31	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	32	(161,829)	(24,647)
Capital reserve	33	24,615	24,615
Unappropriated profits		10,140,439	9,202,007
		11,915,128	11,113,878
		73,749,299	74,053,821

The financial statements on pages 67 to 150 were approved for issue by the Board of Directors on November 26, 2013 and signed on its behalf by:

Bruce Bowen — Director

Anthony Chang — Director

Lissant Mitchell — Director

Julie Thompson-James — Secretary

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Changes in Stockholders' Equity
Year ended October 31, 2013

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

	Notes	Share capital	Cumulative remeasurement result from available-for-sale financial assets	Capital reserve	Unappropriated profits	Total
Balances at October 31, 2011		1,911,903	103,364	24,615	7,949,996	9,989,878
Total comprehensive income for the year:						
Profit for the year	15	-	-	-	1,979,906	1,979,906
Other comprehensive income/(loss):						
Unrealised losses on available-for-sale investments, net of tax	32	-	(134,074)	-	-	(134,074)
Realised gains on available-for-sale-securities transferred to statement of revenue & expenses		-	(130,096)	-	-	(130,096)
Amortisation of fair value reserve on financial instruments classified to loans and receivable	23	-	136,159	-	-	136,159
Total comprehensive income/(loss) for the year		-	(128,011)	-	1,979,906	1,851,895
Transactions with owners of the company:						
Dividends paid	38	-	-	-	(727,895)	(727,895)
Balances at October 31, 2012		1,911,903	(24,647)	24,615	9,202,007	11,113,878
Total comprehensive income for the year:						
Profit for the year	15	-	-	-	1,700,183	1,700,183
Other comprehensive loss:						
Unrealised losses on available-for-sale investments, net of tax	32	-	(43,261)	-	-	(43,261)
Realised gains on available-for-sale-securities transferred to statement of revenue & expenses		-	(20,566)	-	-	(20,566)
Amortisation of fair value reserve on financial instruments classified to loans and receivable	23	-	(73,355)	-	-	(73,355)
Total comprehensive income for the year		-	(137,182)	-	1,700,183	1,563,001
Transactions with owners of the company:						
Dividends paid	38	-	-	-	(761,751)	(761,751)
Balances at October 31, 2013		1,911,903	(161,829)	24,615	10,140,439	11,915,128

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Cash Flows
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2013	2012
Cash flows from operating activities			
Profit for the year		1,700,183	1,979,906
Items not affecting cash:			
Interest income	6	(4,754,813)	(5,198,946)
Interest expense	6	2,046,110	2,388,053
Impairment losses	22, 12(i)	(97,554)	1,564,207
Depreciation	26	15,299	7,716
Amortisation of intangible asset	27	134	611
Income tax charge	14	839,802	714,341
Deferred taxation	14, 28(a)	(120,048)	18,635
		(370,887)	1,474,523
Changes in operating assets and liabilities:			
Amounts due from other banks		(361,675)	(76,309)
Pledged assets		5,334,594	1,996,631
Loans and leases		445,316	20,513
Capital management and government Securities fund		(1,154,843)	(65,897)
Securities sold under repurchase agreements		(722,668)	(393,983)
Taxation recoverable		(358,933)	151,962
Other assets		(396,003)	(408,269)
Amounts due to subsidiaries		46,060	(1,764,196)
Promissory notes		-	(2,376)
Financial assets at fair value through profit or loss		4,079	194,120
Other liabilities		701,074	466,958
		3,166,114	1,593,677
Interest received		5,136,661	5,164,546
Income tax paid		(699,208)	(333,107)
Interest paid		(2,088,510)	(2,409,611)
Net cash provided by operating activities		5,515,057	4,015,505

(carried forward to page 81)

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Cash Flows (Continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2013	2012
Cash provided by operating activities (brought forward from page 80)		5,515,057	4,015,505
Cash flows from investing activities			
Investment securities		(1,158,704)	(4,297,404)
Investment in subsidiaries		(1,388)	(453)
Purchase of property, plant and equipment	26	(24,787)	(29,824)
Purchase of intangible assets	27	(595)	(10,946)
Proceeds from sale of property, plant and equipment		11,424	-
Net cash flow used by investing activities		(1,174,050)	(4,338,627)
Cash flows from operating and investing activities		4,341,007	(323,122)
Cash flows from financing activity			
Dividends paid, being cash flows used by financing activity	38	(761,751)	(727,895)
Effect of exchange rate changes on cash and cash equivalents		361,675	76,308
Net increase/(decrease) in cash and cash equivalents		3,940,931	(974,709)
Cash and cash equivalents at beginning of year		5,479,898	6,454,608
Cash and cash equivalents at end of year	17	9,420,829	5,479,899

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

1. Identification, regulation and licence

Scotia Investments Jamaica Limited ("the Company") is incorporated and domiciled in Jamaica. It is a 77.01% subsidiary of Scotia Group Jamaica Limited ("Scotia Group") which is incorporated and domiciled in Jamaica. The Bank of Nova Scotia, which is incorporated and domiciled in Canada, is the ultimate parent company. The registered office of the Company is located at 7 Holborn Road, Kingston 10.

The Company is a licensed securities dealer, a member of the Jamaica Stock Exchange and has primary dealer status from the Bank of Jamaica. The principal activities of the Company comprise investment advisory and brokerage services, portfolio management, fund management, investment management services for pension plans and operating foreign exchange cambios.

The Company's subsidiaries, which together with the Company are referred to as "the Group", are as follows:

Subsidiaries	Principal activities	Holding	Country of incorporation
Scotia Asset Management Jamaica Limited	Unit trust and fund management services	100%	Jamaica
Scotia Asset Management (St. Lucia) Inc	Fund management	100%	St. Lucia
Billy Craig Investments Limited	Non-trading	100%	Jamaica
Scotia Jamaica Investment Management Limited	Non-trading	100%	Jamaica
Interlink Investments Limited	Non-trading	100%	Grand Cayman
DB&G Corporate Services Limited	Non-trading	100%	Jamaica

The shares in Interlink Investments Limited may be redeemed by that entity at any time at its option, *en bloc* or individually, by repayment of the capital sum subscribed in respect of such shares, in the currency in which such subscription was paid.

The Company has indicated that it will provide the financial support necessary for one of its subsidiaries to meet its future financial and operating obligations. As at the year-end, that subsidiary had a working capital deficit of $55,566 (2012: $50,460). This is stated after taking account of a liability of $62,656 (2012: $62,351) due to the Company.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied by the Group entities for all the periods presented, unless otherwise stated.

(a) Basis of preparation:

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, and the Jamaican Companies Act.

New, revised and amended standards and interpretations that became effective during the year:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements, viz:

IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income:* - This adoption led to the following changes in the financial statements:

(i) Items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future are presented separately from those that would never be reclassified to profit or loss.

(ii) The title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income.

New, revised and amended standards and interpretations that are not yet effective:

At the date of authorisation of these financial statements the following relevant standards and amendments to existing standards have been published but were not yet effective and the Group has not early adopted.

- Amendments to IAS 32, *Financial Instruments: Presentation,* which is effective for annual reporting periods beginning on or after January 1, 2014, clarifies those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. It requires the entity to prove that there is a legally enforceable right to set off the recognised amounts. Conditions such as whether the set off is contingent on a future event and the nature and right of set-off and laws applicable to the relationships between the parties involved should be examined. Additionally, to meet the criteria, an entity should intend to either settle on a net basis or to realise the asset and settle the liability simultaneously.

  The Group is assessing the impact that this standard may have on its 2015 financial statements.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

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

(a) **Basis of preparation (continued):**

(i) Statement of compliance (continued)

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

At the date of authorisation of these financial statements the following relevant standards and amendments to existing standards have been published but were not yet effective and the Group has not early adopted (continued).

- IFRS 9, *Financial Instruments,* is effective for annual reporting periods beginning on or after January 1, 2015 (previously January 1, 2013). The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities.

  The Group is assessing the impact that the standard may have on its 2016 financial statements.

- IFRS 10, *Consolidated Financial Statements* (effective for annual reporting periods beginning on or after January 1, 2013) supersedes IAS 27 *Consolidated and Separate Financial Statements* and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008).

  The Group is assessing the impact that this standard may have in its 2014 financial statements.

- IFRS 11, *Joint Arrangements* and *IAS 28 Investments in Associates* and *Joint Ventures (2011)* (effective for annual reporting periods beginning on or after January 1, 2013) removes from *IAS 31 Jointly Controlled Entities*, those cases which, although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations and are now called joint operations. The remainder of IAS 31, now called *Joint Ventures,* removes the free choice of equity accounting or proportionate consolidation and requires that the equity method be used.

  The Group is assessing the impact that this standard and amendments may have on its 2014 financial statements.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

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

(a) **Basis of preparation (continued):**

(i) Statement of compliance (continued)

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

- IFRS 12, *Disclosure of Interest in Other Entities* (effective for annual reporting periods beginning on or after January 1, 2013) contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

  The Group is assessing the impact that this standard may have in its 2014 financial statements.

- IFRS 13 *Fair Value Measurement* defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRS, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard is effective for annual reporting periods beginning on or after January 1, 2013.

  The Group is assessing the impact that this standard may have in its 2014 financial statements.

- *Improvements to IFRS 2009-2011* cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2013. The main amendments applicable to the group are as follows:

  - *IAS 1 Presentation of Financial Statements* has *been* amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued):

(i) Statement of compliance (continued)

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

- *Improvements to IFRS 2009-2011* cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2013. The main amendments applicable to the group are as follows (continued):

  - *IAS 16 Property, Plant and Equipment* – The standard has been amended to clarify that the definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether spare parts, stand-by equipment and servicing equipment should be accounted for under the standard. If these items do not meet the definition, then they are accounted for using *IAS 2 Inventories*.

  - *IAS 32 Financial Instruments: Presentation* – The standard has been amended to clarify that *IAS 12 Income Taxes* applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

  - *IAS 34 Interim Financial Reporting* has been amended to require the disclosure of a measure of total assets and liabilities for a particular reporting segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

  The Group is assessing the impact that these amended standards will have on its 2014 financial statements when they become effective.

- Amendments to IAS 36 Impairment of Assets: *Recoverable Amount Disclosures for Non-financial Assets*, which is effective for accounting periods beginning on or after January 1, 2014, reverse the unintended requirement in IFRS 13 *Fair Value Measurement*, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. The amendment requires the recoverable amount to be disclosed only when an impairment loss has been recognised or reversed.

  The Group is assessing the impact that this standard may have on its 2015 financial statements.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements(continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

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

(a) Basis of preparation (continued):

(i) Statement of compliance (continued)

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

- Amendments to IAS 39, financial instruments: Novation of Derivatives and Continuation of *Hedge Accounting, which is effective for accounting periods beginning on or* after January 1, 2014, adds a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

  The Group is assessing the impact that this standard may have on its 2015 financial statements.

- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of interest in Other Entities* and IAS 27 *Consolidated* and *Separate Financial Statements* is effective for accounting periods beginning on or after January 1, 2014. The amendment defines an investment entity and requires a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss instead of consolidating those subsidiaries in its consolidated and separate financial statements. In addition, the amendments introduce new disclosure requirement related to investment entities in IFRS 12 *Disclosure of Interests in Other Entities and IAS 27 Separate financial Statements.*

  The Group is assessing the impact that this standard may have on its 2015 financial statements.

- IFRSC 21 Levies is effective for accounting periods beginning on or after January 1, 2014. It provides guidance on accounting for levies in accordance with the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, The interpretation defines a levy as an outflow from a entity imposed by a government in accordance with legislation. It requires an entity to recognise a liability for a levy when and only the triggering event specified in the legislation occurs.

  The Group is assessing the impact that this standard may have on its 2015 financial statements.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued):

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis as modified for the revaluation at fair value of available-for-sale financial assets and financial assets at fair value through profit or loss.

(iii) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(iv) Functional and presentation currency

These financial statements are presented in Jamaican dollars, which is the Group's functional currency. Except where indicated to be otherwise, financial information presented is shown in thousands of Jamaican dollars.

(v) Comparative information

Where necessary, comparative amounts have been reclassified to conform with changes in the presentation in the current year. The changes made to the comparative amounts are not considered material.

(b) Basis of consolidation:

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is at the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus
- if the business combination is achieved in stages, the fair value of the pre-existing interest in the acquired entity; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

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

(b) Basis of consolidation (continued):

(ii) Business combinations

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date.

(iii) Subsidiaries

Subsidiaries are those entities controlled by the company. The consolidated financial statements include the financial statements of all subsidiaries, including an Employees Share Ownership Plan (ESOP) classified as a special purpose entity (note 34), made up to October 2013. The results of the ESOP are not material to the Group.

The company and its subsidiaries are collectively referred to as “Group”.

(iv) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(v) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealised gains arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to, and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision maker.

(d) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the exchange rates prevailing at the reporting date, being the mid-point between the weighted average buying and selling rates of Bank of Jamaica (the Central Bank) at that date.

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of those transactions.

(e) Revenue Recognition

(i) Interest income

Interest income is recognised in the statement of revenue and expenses for all interest bearing instruments on the accrual basis using the effective interest method based on the actual purchase price. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently. Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments, and amortization of premium on instruments bought at a premium.

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, Jamaican banking regulations stipulate that interest should be taken into account on the cash basis.

IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the amounts recognized under the banking regulations and such amounts as would have been determined under IFRS has been assessed as immaterial.

Income from foreign exchange cambio trading is determined on a trade-date basis.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

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

(e) Revenue Recognition (continued)

(ii) Fee and commission income

Fees and commission income are recognised on the accrual basis when service has been provided. Origination fees for loans which are probable of being drawn down, are recognised in the statement of revenue and expenses immediately, as they are not considered material for deferral.

Fee and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees are apportioned over the period in which the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(f) Interest expense

Interest expense is recognised in the statement of revenue and expenses on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

(g) Taxation

Taxation on the profit or loss for the year comprises current and deferred taxes. Current and deferred taxes are recognised as tax expense or benefit in the income statement except where they relate to items recognised directly in other comprehensive income.

(i) Current taxation

Current tax charges are based on the taxable profit for the period, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other periods, and items that are never taxable or deductible. The current tax is calculated at tax rates enacted at the financial year end.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(g) Taxation (continued)

(ii) Deferred tax

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when the legal right of set-off exist and when they relate to income taxes levied by the same tax authority on either the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

(h) Financial assets and liabilities

Financial assets comprise cash resources, investment securities, securities purchased under resale agreements, pledged assets, loans and certain other assets. Financial liabilities comprise securities sold under repurchase agreements, promissory notes, capital management and government securities funds and certain other liabilities.

(i) Recognition

The Group initially recognises loans and receivables on the date at which the Group becomes a party to the contractual provisions of the instrument i.e., the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the settlement date - the date on which the asset is delivered to or by the Group.

(ii) Derecognition

The Group derecognises a financial asset 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 the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

(ii) Derecognition (continued)

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

The Group enters into transactions whereby it transfers assets, but retains either all or a portion of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

(iii) Measurement

Initial measurement:

On initial recognition, financial assets and liabilities are measured at fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets:

The measurement of financial assets subsequent to initial recognition depends upon their classification as set out in note 2(h) below, namely: loans and receivables are measured at amortised cost; held-to maturity investments are measured at amortised cost; investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably determine are measured at amortised cost.

Other financial assets are measured at their fair values without any deduction for transaction costs that may be incurred on sale or other disposal.

Subsequent measurement of financial liabilities:

After initial recognition, financial liabilities are measured at amortised cost.

(i) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception by management. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling in the short term or if it is a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These assets are measured at fair value and all related gains and losses are included in the statement of revenues and expenses.

(ii) 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 the Group provides money or services directly to a debtor with no intention of trading the receivable. Loans and receivables are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and which are not designated as at fair value through profit or loss or as available-for-sale. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale and the Group would be prohibited from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments are measured at amortised cost.

(iv) Available-for-sale

Available-for-sale investments are non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale investments are measured at fair value except for any unquoted equity securities whose fair value cannot be reliably measured, which are carried at cost. Changes in fair value are recognised in other comprehensive income.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(j) Impairment of financial assets

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit and loss are impaired. Financials assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, 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. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its costs is objective evidence of impairment.

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, management makes judgements as to current economic and credit conditions and their effect on default rates, loss rates and the expected timing of future recoveries, ensuring that assumptions remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in other comprehensive income to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(j) Impairment of financial assets (continued)

If in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in other comprehensive income.

(k) Investment in subsidiaries

Investment in subsidiaries are stated at cost less impairment losses.

(l) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase the assets at a fixed price on a future date (repurchase agreements) and securities purchased under agreements to resell the asset at a fixed price on a future date (reverse repurchase agreements) are treated as collateralised financing transactions. In the case of reverse repurchase agreements, the underlying asset is not recognised in the Group's financial statements. In the case of repurchase agreements the underlying collateral is not derecognised from the Group's statement of financial position but is segregated as pledged assets. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective interest method.

(m) Loans and allowance for impairment losses

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans are recognised when cash is advanced to borrowers. They are initially recorded at fair value of the consideration given, which is the cash disbursed to originate the loan, including any transaction costs, and are subsequently measured at amortised cost. Loans are stated net of unearned income and allowance for impairment.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the impaired loans.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

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

(m) Loans and allowance for impairment losses (continued)

A loan is classified as impaired when in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. Whilst this differs from IFRS, which requires that interest on the impaired asset continue to be recognised through the unwinding of the discount that was applied to the estimated future cash flows, the difference is not considered material.

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS are included in a non-distributable loan loss reserve as an appropriation of profits.

(n) Guarantees

The Group's potential liability under guarantees is reported as a liability in the statement of financial position. The Group has equal and offsetting claims against its customers in the event of a call on these commitments, which are reported as an asset.

(o) Intangible assets

(i) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the fair value of the net identifiable assets over the cost of acquisition, after reassessment, is recognised immediately in the statement of revenues and expenses. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rate on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(o) Intangible assets (continued)

(ii) Computer software

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs are amortised over their useful estimated lives (five years). However, such costs are expensed where they are considered to be immaterial.

(p) Leases

The leases entered into by the Group are all operating leases, where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments under operating leases are charged to the statement of revenue and expenses on the straight-line basis over the period of the lease.

(q) Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity" in this case, the company).

A party is related to the company, if:

(a) A person or a close member of that person's family is related to the company if that person:

(i) has control or joint control over the company;

(ii) has significant influence over the company; or

(iii) is a member of the key management personnel of the company or of a parent of the company.

(b) An entity is related to the company if any of the following conditions applies:

(i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan established for the benefit of employees of either the company or an entity related to the company.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(q) Related party (continued)

(b) An entity is related to the company if any of the following conditions applies (continued):

(vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(r) Property, plant and equipment

Land is stated at historical cost. All other property, plant and equipment are stated at historical cost less accumulated depreciation and, if any, impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is classified as repairs and renewals and charged as expenses in the statement of revenue and expenses during the financial period in which it is incurred.

Depreciation and amortisation are calculated on the straight-line method at rates that will write off the depreciable amount of the assets over their expected useful lives, as follows:

Buildings	40 years
Furniture, fixtures and equipment	10 years
Computer equipment	4 years
Motor vehicles	5 years
Leasehold improvements	Period of lease

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

Property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the profit or loss for the year.

(s) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(s) Impairment of non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

(t) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions and vacation leave; non-monetary benefits such as medical care; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits, termination benefits and equity compensation benefits are accounted for as below. Other long-term benefits are not considered material and are expensed when incurred.

(i) Pension obligations

The Company operates a defined-contribution pension scheme (see note 11), the assets of which are held in a trustee-administered fund. The pension plan is funded by contributions from employees and the Company to the scheme, made on the basis provided for in the rules. Contributions are charged to the statement of revenue and expenses in the period to which it relates.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

(ii) Equity compensation benefits

The Company has an Employee Share Ownership Plan (ESOP) for eligible employees. The Company provides a fixed benefit to eligible employees after one full year of service. This benefit is recorded in salaries and staff benefits expense in the statement of revenue and expenses.

The amount contributed to the ESOP trust (note 43) by the Company for acquiring shares and allocating them to employees is recognised as an employee expense at the time of making the contribution. The special purpose entity that operates the Plan has been consolidated.

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(v) Share capital

(i) Classification

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

(ii) Dividends

Dividends on ordinary shares are recognised in stockholder's equity in the period in which they are approved by the Board of Directors, thereby becoming irrevocably payable.

(w) Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets, and income arising thereon, are excluded from these financial statements, as they are not assets or income of the Group.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(x) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bank of Jamaica, amounts due from financial institutions, and highly liquid financial assets with original maturities of less than ninety days, which are readily convertible to known amounts of cash, and subject to insignificant risk of changes in their fair value.

3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that could affect the reported amounts of assets and liabilities within the next financial year. 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.

(i) Impairment losses on loans and advances:

The group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of revenue and expenses, the group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

It is possible that outcomes that are different from these assumptions could require a material adjustment to the carrying amount reflected in future financial statements.

(ii) Impairment of goodwill:

Impairment of goodwill is dependent upon management's internal assessment of future cash flows from cash-generating units that gave rise to the goodwill. That internal assessment determines the amount recoverable from future use of those units. In addition, the estimate of the amount recoverable from future use of those units is sensitive to the discount rates used. Goodwill impairment was assessed as $4,618 for 2013 (Nil: 2012).

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

3. Critical accounting estimates and judgements in applying accounting policies (continued)

(iii) Income taxes:

Estimates and judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain during the ordinary course of business. In cases of such uncertainty, the Group recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(iv) Fair value investments:

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

4. Responsibilities of the appointed external auditors

The shareholders, pursuant to the Companies Act, appoint the external auditors. Their responsibility is to conduct an independent audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders.

5. Segment financial information

The Group's reportable segments are its strategic business units and are based on the Company's management and internal reporting structure. At this time there are no material reportable segments into which the Group's business may be broken down, other than as disclosed in these financial statements.

The Group's operations are located mainly in Jamaica, based on the geographical location of its clients. The subsidiaries located overseas represent less than 10% of the Group's gross external revenue and assets.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

6. Net interest income

	The Group		The Company	
	2013	2012	2013	2012
Interest income:				
Deposit with banks and other financial institutions	97,680	123,584	96,638	122,807
Investment securities	4,453,144	4,801,597	4,453,144	4,801,597
Income on financial assets at fair value through the statement of revenue and expenses	13,592	21,776	13,592	21,776
Reverse repurchase agreements	20,327	19,458	20,327	19,458
Loans	171,112	233,308	171,112	233,308
	4,755,855	5,199,723	4,754,813	5,198,946
Interest expense:				
Repurchase agreements	1,875,889	2,071,525	1,879,173	2,072,003
Capital management and government securities fund	166,937	316,050	166,937	316,050
	2,042,826	2,387,575	2,046,110	2,388,053
Net interest income	2,713,029	2,812,148	2,708,703	2,810,893

7. Fee and commission income

	The Group		The Company	
	2013	2012	2013	2012
Asset management fees	705,473	608,300	262,890	203,271
Structured financing fees	108,801	79,373	108,801	79,373
Credit related fees	2,844	4,062	2,844	4,062
Trust fees	38,918	31,324	38,918	31,324
Stock brokerage fees	27,168	18,585	27,168	18,585
Other	53,311	22,447	53,312	21,658
	936,515	764,091	493,933	358,273

8. Net foreign exchange trading income

Net foreign exchange trading income is comprised primarily of gains and losses arising from foreign currency trading activities.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

9. Net gains on financial assets

	The Group		The Company	
	2013	2012	2013	2012
Equity securities held for trading	8,491	(3,804)	6,452	(2,772)
Other equity securities	-	26,617	-	26,617
Debt securities held for trading	255,785	176,211	255,785	176,211
Debt securities available-for-sale	161,235	134,178	161,234	134,178
	425,511	333,202	423,471	334,234

10. Other revenue

	The Group		The Company	
	2013	2012	2013	2012
Dividend income from subsidiary	-	-	-	1,865,853
Other	27,585	81,288	27,585	81,288
	27,585	81,288	27,585	1,947,141

11. Salaries, pension contributions and other staff benefits

	The Group		The Company	
	2013	2012	2013	2012
Wages and salaries	684,461	586,131	684,461	586,131
Payroll taxes	51,273	44,430	51,273	44,430
Pension contributions	22,325	20,732	22,325	20,732
Other staff benefits	76,638	64,302	76,638	64,302
	834,697	715,595	834,697	715,595

12. Expenses by nature

	The Group		The Company	
	2013	2012	2013	2012
Salaries, pension contributions and other staff benefits (note 11)	834,697	715,595	834,697	715,595
Property expenses, including depreciation	132,579	111,489	139,469	117,593
Transportation and communication	10,596	10,787	10,596	10,787
Marketing and advertising	81,820	61,039	81,820	58,665
Management and consultancy fees	107,980	112,407	84,518	71,705
Stationery	11,679	15,595	11,679	15,595
Amortisation of intangible asset	134	611	134	611
Impairment loss on subsidiary [note (i)]	-	-	-	1,585,627
Other operating expenses	480,187	340,836	401,864	293,678
	1,659,672	1,368,359	1,564,777	2,869,856

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

12. Expenses by nature (continued)

(i) The recoverable amount of the company's investment in each subsidiary is reviewed annually for impairment. The impairment review at the end of the year resulted in an impairment loss of Nil (2012:$1,585,627) being recognised. Goodwill Impairment for one subsidiary was assessed as $4,618 (2012:Nil).

13. Profit before taxation

In arriving at the profit before taxation, the following are among the items that have been charged:

	The Group		The Company	
	2013	2012	2013	2012
Auditors' remuneration				
Current year	10,724	12,403	8,700	8,164
Prior year	-	100	-	100
Depreciation	20,192	13,402	15,299	7,716
Amortisation of intangible assets	134	611	134	611
Directors' emoluments				
- Fees	6,577	5,580	5,027	4,871
- Other	18,251	16,381	18,251	16,381
Operating lease rentals	67,982	61,693	67,982	61,693

14. Taxation

(a) Taxation charge

Income tax is computed on the profit for the year as adjusted for tax purposes and is as follows:

	The Group		The Company	
	2013	2012	2013	2012
Current income tax:				
Income tax at 33⅓%	921,403	806,376	839,802	714,364
Adjustment in respect previous years	20	(1,194)	-	(23)
	921,423	805,182	839,802	714,341
Deferred income tax [note 28 (c)]	(119,436)	18,561	(120,048)	18,635
Adjustment in respect previous years	-	12,101	-	-
	(119,436)	30,662	(120,048)	18,635
	801,987	835,844	719,754	732,976

(b) Taxation losses, subject to agreement by the Commissioner, Tax Administration Jamaica, available for set-off against future taxable profits, amounted to $10,449 (2012: $9,497) for the Group.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

14. Taxation (continued)

(c) Reconciliation of applicable tax charge to effective tax charge:

	The Group		The Company	
	2013	2012	2013	2012
Profit before taxation	2,796,522	2,759,223	2,419,937	2,712,882
Taxation at 33⅓% and 25%	932,688	919,741	806,646	904,294
Adjusted for the effects of:				
Income not subject to tax				
- Tax free investments	(102,813)	(105,472)	(102,813)	(105,472)
- Exempt revenue	(17,788)	(1,121)	(2,647)	(622,810)
Expenses not deductible for tax purposes	59,215	31,856	59,088	31,166
Other charges and allowances	(38,097)	(820)	(40,520)	525,821
Different tax rates of subsidiaries operating in other jurisdictions	(31,238)	(19,247)	-	-
Adjustment in respect of prior years	20	10,907	-	(23)
Taxation expense	801,987	835,844	719,754	732,976

15. Net profit for the year and unappropriated profits attributable to stockholders

(a) Net profit for the year is dealt with in the financial statements of Group entities as follows:

	2013	2012
The Company	1,700,183	1,979,906
The Subsidiaries	294,352	(56,527)
	1,994,535	1,923,379

(b) Unappropriated profits are dealt with in the financial statements of Group entities as follows:

	2013	2012
The Company	10,140,439	9,202,007
The Subsidiaries	599,879	305,527
	10,740,318	9,507,534

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
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16. Earnings per stock unit

Basic earnings per stock unit are calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

	2013	2012
Net profit attributable to stockholders	1,994,535	1,923,379
Weighted average number of ordinary stock units in issue ('000)	423,195	423,195
Basic earnings per stock unit (expressed in $ per share)	4.71	4.54

	Units '000	Units '000
Weighted average number of ordinary stock units:		
Issued ordinary stock units at October 31	423,195	423,195
Effect of owned shares held by ESOP during the year	(499)	(1,257)
Weighted average number of ordinary stock units held during the year	422,696	421,938
Earnings per ordinary shares in issue excluding ESOP holdings (expressed in $ per share)	4.72	4.56

17. Cash and cash equivalents

	The Group		The Company	
	2013	2012	2013	2012
Cash and balances with central bank	1,873	36,653	1,873	36,653
Government and bank notes other than Jamaican	-	15,086	-	15,086
Amounts due from other financial institutions	902,062	234,647	899,039	231,470
Accounts with parent and fellow subsidiaries	1,074,930	725,444	953,340	711,136
Government of Jamaica treasury bills and bonds	7,567,564	4,486,301	7,567,564	4,486,301
	9,546,429	5,498,131	9,421,816	5,480,646
Less: accrued interest receivable on Bank of Jamaica Certificates of Deposit and amounts due from other financial institutions	(987)	(747)	(987)	(747)
	9,545,442	5,497,384	9,420,829	5,479,899

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

18. Accounts with parent and fellow subsidiaries

These represent inter-company accounts held with the parent company and fellow subsidiaries in the ordinary course of business.

19. Financial assets at fair value through profit or loss

	The Group		The Company	
	2013	2012	2013	2012
Government of Jamaica securities	18,520	8,249	18,520	8,249
Quoted shares	-	14,351	-	14,351
Units in unit trusts	234,702	152,664	-	-
	253,222	175,264	18,520	22,600
Accrued interest	83	49	83	49
	253,305	175,313	18,603	22,649

20. Pledged assets

Assets are pledged to other financial institutions and as collateral under repurchase agreements with counterparties. All repurchase agreements mature within twelve months.

	The Group			
	Asset		Related liability	
	2013	2012	2013	2012
Investment securities and securities purchased under resale agreements:				
Clients	39,459,542	44,736,094	35,194,054	39,681,409
Other financial institutions	10,186,210	6,500,267	9,671,074	6,002,638
	49,645,752	51,236,361	44,865,128	45,684,047
Capital management & government securities funds:	13,214,438	14,205,191	13,018,564	14,174,566
	62,860,190	65,441,552	57,883,692	59,858,613

	The Company			
	Asset		Related liability	
	2013	2012	2013	2012
Investment securities and securities purchased under resale agreements:				
Clients	39,459,542	44,736,094	35,194,054	39,681,409
Other financial institutions	10,186,210	6,500,267	9,846,306	6,124,378
	49,645,752	51,236,361	45,040,360	45,805,787
Capital management & government securities funds	13,214,438	14,205,191	13,020,576	14,175,062
	62,860,190	65,441,552	58,060,936	59,980,849

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
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20. Pledged assets (continued)

Included in pledged assets are the following categories of assets:

	The Company and Group	
	2013	2012
Deposits with financial institutions including resale agreements	7,570,354	4,087,048
Loans	131,183	127,633
Government issued securities:		
Fair value through profit or loss	202,760	331,610
Available-for-sale	38,457,039	38,194,404
Loans and receivable	7,309,772	11,778,869
Held-to-maturity	7,315,062	9,289,394
Unitised funds:		
Available-for-sale	889,087	774,221
Other:		
Available-for-sale	984,933	858,373
	62,860,190	65,441,552

(i) Included in pledged assets are the following amounts which are regarded as cash equivalents for the purposes of the statement of cash flows:

	The Company and Group	
	2013	2012
Debt securities with an original maturity of less than 90 days	7,567,564	4,486,301

(ii) The fair value of collateral held pursuant to reverse repurchase agreements is Nil (2012:$ 418,429).

21. Loans, after allowance for impairment losses

	The Company and Group	
	2013	2012
Business and Government	19,987	750,791
Personal	61,084	47,906
Interest receivable	436	347
Total	81,507	799,044
Less: allowance for impairment losses [note 21(b)]	(1,510)	(371,374)
	79,997	427,670

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

21. Loans, after allowance for impairment losses (continued)

(a) Loans on which interest is suspended amounted to $1,510 (2012: $731,635) for the company and the group. These loans are included in the financial statements at their estimated net realisable value of Nil (2012: $360,305) for the company and group.

(b) During 2013 loans due from a large corporation were recovered and the unrecovered balance was written off.

(i) The ageing of the loans at the reporting date was:

	The Company and Group	
	2013	2012
Neither past due nor impaired	79,561	67,061
Impaired loans more than 90 days	1,510	731,635
Interest receivable	436	348
Gross loan portfolio	81,507	799,044
Less: allowance for impairment losses	(1,510)	(371,374)
	79,997	427,670

Based on historical default rates, the group believes that no impairment allowance is necessary in respect of loans less than 90 days past due.

(ii) Renegotiated loans

Restructuring activities include extended payment arrangements, modification and deferral of payments.

Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

During the year, there were no renegotiated loans.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

21. Loans, after allowance for impairment losses (continued)

(b) (Continued)

(iii) Repossessed collateral

In the normal course of business, the security documentation which governs the collateral charged in favour of the group to secure the debt, gives the group express authority to repossess the collateral in the event of default. Repossessed collateral is sold as soon as practicable, with the proceeds used to reduce outstanding indebtedness. Repossessed collateral is not recognized on the Group's statement of financial position.

The Group had no repossessed collateral at the reporting date (2012: None).

22. Impairment losses on loans

	The Group		The Company	
	2013	2012	2013	2012
Total impaired loans	1,510	731,635	1,510	731,635
Provision at beginning of year	371,374	353,044	371,374	353,044
(Credited)/provided during the year	(64,662)	135	(64,662)	135
Bad debts written off	(360,242)	-	(360,242)	-
Translation differences on foreign currency provisions	55,040	18,195	55,040	18,195
Allowance at end of year	1,510	371,374	1,510	371,374
(Credited)/provided during the year	(64,662)	135	(64,662)	135
Recoveries of bad debts	(32,892)	(21,555)	(32,892)	(21,555)
	(97,554)	(21,420)	(97,554)	(21,420)

Allowance for impairment losses:

A loan is classified as impaired if its carrying value exceeds the present value of the cash flows expected in future periods from interest repayments, principal repayments and proceeds of liquidation of collateral. Allowances for credit losses are made on all impaired loans. Uncollected interest not accrued in these financial statements on impaired loans was estimated at $1,454 as at October 31, 2013 (2012: $1,194) for the company and the group.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

22. Impairment adjustments on loans (continued)

Allowance for impairment losses (continued):

The total allowance for loan losses is made up as follows:

	The Company and Group	
	2013	2012
Allowance based on accounting standard - IAS 39	1,510	371,374

This is the allowance based on the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*.

23. Reclassification of financial assets

On October 1, 2008, the Company reclassified Government of Jamaica (GOJ) Global Bonds that were included in pledged assets from available-for-sale to loans and receivables in accordance with paragraph 50E of IAS 39. The standard required that such reclassification be made at the fair value of the instruments at the date of reclassification.

The carrying and fair value of these securities as at October 31, 2013 were as follows:

	The Company and Group			
	2013		2012	
	Carrying value	Fair value	Carrying value	Fair value
Debt Securities:				
US$ denominated GOJ Global Bonds	7,010,694	7,204,928	11,213,598	11,723,578
EURO denominated GOJ Global Bonds	131,548	136,143	260,504	274,722

(a) Fair value gains/(losses) net of deferred tax liabilities of $40,455 (2012: $65,465) were recognised in other comprehensive income in relation to the above investments reclassified in 2008.

(b) Fair value gains of $147,923 (2012: $416,986) net of deferred taxation would have been included in other comprehensive income for the year had the investments not been reclassified. This amount was estimated on the basis of the bid price of the securities as at the reporting date.

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Notes to the Financial Statements (continued)
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23. Reclassification of financial assets (continued)

(c) The weighted average effective interest rate of the investments at the date of reclassification was 8.39%. The undiscounted cash flows to be recovered from the investment reclassified is $11,119,647.

Presented below are the estimated amounts of undiscounted cash flows expected to be recovered from the reclassified securities:

	The Company and Group			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Reclassified debt securities	-	2,771,524	1,350,426	6,997,697

24. Investment securities

	The Company and Group	
	2013	2012
Available-for-sale		
Government of Jamaica securities	4,799,801	3,842,941
Quoted shares	25,500	-
Unquoted	-	8,782
Treasury bills	293,448	295,929
	5,118,749	4,147,652
Interest receivable	61,333	52,934
	5,180,082	4,200,586

The Group has not reclassified any financial asset measured at amortised cost to securities carried at fair value during the year.

The Group participated in the National and Private Debt exchanges during 2013, this resulted in a net loss of $226,489 reported in net gains on financial assets in the Consolidated Statement of Revenue and Expenses.

25. Sundry assets

	The Group		The Company	
	2013	2012	2013	2012
Accounts receivable and prepayments	109,552	152,856	64,634	111,358
Other	5,010	8,391	5,010	8,391
	114,562	161,247	69,644	119,749

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26. Property, plant and equipment

	The Group				
	Land & building	Leasehold improvements	Furniture, fixtures, motor vehicles & equipment	Capital work-in-progress	Total
Cost:					
October 31, 2011	3,146	84,817	281,220	198	369,381
Additions	-	148	26,837	2,839	29,824
Transfer	-	3,037	-	(3,037)	-
October 31, 2012	3,146	88,002	308,057	-	399,205
Additions	-	1,533	23,254	-	24,787
Disposals	-	-	(15,232)	-	(15,232)
October 31, 2013	3,146	89,535	316,079	-	408,760
Accumulated depreciation:					
October 31, 2011	1,309	76,896	251,289	-	329,494
Charge for the year	74	3,479	9,849	-	13,402
October 31, 2012	1,383	80,375	261,138	-	342,896
Charge for the year	74	5,880	14,238	-	20,192
Eliminated on disposals	-	-	(3,808)	-	(3,808)
October 31, 2013	1,457	86,255	271,568	-	359,280
Net book values:					
October 31, 2013	1,689	3,280	44,511	-	49,480
October 31, 2012	1,763	7,627	46,919	-	56,309
October 31, 2011	1,837	7,921	29,931	198	39,887

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26. Property, plant and equipment (continued)

	The Company			
	Leasehold improvements	Furniture, fixtures, motor vehicles & equipment	Capital work-in-progress	Total
Cost:				
October 31, 2011	49,547	164,951	198	214,696
Additions	148	26,837	2,839	29,824
Transfers	3,037	-	(3,037)	-
October 31, 2012	52,732	191,788	-	244,520
Additions	1,533	23,254	-	24,787
Disposals	-	(15,232)	-	(15,232)
October 31, 2013	54,265	199,810	-	254,075
Accumulated depreciation:				
October 31, 2011	43,949	150,617	-	194,566
Charge for the year	2,365	5,351	-	7,716
October 31, 2012	46,314	155,968	-	202,282
Charge for the year	4,671	10,628	-	15,299
Eliminated on disposals	-	(3,808)	-	(3,808)
October 31, 2013	50,985	162,788	-	213,773
Net book values:				
October 31, 2013	3,280	37,022	-	40,302
October 31, 2012	6,418	35,820	-	42,238
October 31, 2011	5,598	14,334	198	20,130

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27. Intangible assets

	The Group			The Company
	Goodwill	Computer software	Total	Computer software
Cost:				
October 31, 2011	26,113	152,625	178,738	138,325
Additions	-	10,946	10,946	10,946
October 31, 2012	26,113	163,571	189,684	149,271
Additions during the year	-	595	595	595
October 31, 2013	26,113	164,166	190,279	149,866
Amortisation:				
October 31, 2011	-	124,772	124,772	110,472
Amortisation for the year	-	611	611	611
October 31, 2012	-	125,383	125,383	111,083
Amortisation for the year	-	134	134	134
Impairment for the year	4,618	-	4,618	-
October 31, 2013	4,618	125,517	130,135	111,217
Net book values:				
October 31, 2013	21,495	38,649	60,144	38,649
October 31, 2012	26,113	38,188	64,301	38,188
October 31, 2011	26,113	27,853	53,966	27,853

28. Deferred tax assets and liabilities

Deferred income taxes are calculated on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using an effective tax rate of 33 ⅓%.

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Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

28. Deferred tax assets and liabilities (continued)

(a) The movement on the deferred income tax account is as follows:

	The Group		The Company	
	2013	2012	2013	2012
Balance at the beginning of the year	(73,654)	(280,553)	(73,590)	(292,516)
Recognised in the statement of revenue and expenses [note 14(a)]	119,436	(30,662)	120,048	(18,635)
Recognised in other comprehensive income:				
Available-for-sale investments fair value re-measurement	(12,152)	237,561	(12,152)	237,561
Balance at the end of the year	33,630	(73,654)	34,306	(73,590)

(b) Deferred income tax assets and liabilities are attributable to the following items:

	The Group		The Company	
	2013	2012	2013	2012
Deferred income tax assets:				
Vacation leave accrued	9,234	7,743	9,234	7,743
Accelerated tax depreciation	7,623	7,325	7,580	7,325
Available-for-sale investments	142,593	154,744	142,593	154,744
Other	24,379	-	24,379	-
Deferred income tax liabilities:				
Interest receivable and interest payable, net	(149,478)	(243,402)	(149,478)	(243,402)
Accelerated tax depreciation	(41)	(64)	-	-
Other	(680)	-	(2)	-
Net deferred tax asset/(liability)	33,630	(73,654)	34,306	(73,590)
This comprises:				
Net deferred tax assets	34,349	-	34,306	-
Net deferred tax liability	(719)	(73,654)	-	(73,590)
	33,630	(73,654)	34,306	(73,590)

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Notes to the Financial Statements (continued)
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(Expressed in thousands of Jamaican dollars unless otherwise stated)

28. Deferred tax assets and liabilities (continued)

(c) The deferred tax charge comprises the following temporary differences and related tax:

	The Group		The Company	
	2013	2012	2013	2012
Vacation leave accrued	1,491	1,492	1,491	1,492
Accelerated tax depreciation	321	(15,652)	255	(6,136)
Tax value of utilised losses	-	(2,511)	-	-
Interest receivable	93,924	(13,991)	93,924	(13,991)
Other	23,700	-	24,378	-
	119,436	(30,662)	120,048	(18,635)

Deferred income tax liabilities have not been computed on the withholding tax and other taxes that would be payable on distribution of the unappropriated profits of subsidiaries as such amounts are reinvested; such unappropriated profits totalled $298,971 (2012: $223,700).

29. Capital management fund and government securities fund

(a) Capital Management Fund

The capital management fund represents the investment of contributions from third-party clients. Changes in the value of the fund at each valuation date are based on the net accretion in value of the underlying investments.

(b) Government Securities Fund

The government securities fund is the management of funds on a non-recourse basis on behalf of investors. The investors have a direct traceable interest in the investments.

30. Other liabilities

	The Group		The Company	
	2013	2012	2013	2012
Accrued liabilities	289,693	138,564	283,366	129,768
Other	260,520	153,764	224,581	123,211
	550,213	292,328	507,947	252,979

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31. Share capital

	Number of units		Total	
	2013	2012	2013	2012
Authorised:				
Ordinary shares of no par value	1,200,000	1,200,000		
Issued and fully paid:				
Ordinary stock units	423,195	423,195	1,912	1,911

Under the provisions of the Companies Act 2004 (the Act), the shares have no par value. The holders of the ordinary stock units are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

32. Cumulative remeasurement result from available-for-sale financial assets

This represents the unrealised surplus or deficit on the revaluation of available-for-sale investments and the unamortised gains relating to securities reclassified to loans and receivables.

33. Capital reserve

Capital reserve comprises gains on disposal of an interest in a subsidiary and land, furniture and fixtures sold to an associated company.

34. Reserves for own shares - ESOP

A reserve for own shares is included in these financial statements by consolidation of the company's Employee Share Ownership Plan (ESOP) as it is regarded as a Special Purpose Entity and is required to be consolidated under IAS 27 *Consolidated and Separate Financial Statements*, as interpreted by Standards Interpretation Committee (SIC) 12. The reserve comprises the cost of the company's shares held by the Group through the ESOP.

The number of stock units held by the ESOP at October 31, 2013 was $499,114 (2012: $1,257,215). Based on the bid price, less a 10% discount normally allowed to staff, the value of those stock units at year end was $12,987 (2012: $35,215).

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Year ended October 31, 2013
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35. Financial risk management

(a) Overview & risk management framework

By their nature, the Group's activities are principally related to the use of financial instruments. This will involve analysis, evaluation and management of some degree of risk or combination of risks. The Group's aim is therefore to achieve an appropriate balance between risks and return and minimise potential adverse effects on the Group's financial performance.

The Group manages risk through a framework of risk principles, organizational structures and risk measurement and monitoring processes that are closely aligned with the activities of our business units. The Group'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 Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board has established committees for managing and monitoring risks.

Two key committees for managing and monitoring risks are as follows:

(i) Board Audit Committee

The Board Audit Committee is solely comprised of independent directors. The Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

(ii) Asset and Liability Committee (ALCO)

The Asset and Liability Committee (ALCO) has the responsibility of ensuring that risks are managed within the limits established by the Board of Directors. The Committee meets at least once monthly to review risks, evaluate performance and provide strategic direction. In addition, internal audit is responsible for the independent review of risk management and the control environment. The Committee reviews investment, loans and funding activities, and ensures that the existing policies comprehensively deal with the management and diversification of the company's investment and loan portfolios and that appropriate limits are being adhered to.

The most important types of risk are credit risk, market risk, and liquidity risk. Market risk includes currency risk, interest rate and other price risk.

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Notes to the Financial Statements(continued)
Year ended October 31, 2013
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35. Financial risk management (continued)

(b) Credit risk

(i) Credit risk management

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment allowances are made for losses that have been incurred at the reporting date. However, significant negative changes in the economy, an industry segment that represents a concentration in the Group's loan portfolio, or positions in tradeable assets such as bonds could result in losses that are different from those recognised at the reporting date.

At a strategic level, the Group manages the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any one borrower, or groups of borrowers, and industry segments. The exposure to any one borrower, including banks and brokers, is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily.

Operationally, exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by restructuring loans where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. The principal collateral types for loans are:

- Cash
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

In addition, the Group will seek additional collateral from the counterparty where impairment indicators are noticed for the relevant individual loans.

Collateral held as security for financial assets other than loans is determined by the nature of the instrument. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts.

The assessment normally encompasses collateral held and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for:

(i) portfolios of homogenous assets; and

(ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

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Notes to the Financial Statements (continued)
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35. Financial risk management (continued)

(b) Credit risk (continued)

(i) Credit risk management (continued)

The Group further manages its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

(ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

In measuring credit risk of commercial loans at the counterparty level, the Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class:

Group'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-

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Notes to the Financial Statements (continued)
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35. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality

Retail loans are risk-rated based on an internal scoring system which combines statistical analysis with credit officer judgment, and fall within the following categories:

- Good
- Acceptable
- Higher risk

The table below shows the percentage of the Company's and Group's balances as at October 31, 2013 relating to loans and advances and the associated impairment provision for each of the Group's internal rating categories:

	The Company and Group	
	2013	2012
	%	%
Excellent	99.1	73.2
Good	0.8	0.8
Higher Risk	0.1	26.0
	100.0	100.0

The following table presents an analysis by rating agency designation of debt and similar securities, other than loans, based on Standard & Poor's ratings or their equivalent as at October 31, 2013:

	The Company and Group	
	2013	2012
AAA+ to AA+	296,786	269,029
A to A+	-	36,985
BBB+ to BB+	197,956	192,945
BB to B-	58,859,137	63,560,341
Lower than B-	6	4
	59,353,885	64,059,304

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Notes to the Financial Statements (continued)
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35. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

	The Company and Group	
	2013	2012
Financial assets at fair value through statement of revenue and expenses	18,603	8,298
Investment securities:		
Available-for-sale	5,154,582	4,129,227
Pledged assets:		
Held for trading	1,873	318,104
Loans and receivables	7,264,588	42,063,811
Held-to-maturity	5,544,253	5,862,011
Available-for-sale	41,369,986	11,677,853
	59,353,885	64,059,304

Collateral and other credit enhancements held against loans

It is the Group's practice to lend on the basis of the customer's or Issuer's ability to meet their obligations out of their cash flow resources rather than rely on the value of security offered as collateral. Nevertheless, the collateral is an important mitigant of credit risk, depending on the customer's standing and the type of product, some facilities are granted on an unsecured basis. For other facilities, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default the Group may utilise the collateral as a source of repayment. In such cases the collateral is used to settle all debt obligations to the Group, and excess value is returned to the borrower.

The Group holds collateral against credits to borrowers primarily in the form of cash, motor vehicles, real estate, charges over business assets such as premises, inventory and accounts receivable and charges over financial instruments such as debt securities and equities. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when credits to borrowers are individually assessed as impaired.

The estimated fair value of the collateral with enforceable legal right pursuant to the agreements for outstanding loans and guarantees is $1,957,140 (2012: $1,826,223) for the Group and Company.

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Notes to the Financial Statements (continued)
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35. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Concentration of exposure to credit risk

(1) Loans and leases

The following table summarises the Group's credit exposure for loans at their carrying amounts, as categorised by the industry sectors. Loans are primarily extended to customers within Jamaica.

	The Group			
	Loans and leases	Acceptances, guarantees and letters of credit	Total 2013	Total 2012
Agriculture, fishing and mining	-	-	-	8,900
Construction and real estate	-	59,151	59,151	126,890
Financial institutions	-	14,795	14,795	13,032
Manufacturing	-	133,030	133,030	119,604
Personal	61,084	1,668,044	1,729,128	1,415,039
Professional and other services	19,987	428,088	448,075	242,012
Tourism and entertainment	-	23,486	23,486	753,705
Interest receivable	436	-	436	347
	81,507	2,326,594	2,408,101	2,679,529
Total impairment allowance	(1,510)	-	(1,510)	(371,373)
Total	79,997	2,326,594	2,406,591	2,308,156

(2) Debt securities and amounts due from other banks

The following table summarises the Group's and company's credit exposure for debt securities and amounts due from other banks at their carrying amounts, as categorised by issuer:

	Maximum exposure			
	The Group		The Company	
	2013	2012	2013	2012
Governments	57,886,012	62,562,213	57,886,012	62,562,213
Bank of Jamaica	489,777	3,618	489,777	3,618
Financial institutions	11,457,112	7,177,976	11,332,499	7,160,742
Corporate and other	-	639,105	-	639,105
	69,832,901	70,382,912	69,708,288	70,365,678

Other than exposure on Government of Jamaica securities, there is no significant concentration of liquid funds. For securities purchased under resale agreements, titles to securities are transferred to the group's custody for the duration of the agreement.

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35. Financial risk management (continued)

(c) Market risk

The Group takes on exposure to market risks, 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 risks arise 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 Group separates exposures to market risk into either trading or non-trading portfolios.

The group manages market risk through risk limits approved by the Board of Directors. Risk limits are determined for each portfolio, and are set by product and risk type, with market liquidity being a principal factor in determining the level of limits set. Limits are set using a combination of risk measurement techniques, including position limits and stress testing to identify the potential net interest income and market value effects of the positions in different scenarios. The results of the stress tests are reviewed by senior management and by the Board of Directors.

The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in securities prices and in foreign exchange and interest rates. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

(i) Interest rate risk

Cash flow 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 Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

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

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35. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	The Group 2013						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	-	1,976,005	-	-	-	2,860	1,978,865
Financial assets at fair value through profit or loss	-	-	-	10,224	8,297	234,784	253,305
Pledged assets	560	42,073,547	2,835,828	9,752,667	6,631,921	1,565,667	62,860,190
Loans, leases & trade receivables	21,094	593	2,063	49,463	12,349	(5,565)	79,997
Investment securities (2) available-for-sale	-	3,660,234	354,135	1,049,725	29,156	86,832	5,180,082
Other assets	-	-	-	-	-	3,394,121	3,394,121
Total assets	21,654	47,710,379	3,192,026	10,862,079	6,681,723	5,278,699	73,746,560
Capital management and government securities fund	13,017,402	-	-	-	-	1,162	13,018,564
Securities sold under repurchase agreements	1,591,621	37,935,059	5,055,834	45,680	-	236,934	44,865,128
Other liabilities	-	-	-	-	-	3,370,979	3,370,979
Stockholders' equity	-	-	-	-	-	12,491,889	12,491,889
Total liabilities and stockholders' equity	14,609,023	37,935,059	5,055,834	45,680	-	16,100,964	73,746,560
Total interest rate sensitivity gap	(14,587,369)	9,775,320	(1,863,808)	10,816,399	6,681,723	(10,822,265)	-
Cumulative gap	**(14,587,369)**	**(4,812,049)**	**(6,675,857)**	**4,140,542**	**10,822,265**	-	-

	The Group 2012						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	2,489,448	52,941,502	13,130,253	1,679,018	45,233	3,585,941	73,871,395
Total liabilities and stockholders' equity	15,367,334	38,367,187	5,842,221	1,379	-	14,293,274	73,871,395
Total interest rate sensitivity gap	(12,877,886)	14,574,315	7,288,032	1,677,639	45,233	(10,707,333)	-
Cumulative gap	**(12,877,886)**	**1,696,429**	**8,984,461**	**10,662,100**	**10,707,333**	-	-

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35. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	The Company 2013						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	-	1,851,392	-	-	-	2,860	1,854,252
Financial assets at fair value through profit or loss	-	-	-	10,224	8,297	82	18,603
Pledged assets	560	42,073,547	2,835,828	9,752,667	6,631,921	1,565,667	62,860,190
Loans, leases & trade receivables	21,094	593	2,063	49,463	12,349	(5,565)	79,997
Investment securities - Available-for-sale	-	3,660,234	354,135	1,049,725	29,156	86,832	5,180,082
Investment in subsidiaries	-	-	-	-	-	442,526	442,526
Other assets	-	-	-	-	-	3,313,649	3,313,649
Total assets	21,654	47,585,766	3,192,026	10,862,079	6,681,723	5,406,051	73,749,299
Amount due to subsidiaries	-	-	-	-	-	473,292	473,292
Capital management and government securities fund	13,019,414	-	-	-	-	1,162	13,020,576
Securities sold under repurchase agreements	1,591,621	37,935,059	5,230,819	45,680	-	237,181	45,040,360
Other liabilities	-	-	-	-	-	3,299,943	3,299,943
Stockholders' equity	-	-	-	-	-	11,915,128	11,915,128
Total liabilities and stockholders' equity	14,611,035	37,935,059	5,230,819	45,680	-	15,926,706	73,749,299
Total interest rate sensitivity gap	(14,589,381)	9,650,707	(2,038,793)	10,816,399	6,681,723	(10,520,655)	-
Cumulative gap	(14,589,381)	(4,938,674)	(6,977,467)	3,838,932	10,520,655	-	-

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

35. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	The Company						
	2012						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	2,489,448	52,924,017	13,130,253	1,679,018	45,233	3,785,852	74,053,821
Total liabilities and stockholders' equity	15,367,830	38,387,618	5,943,279	1,379	-	14,353,715	74,053,821
Total interest rate sensitivity gap	(12,878,382)	14,536,399	7,186,974	1,677,639	45,233	(10,567,863)	-
Cumulative gap	(12,878,382)	1,658,017	8,844,991	10,522,630	10,567,863	-	-

(1) This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example, base rate loans.

(2) This includes financial instruments such as equity investments.

Average effective yields by the earlier of the contractual repricing and maturity dates:

	The Group					
	2013					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Average %
Cash resources	-	4.50	-	-	-	4.50
Financial assets at fair value through profit or loss	-	-	-	8.29	8.15	8.23
Pledged assets	12.75	6.39	6.83	8.34	7.90	6.88
Loan, lease & trade receivables	0.07	8.09	8.24	8.50	7.70	6.30
Capital management and government securities fund	0.33	-	-	-	-	0.33
Investment securities Available-for-sale	-	7.62	9.63	9.63	8.53	8.18
Securities sold under repurchase agreements	4.51	4.46	3.03	7.60	-	4.30

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Notes to the Financial Statements (continued)
Year ended October 31, 2013
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35. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	The Group					
	2012					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Cash resources	-	3.94	-	-	-	3.94
Financial assets at fair value through profit or loss	-	9.36	12.00	-	-	9.82
Pledged assets	2.10	7.38	10.02	7.66	5.22	7.62
Loan, lease & trade receivables	0.44	8.02	8.34	8.77	11.80	1.89
Capital management and government securities fund	3.04	-	-	-	-	3.04
Investment securities available-for-sale	-	7.58	6.50	-	-	7.19
Securities sold under repurchase agreements	4.89	4.66	4.06	4.25	-	4.56

	The Company					
	2013					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Cash resources	-	4.50	-	-	-	4.50
Financial assets at fair value through profit or loss	-	-	-	8.29	8.15	8.23
Pledged assets	12.75	6.39	6.83	8.34	7.90	6.88
Loan, lease & trade receivables	0.07	8.09	8.24	8.50	7.70	6.30
Capital management and government securities fund	0.33	-	-	-	-	0.33
Investment securities Available-for-sale	-	7.62	9.63	9.63	8.53	8.18
Securities sold under repurchase agreements	4.51	4.46	3.03	7.60	-	4.30

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Notes to the Financial Statements (continued)
Year ended October 31, 2013
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35. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	The Company					
	2012					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Cash resources	-	3.94	-	-	-	3.94
Financial assets at fair value through profit or loss	-	9.36	12.00	-	-	9.82
Pledged assets	2.10	7.38	10.02	7.66	5.22	7.62
Loan, lease & trade receivables	0.44	8.02	8.34	8.77	11.80	1.89
Capital management and government securities fund	3.04	-	-	-	-	3.04
Investment securities Available-for-sale	-	7.58	6.50	-	-	7.19
Securities sold under repurchase agreements	4.89	4.66	4.06	4.25	-	4.56

Average effective yields by the earlier of the contractual repricing or maturity dates:

(1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts. Yields on tax-exempt investments have not been computed on a taxable equivalent basis.

(2) Yields are based on book values, net of allowance for credit losses and contractual interest rates.

(3) Yields are based on contractual interest rates.

Sensitivity analysis

The changes in the interest rates as noted below is based on recently observed market movements. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	2013	2012
Sensitivity of market risk variable:		
JMD Interest rates	increase/decrease by 350 bps	increase/decrease by 350 bps
USD Interest rates	increase/decrease by 300 bps	increase/decrease by 225 bps

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Notes to the Financial Statements(continued)
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35. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis (continued)

	The Group		The Company	
	2013	2012	2013	2012
Effect on profit or loss	557,061	363,234	557,061	363,234
Effect on shareholders' equity	2,010,174	1,428,159	2,010,174	1,428,159

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The main currencies giving rise to this risk are the USD, CAD, GBP, and EUR. The Group ensures that the net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible.

The table below summarizes the Group's exposure to foreign currency exchange risk in thousands of units of the respective currencies:

	The Group 2013					
	JMD	USD	CAD	GBP	EUR	TOTAL
Assets:						
Cash resources	639,314	965,677	54,417	107,807	211,650	1,978,865
Financial assets at fair value through Revenue and expense	234,702	18,603	-	-	-	253,305
Pledged assets	39,851,933	22,484,279	109,583	238,547	175,848	62,860,190
Investment securities	3,597,090	1,287,661	295,331	-	-	5,180,082
Loans, after allowances for impairment losses	79,418	579	-	-	-	79,997
Other assets	2,065,171	602,162	8,818	697,044	20,926	3,394,121
Total assets	46,467,628	25,358,961	468,149	1,043,398	408,424	73,746,560
Liabilities:						
Securities sold under repurchase agreement	30,880,507	13,984,621	-	-	-	44,865,128
Capital management & government securities fund	2,034,755	9,146,129	439,589	1,027,182	370,909	13,018,564
Other liabilities	936,256	2,356,020	26,620	9,669	42,414	3,370,979
Total liabilities	33,851,518	25,486,770	466,209	1,036,851	413,323	61,254,671
Net financial position	12,616,110	(127,809)	1,940	6,547	(4,899)	12,491,889

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Year ended October 31, 2013
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35. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign exchange risk

	The Group					
	2012					
	JMD	USD	CAD	GBP	EUR	TOTAL
Assets:						
Cash resources	390,541	306,092	24,782	135,488	154,927	1,011,830
Financial assets at fair value through profit or loss	175,313	-	-	-	-	175,313
Pledged assets	40,188,622	24,541,906	293,879	95,867	321,278	65,441,552
Investment securities	4,200,586	-	-	-	-	4,200,586
Loans, after allowances for impairment losses	67,364	360,306	-	-	-	427,670
Other assets	1,723,465	330,174	8,751	596,848	(44,794)	2,614,444
Total assets	46,745,891	25,538,478	327,412	828,203	431,411	73,871,395
Liabilities:						
Securities sold under repurchase agreement	31,003,361	14,680,686	-	-	-	45,684,047
Capital management & government Securities fund	3,357,238	9,302,250	297,307	817,584	400,187	14,174,566
Other liabilities	928,169	1,625,015	28,239	7,655	49,644	2,638,722
Total liabilities	35,288,768	25,607,951	325,546	825,239	449,831	62,497,335
Net financial position	11,457,123	(69,473)	1,866	2,964	(18,420)	11,374,060

	The Company					
	2013					
	JMD	USD	CAD	GBP	EUR	TOTAL
Assets:						
Cash resources	517,724	965,677	54,417	104,784	211,650	1,854,252
Financial assets at fair value through profit or loss	-	18,603	-	-	-	18,603
Pledged assets	39,851,933	22,484,279	109,583	238,547	175,848	62,860,190
Investment securities	3,597,090	1,287,661	295,331	-	-	5,180,082
Investment subsidiaries	442,526	-	-	-	-	442,526
Loans, after allowances for impairment losses	79,418	579	-	-	-	79,997
Other assets	1,984,699	602,162	8,818	697,044	20,926	3,313,649
Total assets	46,473,390	25,358,961	468,149	1,040,375	408,424	73,749,299
Liabilities:						
Securities sold under repurchase agreement	30,880,506	14,159,854	-	-	-	45,040,360
Capital management & government securities fund	2,036,767	9,146,129	439,589	1,027,182	370,909	13,020,576
Other liabilities	1,340,230	2,354,302	26,620	9,669	42,414	3,773,235
Total liabilities	34,257,503	25,660,285	466,209	1,036,851	413,323	61,834,171
Net financial position	12,215,887	(301,324)	1,940	3,524	(4,899)	11,915,128

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Notes to the Financial Statements (continued)
Year ended October 31, 2013
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35. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign exchange risk (continued)

	The Company					
	2012					
	JMD	USD	CAD	GBP	EUR	TOTAL
Assets:						
Cash resources	376,020	306,092	24,782	132,524	154,927	994,345
Financial assets at fair value through profit or loss	22,649	-	-	-	-	22,649
Pledged assets	40,188,622	24,541,906	293,879	95,867	321,278	65,441,552
Investment securities	4,200,586	-	-	-	-	4,200,586
Investment subsidiaries	441,138	-	-	-	-	441,138
Loans, after allowances for impairment losses	67,364	360,306	-	-	-	427,670
Other assets	1,634,902	330,174	8,751	596,848	(44,794)	2,525,881
Total assets	46,931,281	25,538,478	327,412	825,239	431,411	74,053,821
Liabilities:						
Securities sold under repurchase agreement	31,003,361	14,802,426	-	-	-	45,805,787
Capital management & government securities fund	3,357,734	9,302,250	297,307	817,584	400,187	14,175,062
Other liabilities	1,248,842	1,624,716	28,239	7,655	49,642	2,959,094
Total liabilities	35,609,937	25,729,392	325,546	825,239	449,829	62,939,943
Net financial position	11,321,344	(190,914)	1,866	-	(18,418)	11,113,878

The following significant exchange rates were applied during the year:

	Average rate for the year		Reporting date spot rate	
	2013	2012	2013	2012
USD	98.6419	88.0388	104.6866	90.805
CAD	96.3132	87.2836	100.4229	90.6676
GBP	154.0407	138.9460	170.1634	146.3108
EUR	129.7238	112.9194	142.8333	117.9639

Sensitivity to foreign exchange risk

A weakening of the JMD against the following currencies at October 31 would have increased/(decreased) equity and profit by the amounts shown below. This analysis is performed on the same basis for 2012, analyzing the market movements for exchange rates during the year. The strengthening of the JMD against the same currencies at October 31 would have had the equal but opposite effect on the amounts shown, on the basis that all other variable remain constant.

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Notes to the Financial Statements (continued)
Year ended October 31, 2013
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35. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign exchange risk (continued)

Sensitivity to foreign exchange risk (continued)

	2013	2012
USD	increase/decrease by 7.25%	increase/decrease by 3.75%
CAD	increase/decrease by 6.25%	increase/decrease by 8.75%
GBP	increase/decrease by 10.5%	increase/decrease by 7.75%
EUR	increase/decrease by 9.75%	increase/decrease by 11.75%

	The Group		The Company	
	2013	2012	2013	2012
Effect on profit and shareholder's equity	137,492	44,352	132,252	42,348

(iii) Equity risk

Equity price risk arises out of price fluctuations in the equity prices. The risk arises out of holding positions in either individual stocks (idiosyncratic risk) or in the market as a whole (systemic risk). The goal is to earn dividend income and realise capital gains sufficient to offset the interest foregone in holding such long-term positions.

The Board sets limits on the level of exposure, and diversification is a key strategy employed to reduce the impact on the portfolio, which may result from the non-performance of a specific class of assets. Given the potential volatility in the value of equities and the non-interest bearing characteristics of these instruments, the company limits the amount invested in them.

At the reporting date the size of the Group's equity portfolio was:

	2013	2012
Available- for-sale	25,500	-
Financial assets at fair value through profit or loss	-	14,463

Sensitivity analysis

Maximum changes observed in running 10-day periods during the financial year for the equity portfolio as at October 31, 2013 would have increased or decreased equity and profit or loss by the amounts shown below. This analysis is performed on the same basis for 2012. Prices used are the bid prices for the equities. A 10-day period is used to account for the liquidity of the local market equities.

	Profit or loss		Equity	
	Maximum increase	Maximum decrease	Maximum increase	Maximum decrease
31 October 2013	-	-	4,653	2,950
31 October 2012	3,405	2,098	3,405	2,098

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Notes to the Financial Statements (continued)
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35. Financial risk management (continued)

(d) Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight and maturing deposits, loan drawdowns and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Board of Directors approves the Group's liquidity and funding management policies and establishes limits to control the risk. The Group assesses the adequacy of its' liquidity position by analyzing its' current liquidity position, present and anticipated funding requirements, and alternative sources of funds. This process includes:

- Projecting day-to-day cash flows for each major currency;
- Managing the concentration and profile of debt maturities;
- Monitoring of depositor concentration both in terms of the overall funding mix and to avoid undue reliance on large individual depositors;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Maintenance of liquidity and funding contingency plans.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and central bank balances; government and corporate bonds and treasury bills; and loans.

Sources of liquidity are regularly reviewed by the Treasury and Asset Trading department to maintain a wide diversification by customer, currency, product and term.

Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

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Notes to the Financial Statements(continued)
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35. Financial risk management (continued)

(d) Liquidity risk (continued)

Financial liabilities cash flows

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Group's and the company's financial liabilities based on contractual repayment obligations. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay. The expected maturity dates of financial assets and liabilities are based on estimates made by management as determined by retention history.

	The Group					
	2013					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Securities sold under repurchase agreements	41,170,711	5,006,717	52,778	-	-	46,230,206
Capital management & government securities funds	13,018,564	-	-	-	-	13,018,564
Other liabilities	2,320,836	-	5,758	-	15,477	2,342,071
Total liabilities	56,510,111	5,006,717	58,536	-	15,477	61,590,841

	The Group					
	2012					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Securities sold under repurchase agreements	40,118,467	6,100,162	1,442	-	-	46,220,071
Capital management & government securities funds	14,174,566	-	-	-	-	14,174,566
Other liabilities	1,879,509	600	176	200	36,183	1,916,668
Total liabilities	56,172,542	6,100,762	1,618	200	36,183	62,311,305

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Notes to the Financial Statements (continued)
Year ended October 31, 2013
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35. Financial risk management (continued)

(d) Liquidity risk (continued)

	The Company 2013					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Securities sold under repurchase agreements	41,170,711	5,181,950	52,778	-	-	46,405,439
Capital management & government securities funds	13,020,576	-	-	-	-	13,020,576
Other liabilities	2,320,836	-	5,758	-	-	2,326,594
Total liabilities	56,512,123	5,181,950	58,536	-	-	61,752,609

	The Company 2012					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Securities sold under repurchase agreements	40,219,774	6,120,595	1,442	-	-	46,341,811
Capital management & government securities funds	14,175,061	-	-	-	-	14,175,061
Other liabilities	1,879,509	600	176	200	-	1,880,485
Total liabilities	56,274,344	6,121,195	1,618	200	-	62,397,357

36. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. 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. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the reporting dates.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
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36. Fair value of financial instruments (continued)

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 available-for-sale 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;

(iii) the fair value of variable rate financial instruments is assumed to approximate their carrying amounts;

(iv) the fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values;

(v) the fair values of quoted equity investments are based on current bid prices. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment; and

(vi) the fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit adjusted risk-free interest rate (based on government bonds).

The following financial assets and liabilities are not carried at fair value.

	The Group			
	2013		2012	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Pledged assets	22,326,371	22,555,749	25,282,944	26,175,151
Loans	79,997	76,681	427,670	425,284
Financial liabilities				
Securities sold under repurchase agreements	44,865,128	44,865,128	45,684,047	45,684,047

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Notes to the Financial Statements (continued)
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36. Fair value of financial instruments (continued)

	The Company			
	2013		2012	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Pledged assets	22,326,371	22,555,749	25,282,944	26,175,151
Loans	79,997	76,681	427,670	425,284
Financial liabilities				
Securities sold under repurchase agreements	45,040,360	45,040,360	45,805,787	45,805,787

Determination of fair value hierarchy

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 October 2013, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

(ii) Level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	The Group			
	2013			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading:				
Debt securities	-	18,603	-	18,603
Equity securities	-	234,702	-	234,702
Available-for-sale financial assets				
Investment securities – debt securities	-	5,154,582	-	5,154,582
Equity securities	25,500	-	-	25,500
Pledged assets				
Debt securities	-	39,644,732	-	39,644,732
Unitised funds	-	889,087	-	889,087

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

36. Fair value of financial instruments (continued)

Determination of fair value hierarchy (continued)

	The Group 2012			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading:				
Debt securities	-	8,298	-	8,298
Equity securities	14,351	152,664	-	167,015
Available-for-sale financial assets				
Investment securities – debt securities	-	4,191,804	-	4,191,804
Equity securities	-	-	8,782	8,782
Pledged assets				
Debt securities	-	39,384,387	-	39,384,387
Unitised funds	-	774,221	-	774,221

	The Company 2013			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading:				
Debt securities	-	18,603	-	18,603
Available-for-sale financial assets				
Investment securities – debt securities	-	5,154,582	-	5,154,582
Equity securities	25,500	-	-	25,500
Pledged assets				
Debt securities	-	39,644,732	-	39,644,732
Equity securities	-	889,087	-	889,087

	The Company 2012			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading:				
Debt securities	-	8,298	-	8,298
Equity securities	14,351	-	-	14,351
Available-for-sale financial assets				
Investment securities – debt securities	-	4,191,804	-	4,191,804
Equity securities	-	-	8,782	8,782
Pledged assets				
Debt securities	-	39,384,387	-	39,384,387
Equity securities	-	774,211	-	774,211

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Notes to the Financial Statements (continued)
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36. Fair value of financial instruments (continued)

Determination of fair value hierarchy (continued)

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

Reconciliation of level 3 items:

	The Company & Group	
	2013	2012
Book value of investments	8,782	15,777
Total gains recognised in other comprehensive income	-	(6,995)
Transfer to level 1 hierarchy during the year	(8,782)	-
Balance at end of year	-	8,782

The level 3 securities held were transferred to level 1 during 2013.

37. Capital risk management

Capital risk is the risk that the group fails to comply with mandated regulatory requirements, resulting in a breach of its minimum capital ratios and the possible suspension or loss of its securities dealer and banking licences.

The operations of the group are subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency to meet unforeseen liabilities as these arise.

The Group manages its capital resources according to the following objectives:

- To comply with the capital requirements established by the regulators;
- To safeguard its ability to continue as a going concern, and meet future obligations to depositors and stockholders;
- To provide adequate returns to stockholders by pricing investments commensurately with the level of risk; and
- To maintain a strong capital base to support the future development of the group's operations.

The group deploys its capital resources to activities carried out through various lines of business in operating companies which provide banking and other financial services. The capital is deployed in such a manner as to ensure that each line of business generates the desired return on capital employed, that the operating companies have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

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Notes to the Financial Statements (continued)
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37. Capital risk management (continued)

The company is subject to a regulator, which set and monitors capital adequacy requirements. Required capital adequacy information is filed with the regulator at least on an annual basis.

Capital adequacy is reviewed by executive management, the audit committee and the board of directors. Based on the guidelines developed by the Financial Services Commission, the company is required to:

- Hold the minimum level of regulatory capital; and
- Maintain a minimum ratio of total regulatory capital to risk weighted assets.

Regulatory capital is divided into two tiers:

Tier 1: Capital comprises share capital, reserve fund and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

Tier 2: Capital comprises qualifying subordinated loan capital, collective impairment allowances and revaluation surplus on fixed assets.

Investment in subsidiaries are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the required ratios. During the year, the company complied with all of the externally imposed capital requirements to which it is subject.

	Regulated by the FSC	
	2013	2012
Tier 1 capital	12,052,341	11,113,910
Tier 2 capital	24,615	24,649
	12,076,956	11,138,559
Less prescribed adjustment – Investment in subsidiaries	(202,662)	(94,590)
Total regulatory capital	11,874,294	11,043,969

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Notes to the Financial Statements (continued)
Year ended October 31, 2013
(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Capital risk management (continued)

	Regulated by the FSC	
	2013	2012
Risk weighted assets:		
On statement of financial position	27,658,467	29,331,943
Foreign exchange exposure	991,171	782,102
Total risk weighted assets	28,649,638	30,114,045
Actual regulatory capital to risk weighted assets	41.45%	36.67%
Regulatory requirement	10.00%	10.00%

During the year, the company and group complied with all of the externally imposed capital requirements to which they are subject. Effective June 2011, there were changes made to the existing capital adequacy requirements by the FSC. This involved replacing the existing credit risk measure with a market risk measure for the designated trading book. As a result of the introduced changes, the risk weighted computation to determine the Group and Company's capital adequacy now incorporates:

(i) a Risk Weighted Assets (RWA) credit risk charge

(ii) a Risk Weighted Assets (RWA) market risk charge

38. Dividends

(a) Declared

	The Group and the Company	
	2013	2012
In respect of 2011	-	181,974
In respect of 2012	190,438	545,921
In respect of 2013	571,313	-
	761,751	727,895

(b) Proposed

At the Board of Directors meeting on November 28, 2013, a dividend in respect of 2013 of $0.45 per share (October 2012 - $0.45 per share) amounting to a total of $190,438 (2012: 190,438) was proposed. Stockholders' equity for the current financial year does not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the ensuing financial year.

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
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39. Commitments

Operating lease commitments:

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	The Group		The Company	
	2013	2012	2013	2012
Not later than one year	46,966	47,573	46,966	47,573
Later than one year and not later than five years	80,818	99,197	80,818	99,197
	127,784	146,770	127,784	146,770

40. Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. This involves the group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

The subsidiary, Scotia Asset Management (Jamaica) Limited also manages funds on a non-recourse basis, on behalf of investors. The Group has no legal or equitable right or interest in these funds and accordingly, they have been excluded from the financial statements.

At 31 October 2013, the Group had financial assets under administration of approximately $119,394,240 (2012: $103,279,036).

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
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41. Related party transactions and balances

The group is controlled by Scotia Group Jamaica Limited which owns 77.01% of the ordinary stock units. The remaining 29.99% of the stock units is widely held.

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. A number of investment transactions are entered into with related parties. These include loans, investment management and foreign currency transactions.

There were no related party transactions with the parent company other than the payment of dividends, management fees, guarantee fees, and the amount due to parent company.

No impairment allowances have been recognised in respect of loans given to related parties.

Pursuant to Section 13 (1), (d) and (i) of The Companies Act, 2004, connected companies include companies with common directors of the Company and/or its subsidiaries.

Related party credit facilities in excess of the limits of Section 13(1), (d) and (i), subject to the maximum of the limits in Section 13(1)(e) of The Banking Act are supported by guarantees issued by the parent company.

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Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

41. Related party transactions and balances (continued)

Related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

	The Group				
	Fellow subsidiaries	Directors and key management personnel	Connected companies	Total 2013	Total 2012
Loans					
Loans outstanding at beginning of year	-	1,796	-	1,796	8,294
Net loans (repaid)/issued during the year	-	(1,396)	-	(1,396)	(6,498)
Loans outstanding at end of year	-	400	-	400	1,796
Interest income earned	-	80	-	80	259
Average repayment term (years)	-	4	-	4	4
Average interest rate (%)	-	8	-	8	8
Other					
Fees and commission earned	4,049	-	-	4,049	4,033
Securities sold under repurchase agreements	(2,265,082)	(5,761)	(30,550)	(2,301,393)	(318,183)
Interest paid on repurchase agreements	(112,675)	(378)	(625)	(113,678)	(39,321)
Capital management account & Government securities fund (CMA & GSF)	-	(50,001)	(13,272)	(63,273)	(31,658)
Interest paid on CMA & GSF	-	(452)	-	(452)	(656)
Reverse repurchase agreement	-	-	-	-	402,000
Interest earned on reverse agreements	1,354	-	-	1,354	1,608
Due from banks and other financial institutions	953,339	-	-	953,339	711,136
Interest earned from banks and other financial institutions	2,293	-	-	2,293	2,547
Term deposits	7,567,564	-	-	7,567,564	4,084,301
Interest earned on term deposits	88,072	-	-	88,072	25,028
Other investments	968,948	-	-	968,948	843,244
Interest earned on other investments	44,315	-	-	44,315	40,798
Management fees paid to parent company	105,424	-	-	105,424	107,210
Pension and ESOP fees received from parent company	114,314	-	-	114,315	112,435
Other operating expense	(17,589)	-	-	(17,589)	(17,589)

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (continued)
Year ended October 31, 2013
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

41. Related party transactions and balances (continued)

	The Company				
	Fellow subsidiaries	Directors and key management personnel	Connected companies	Total 2013	Total 2012
Loans					
Loans outstanding at beginning of year	-	1,796	-	1,796	8,294
Net loans issued/(repaid) during the year	-	(1,396)	-	(1,396)	(6,498)
Loans outstanding at end of year	-	400	-	400	1,796
Interest income earned	-	80	-	80	259
Average repayment term (years)	-	4	-	4	4
Average interest rate (%)	-	8	-	8	8
Other					
Fees and commission earned	4,049	-	-	4,049	4,033
Securities sold under repurchase agreements	(2,440,068)	(5,761)	(30,550)	(2,476,379)	(432,289)
Interest paid on repurchase agreements	(116,193)	(378)	(625)	(117,196)	(39,807)
Capital management account & Government securities fund (CMA & GSF)	(2,013)	(50,001)	(13,272)	(65,286)	(32,154)
Interest paid on CMA & GSF	(14)	(452)	-	(466)	(700)
Reverse repurchase agreement	-	-	-	-	402,000
Interest earned on reverse agreements	1,354	-	-	1,354	1,608
Due from banks and other financial institutions	953,339	-	-	953,339	711,136
Interest earned from banks and other financial institutions	2,293	-	-	2,293	2,547
Term deposits	7,567,564	-	-	7,567,564	4,084,301
Interest earned on term deposits	88,072	-	-	88,072	25,028
Other investments	968,948	-	-	968,948	843,244
Interest earned on other investments	44,315	-	-	44,315	40,798
Management fees paid to parent company	105,424	-	-	105,424	107,210
Pension and ESOP fees received from parent company	114,314	-	-	114,314	112,435
Other operating expense	(17,589)	-	-	(17,589)	(17,589)

	The Group and Company 2013	The Group and Company 2012
Key management compensation:		
Salaries and other short term benefits	140,516	104,258

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Notes to the Financial Statements (continued)
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42. Litigation and contingent liabilities

The company and its subsidiaries are subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the group, and the amount can be reasonably estimated.

In respect of claims asserted against the group which have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the group which is immaterial to both the financial position and financial performance.

43. Employee Share Ownership Plan

The company has an Employee Share Ownership Plan ("ESOP" or "Plan"), the purpose of which is to encourage eligible employees of the group to steadily increase their ownership of the company's shares. Participation in the Plan is voluntary; any employee who has completed at least one year's service with any group entity is eligible to participate.

The operation of the ESOP is facilitated by a Trust. Grants are issued by the company to the Plan to facilitate the issue of loans to employees to acquire the company's shares, at a discounted value. Allocations are made to participating employees on repayment of the outstanding loans. Allocated shares must be held for a two-year period, at the end of which they vest with the employees.

At the reporting date, the shares acquired with the employer's contributions and held in the trust pending allocation to employees and/or vesting were:

	2013	2012
Number of shares	499,114	1,257,215
Fair value of shares	12,987	35,215

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