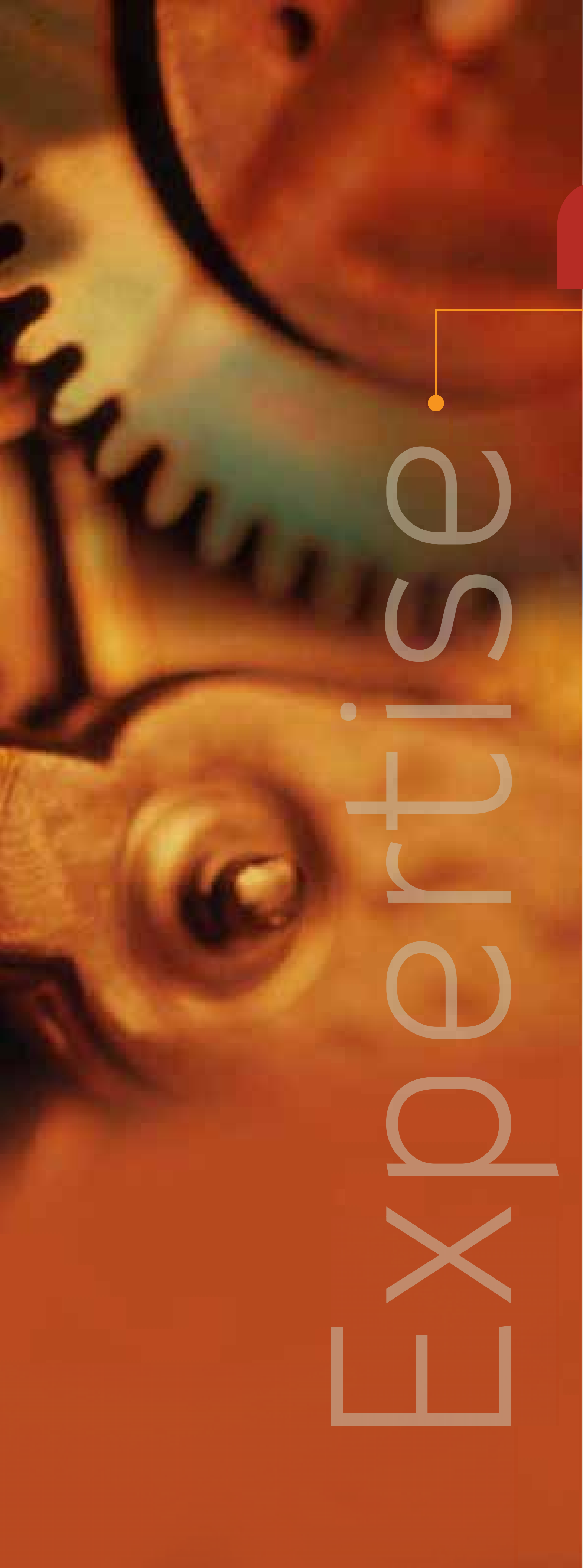
Expertise

Scotia Investments

Annual Report 2014



Contents

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.

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 utilisation 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 ("Notice") IS HEREBY GIVEN that the Annual General Meeting (the "Meeting") of Scotia Investments Jamaica Limited (the "Company") will be held on Friday, the 6th day of March 2015 at 2:00 p.m. at the Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5, Jamaica for the following purposes, namely:-

1. To receive the audited accounts for the twelve (12) months ended October 31, 2014. To consider and (if thought fit) pass the following resolution:

Resolution No. 1

That the audited accounts of the Company for the twelve (12) months ended October 31, 2014 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 per stock unit of the Company on April 10, 2014, 45 cents per stock unit on July 11, 2014, 45 cents per stock unit on October 16, 2014 and 45 cents per stock units on January 13, 2015 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, Jacqueline Sharp and Cathy Welling.

Resolution No. 5

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

(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.”

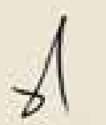
(f) “That retiring Director Anna Law be and is hereby re-elected a Director of the Company.”

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

(h) “That retiring Director Jacqueline Sharp be and is hereby re-elected a Director of the Company.”

(i) “That retiring Director Cathy Welling be and is hereby re-elected a Director of the Company.”

BY ORDER OF THE BOARD



Julie Thompson-James
Secretary
January 21, 2015

REGISTERED OFFICE
7 Holborn Road
Kingston 10

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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 Scotia Investments Jamaica Limited (the "Company") for the year ended October 31, 2014.

The Directors submit herewith the Statement of Consolidated Revenue, Expenses, Unappropriated Profits, Assets and Liabilities of Scotia Investments Jamaica Limited (the "Company") for the year ended October 31, 2014.

The Consolidated Statement of Revenue and Expenses shows pre-tax profit for the year of $2,548 Million from which there has been provided $758 Million for corporate income tax and deferred tax, leaving a balance of $1,790 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, 2014 payable on January 13, 2015. This brings the total distribution for the year to $1.80 per stock unit compared with $1.80 per stock unit for the period ended October 31, 2013.

Mr. Jeffrey Hall succeeded Mr. Bruce Bowen as Chairman of the Company on November 27, 2014. Mr. Bowen remains a director of the Company.

Mr. Marcel Schroder resigned from the Board of Directors on January 21, 2015 and the Board wishes to express its appreciation to him for his invaluable contribution to the Company.

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

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

On behalf of the Board

Jeffrey Hall
Chairman
January 21, 2015

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, 2014.

Statement to Shareholders

Lissant Mitchell
Chief Executive Officer

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, 2014. Net profit for the year was $1,790 million, which represents a decrease of $205 million as compared to the prior year. Earnings per share came in at $4.23 versus last year's performance of $4.71. The Balance Sheet of your company also decreased to $72,314 million from $73,746 million the previous year, a decrease of $1,432 million. 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 14% increase in non-interest income in line with its long-term strategic objective to focus on fee and commission based revenue sources. These results were achieved with a moderate decrease of 2% in operating expenses.

Over the past several years, the local operating and competitive environment has been extremely challenging for the investment banking and brokerage industry, and this year was no different. One of the major events of the year was the tight Jamaican dollar liquidity condition that affected local financial markets before peaking in June. Several factors led to this outcome, including a lack of short-term securities, a new centralised cash management system by the government, and foreign exchange operations of the central bank to meet quarterly reserve targets under a four-year IMF lending facility.

The severity of the liquidity crunch has subsided since the GOJ was able to raise US$800 million on the international capital markets, thus eliminating the need for further adverse central bank foreign exchange operations. In addition, the central bank has been providing liquidity support to ease local market conditions. The liquidity crunch led to the highest interest rates in three-and-a-half years and overall reduced lending from the financial services sector, while interest margins were compressed. These conditions affected the performance of and investor appetite for local assets.

In addition to the liquidity crunch, the industry continued to be affected by an asset tax that came into effect in 2012, which was hiked from 14 to 25 basis points as part of a new tax package in the new budget. This asset tax has an ongoing impact on net profits for the regulated financial industry. In addition, the new tax package also impacted the overall cost of doing business for the industry due to increased transaction and service related fees. 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 who pay a lower tax rate.

Despite the challenging operating environment, there were some green shoots of optimism as most of the major macro-economic variables were trending in a positive direction. Policymakers have continued to execute the major initiatives under the IMF programme, leading to successful completion of all the quarterly tests thus far. However, this level of consistency will need to be maintained over the duration of the programme. Finally, depreciation of the local currency has slowed appreciably from the double-digit pace of the past two years, while growth remains positive, albeit low.

When all is considered, your company continues to see the sacrifice of a tough operating environment as a necessary, albeit insufficient precondition for creating a more sustainable future for Jamaica. Your company is of this view despite the short-term challenges they create for your company. Your company will endeavour to continue to make its contribution to national development, while encouraging policymakers to maintain the execution of the agreed IMF programme, including timely execution of strategic growth initiatives.

Despite the persistent challenging environment, the results this year show once again that your company has been well served by focusing on key strategic tenets: executing its sustainable business model, building long-lasting client relationships and harnessing employee expertise to deliver consistent results across all business lines, both for clients and the bottom line. These key tenets 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 continued challenging regulatory environment for the balance sheet business. As such, at the end of October 31, 2014 your company's asset management business had 37% of the overall collective investment scheme market in Jamaica, inclusive of mutual funds and unit trusts. Total funds under management for this business line, inclusive of your company's custody book, ended the year at $138 billion, up by $20 billion from the previous year.

Under the Asset Management pillar of the business, your company's newest fund product, launched at the end of the 2011/12 financial year, the Scotia Premium Money Market Fund surpassed the J$10 billion funds under management milestone for the first time, up from J$5 billion the previous year. The success of this product in less than three years is a testament to its unique value proposition and the investing public's faith in our long product innovation track record. 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.

Under the securities trading and treasury business pillar, the strength of your company's balance sheet ensured that your company maintained adequate levels of liquidity during the stressful market conditions. In addition, capital adequacy ratios were more than adequate to meet regulatory and normal business operations. On the securities trading front, your company has grown the volume of non-domestic bond trading activity by more than 70% over the past three financial years. This remains a key focus of your company to tap the global footprint of Scotiabank expertise to bring the international financial markets to local clients.

The Capital Markets business pillar, which was launched in 2011, has executed approximately US$800 million in deal flow since inception. This is an important contributor to your company's strategy to continue diversifying its revenue stream. However, a jump in interest rates to their highest level in over forty-two months amid a liquidity crunch severely impacted deal flow in the market as very few deals could be executed in such an environment. Looking ahead, I am confident that as conditions improve, we will refocus and grow this business line as we seek to establish your company as the premier destination for capital markets solutions in the region.

The Retail Brokerage business line, which underpins the overall business, was able to grow off balance sheet sales in a very challenging environment. This speaks squarely to the effort and expertise of the sales and non-sales teams, and the confidence and trust clients have in our diversified product suite.

Your company was also focused on streamlining processes and functions aimed at enhancing the client experience by improving efficiency and service delivery. During the year your company continued working on a new IT platform to create greater operational efficiencies, to be rolled out in the coming financial year. Speaking of technology, your company also began testing the provision of online access to clients for fund-type products. This is merely the first phase of a multi-phase approach to provide clients with more delivery channels to access our products and services, which will advance further once the new IT platform is in place. Your company also started an end-to-end review of the client onboarding experience as part of the overall client experience strategy. We will continue looking at new ways to improve the client experience in the coming year.

We will continue looking at new ways to improve the client experience in the coming year.

Your company's unwavering focus on its employees continued last year, as it looked to strengthen its talent pool and leadership bench strength. In this regard, a select group of top performers from a wide cross section of the firm were identified and enrolled in an Emerging Leaders Forum. The objective of this programme is to deepen leadership bench strength and enhance succession planning. In terms of learning and development, 15% of the employees were promoted this year, while more than 90% of the mid-level management staff went on at least 1 training programme with a special focus on personal and leadership development. 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 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 weigh on local investor sentiment, but we also see opportunities to grow our business lines and are well positioned to do so. Our strategic response to the environment maintains the same focus 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 and Leadership:** 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, rewards and recognition practices; building leadership bench strength and ensuring employees enjoy a good work life balance.

c. **Operational Efficiency:** Greater utilisation 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.

Your company's strong balance sheet, commitment to efficiency, expense management and strong risk governance culture are key ingredients that will continue to navigate us through any market condition. The advantage of being able to leverage the full benefits of an international network of expertise for the benefit of clients will also play an important role as we continue executing our business strategy. The diversity, leadership strength, team engagement, 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 recognise the continued support and guidance of the Board of Directors, all of whom have contributed to the success of your organisation. I want to thank the entire SIJL team for an exceptional effort under challenging circumstances, for your commitment to our customers, your fellow employees and to our communities. Finally, I want to thank our valued clients for the trust you place in us and for your 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 and Chief Executive Officer of Scotia Group Jamaica Limited, was appointed to the post of Senior Vice-President, English Caribbean Region, International Banking for The Bank of Nova Scotia, on September 1, 2013.

Mr. Bowen's career with Scotiabank started in 1990 in the International Division; and this has exposed him to various areas in banking, taking him on Caribbean assignments in The Cayman Islands, Trinidad & Tobago, Jamaica and Puerto Rico.

Mr. Bowen was appointed to the Board of Scotia Investments Jamaica Limited on January 9, 2009. He also serves on several Boards including: The Bank of Nova Scotia Jamaica Limited, Scotiabank Trinidad & Tobago Limited, and Scotiabank Bahamas Limited.

Mr. Bowen holds a Bachelor of Arts (BA) Honours degree 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.

Mrs. Sharp also serves as a member of the Boards of The Bank of Nova Scotia Jamaica Limited, Scotia Jamaica Building Society 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, 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.

Jeffrey Hall

Mr. Jeffery Hall was appointed to the Board of Directors of Scotia Investments Jamaica Limited on August 28, 2012. 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, 2012.

Mr. Hall is the Chief Executive Officer of Jamaica Producers Group Limited and has worked with that Company since 2002. He is the Chairman of Kingston Wharves Limited and a member of the Board of Directors of several companies, including Jamaica Producers Group Limited, Blue Power Group Limited, the Institute of Jamaica and Jamaica Promotions Corporation (JAMPRO).

Mr. Hall has practised 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 the Harvard Law School; and holds a Master of Public Policy from Harvard University, Boston, USA. He also earned a Bachelor of Arts (BA) degree in Economics from Washington University, USA.

Barbara Alexander

Ms. Barbara Alexander was appointed to the Board of Directors of Scotia Investments Jamaica Limited on December 14, 2006. She is also a member of the Audit & Conduct Review Committee and the Human Resources & Pension Committee of which she is the Chairperson.

Ms. Alexander is a practicing Attorney-at-Law since 1976 and a Senior Partner in the law firm Myers, Fletcher & Gordon. Her experience includes Banking and Finance, Project Finance, Real Estate and Commercial Law.

Ms. Alexander is also a member of the Board of Directors of Scotia Group Jamaica Limited, The Bank of Nova Scotia Jamaica Limited and Scotia Jamaica Building Society. She is the Chairperson of Scotia Asset Management (Jamaica) Limited and also serves on the Boards of CVSS/United Way of Jamaica and the Arts Foundation of the Edna Manley College. Ms. Alexander is a graduate of the University of the West Indies from which she holds a Bachelor of Science (BSc) Honours degree in Accounting. She is a member of the Jamaican Bar Association and the Law Society of England, United Kingdom.

Angela Fowler

Mrs. Angela Fowler was appointed to the Board of Directors on July 25, 2007. Mrs. Fowler is an Attorney-at-Law and Senior Partner of the law firm, Livingston, Alexander & Levy. She practises in the areas of commercial law, estate and corporate tax planning, pensions and employee benefit schemes.

Mrs. Fowler is a graduate of the University of the West Indies. She is a member of the Jamaican Bar Association, Private Sector Organisation of Jamaica, the International Pension and Employee Benefits Lawyers' Association and Deputy Chairperson of the Jessie Ripoll Primary School Board.

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 Orthodontics 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

continued

Cathy Welling

Ms. Cathy Welling joined the Board of Directors in November 2011 and is the Managing Director & Head, International Wealth & Pensions at Scotiabank. In this role, Ms. Welling oversees the distribution of Scotiabank's International Private Banking and Trust/Wealth Structuring Services, Investment Brokerage and the Pension businesses outside Canada.

Ms. Welling's prior roles with Scotiabank include: Managing Director & Head of Scotia Private Client Group (Canada); Managing Director of the Online Brokerage; Managing Director of Scotia Cassels Investment Counsel. Her current directorships include Bank of Nova Scotia Trust Company (Bahamas), Scotiatrust (Asia) Ltd., Scotiabank & Trust (Cayman) Ltd., Scotia Investments Trinidad & Tobago and Scotia Investments Jamaica Ltd.

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

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 specialising in the areas of Mutual Funds, Financial Services and Mortgage Services.

Anthony Chang

Mr. Anthony Chang was appointed to the Board of Directors of Scotia Investments Jamaica Limited on December 14, 2006. He is the Chairman of the Company's Audit & Conduct Review Committee. He is also a Director of Scotia Group Jamaica Limited, The Bank of Nova Scotia Jamaica Limited, and Chairman of Scotia Jamaica Life Insurance Company Limited. He brings extensive business experience to these Boards as he also serves on several prominent companies including LASCO Distributors Limited, Digicel Jamaica and Consolidated Bakeries Jamaica Limited.

Mr. Chang is a graduate of the Richard Ivey School of Business, University of Western Ontario. He is also a recipient of the Hubert Humphrey Fellow at American University, Washington DC awarded by the Government of the United States of America. He has pursued professional courses with several institutions, including York and Wharton Universities.

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 Organisation of Jamaica Code on Corporate Governance ("PSOJ Code"). A copy of the Policy is available on our website at **http://www.scotiainvestments.jm.com**

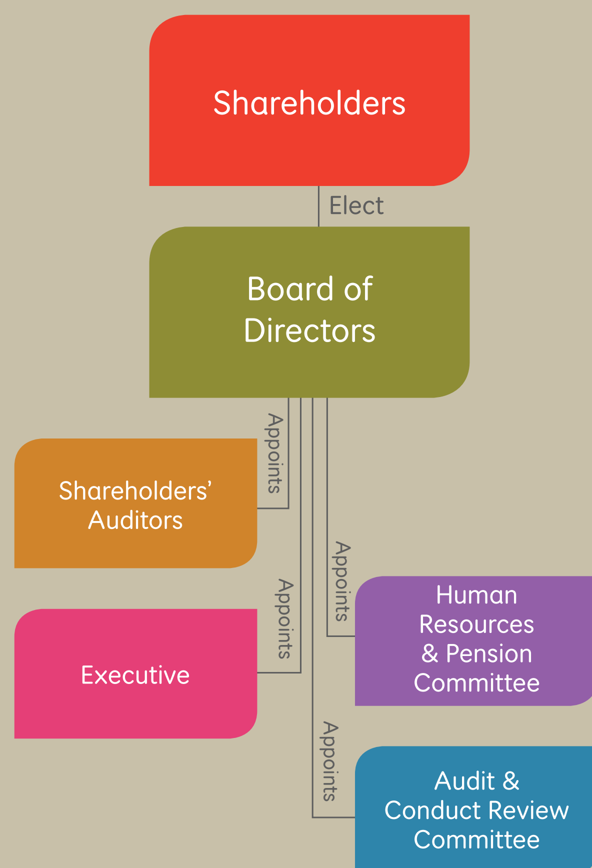
THE BOARD

As at October 31, 2014 the Board comprises ten (10) members. The current Directors of the Board are Ms. Barbara Alexander, Mr. Bruce Bowen (Chairman), Mr. Anthony Chang, Mrs. Angela Fowler, Mr. Jeffrey Hall, Dr. Anna Law, Mr. Lissant Mitchell, Mr. Marcel Schroder, Mrs. Jacqueline Sharp and Ms. Cathy Welling. Five (5) of the ten (10) members of the Board of Directors are non-executive independent Directors.

The Board's composition is balanced as there is an equal number of independent and non-independent Directors to ensure that the Board is managed for the long-term benefit of its shareholders and other stakeholders.

Scotia Investments

CORPORATE GOVERNANCE STRUCTURE



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.

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

Our Board Directors have diverse skills sets which range from expertise in finance, banking, audit, legal and strategic management.

The Table below highlights Independent/Non-Independent Directors and the respective areas of expertise of the Directors.

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	√		√		√	
Lissant Mitchell	NI	√	√	√	√		
Marcel Schroder	NI	√	√	√	√		
Jacqueline Sharp	NI	√	√	√	√		
Cathy Welling	NI	√	√	√	√		

** Chair of the Human Resources and Pension Committee*
***Chairman of Audit and Conduct Review Committee*

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 organisational 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

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.

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 Audit & Conduct 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.

Prior to and during Committee meetings, the Chariman of the Committee meets independently with the Internal and External Auditors to discuss any areas of concern.

The Audit & Conduct Review Committee reviewed and recommended for approval (where relevant) the following items during the year:

- Management Accounts
- Audited Financial Statements
- Internal Audit Plan
- Terms of Engagement of the External Auditors
- External Audit Fees
- External Auditors Management Letter
- Connected Party Transactions
- Compliance Reports
- Litigation Reports

Composition & Frequency of Meetings

The Audit & Conduct Review Committee meets quarterly and consists of four (4) independent members. The Committee members are Mr. Anthony Chang (Chairman), Ms. Barbara Alexander, Mrs. Angela Fowler and Mr. Jeffrey Hall. The attendance record of the members of this Committee is reflected in the table on page 14.

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 has 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.

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

- Organisation Structure Review
- Senior Management Changes
- Collective Bargaining Strategy 2014
- Executive Team performance
- Pension Fund performance
- Pension Plan enhancements

Composition & Frequency of Meetings

The Human Resources & Pension Committee meets quarterly and consists of four (4) members. The Committee members are Ms. Barbara Alexander (Chair), Mrs. Angela Fowler, Dr. Anna Law and Mrs. Jacqueline Sharp. Three (3) of the four (4) members of the Committee are Independent Directors. The attendance record of the members of this Committee is reflected in the table below.

BOARD & COMMITTEE MEETING REGISTER

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

Board Member	Board Meetings	Annual General Meeting	Audit & Conduct Review Committee	Human Resources & Pensions Committee
Barbara Alexander	5	1	4	4
Bruce Bowen	5	1	-	-
Anthony Chang	4	-	4	-
Angela Fowler	5	1	4	4
Jeffrey Hall	5	1	4	-
Dr. Anna Law	5	1	-	4
Lissant Mitchell	5	1	-	-
Marcel Schroder	3	-	-	-
Jacqueline Sharp	5	1	-	4
Cathy Welling	4	-	-	-

FEE STRUCTURE

The compensation structure for Directors includes an annual retainer fee and per meeting fees as reflected in the Table of Fees below:-

		Per Meeting Fee		
Position	Annual Retainer Expressed in JMD	Board	Audit & Conduct Review	Human Resources & Pension
Board Chairman	1,000,000			
Committee Chair (other than Audit Chair)	400,000			
Audit Committee Chair	500,000			
Audit Committee Members	450,000			
Other Directors	350,000			
All Directors		40,000	50,000	40,000

** Directors who are employees are not paid Directors Fees.*

ASSESSMENT OF DIRECTOR PERFORMANCE

The Board conducts an annual evaluation of Board performance during the year. This assessment allows individual Directors to:-

- Evaluate the performance of other Directors and Chairpersons of the Board, and its Committees,
- Comment on the operations of the Board and its Committees and on the level of information provided by Management.

The results of this evaluation contribute significantly to the refinement of the corporate governance policy year to year.

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 and their duties and responsibilities and have the opportunity to meet with senior management, attend seminars and presentation on the Company's business and operations.

DIRECTOR TRAINING

Our Directors are exposed to continuous training and education about the Group, the business line segments, products and regulatory changes impacting the operations. Below are the training opportunities made available to the Directors and Senior Management:-

Board Presentations

- On a quarterly basis a presentation is made to the Board by a senior management officer on a business line segment (Quarterly 2014)

Web Based Training

- Directors undertook the following Web Based Training Modules in July 2014 (including a short test):

- Reducing the Risk – Anti Money Laundering
- Integrity in Action
- Anti-Corruption – Doing the Business the Right Way
- Managing Operational Risk – It's Part of our Culture

External Conferences

- KPMG Annual IFRS Update (September 2014)

Corporate Governance Conference (July 2014)

- In July 2014, the Group hosted a Corporate Governance Conference which focused on the role and responsibility of directors and officers in the financial sector, the impact of current regulatory changes on the operations of the business, and emerging trends for the Audit & Conduct Review Committee. The presenters included partners from Myers Fletcher & Gordon, Dunn Cox, PriceWaterhouseCoopers and the Financial Investigative Division.

STANDARDS OF BUSINESS CONDUCT & ETHICAL BEHAVIOUR

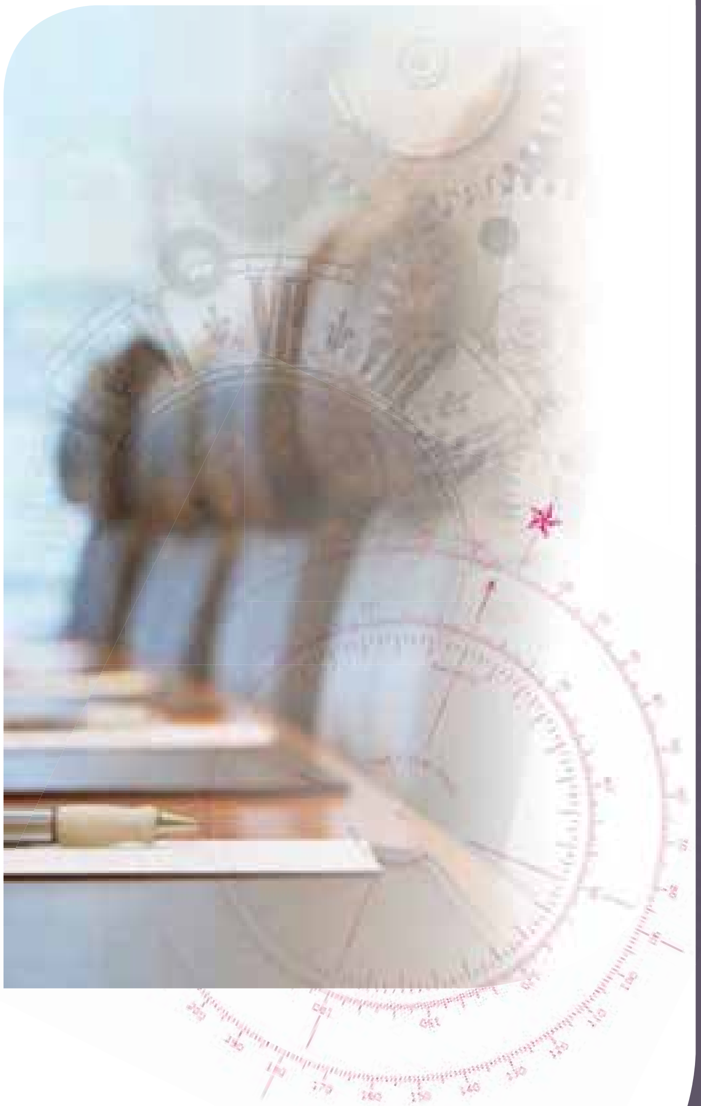
Directors, officers and employees of the Company are expected to adhere to the Company's Guidelines for Business Conduct. These Guidelines outline the rules and expectations regarding proper conduct and ethical behaviour, including following the law wherever the Company conducts business, avoiding conflicts of interest, displaying 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 prohibits trading in the Company's securities during particular intervals and requires disclosure of all trades in the Company's securities by them and 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.



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 has more than 21 years' experience in the local financial services industry. He joined Scotiabank in 1998 and had oversight for Securities Trading & Investments prior to assuming successively senior roles in Pension & Assets Management and Group Treasury Operations.

He served as Vice President, Treasury, before assuming his current role of Chief Operating Officer at Scotia Investments Jamaica Limited (SIJL) in January 2012. In this capacity, he is responsible for strategically managing the company's business and operational infrastructure, which includes Treasury & Trading, Finance, Business Support and operational projects.

He serves on the Boards of Scotia Caribbean Income Fund, ScotiaBRIDGE and Scotiabank's Pension Plan. He is also a member of SIJL's Asset Liability Committee, and Managed Funds Investment Committee, as well as, Scotiabank's Asset Liability Committee.

Hugh holds a Bachelor of Science (BSc.) degree with honours in Economics, with a minor in Accounting, from the University of the West Indies, and he is a CFA charterholder.

Courtney Sylvester - SVP, Sales, Service & Client Experience

Courtney Sylvester joined Scotia Investments in October 2013 and is responsible for providing strategic leadership in directing and coordinating all sales and advisory activities of the organisation covering both our retail and corporate clientele, as well as driving one of our primary strategic imperatives – Client Intimacy. In this capacity he has direct responsibility for our Retail Distribution/Branch Network, Corporate Sales & Client Experience across Scotia Investments.

Courtney is a seasoned finance professional with significant experience in Commercial Banking, Merchant Banking, Credit Risk Management, as well as Retail Sales and Service. He has been in a number of senior roles at Scotiabank including District Vice President – Retail Banking, Branch Manager, Senior Manager - Credit Risk, and Senior Relationship Manager - Corporate Banking.

Courtney holds an MBA, and a BSc in Mechanical Engineering, both from the State University of New York at Buffalo.

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

Brian Frazer, as Vice President, Asset Management, 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.

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 charterholder 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 Organisation 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 an 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

continued

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. 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 an 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.

Andrea Tinker - VP, Re-engineering 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.

Subsidiary & Divisional Reports 2014

SCOTIA ASSET MANAGEMENT (JAMAICA) LIMITED

The unit trust industry landscape experienced significant changes during the year with the passage of new legislations (Securities Act) and regulations (Collective Investment Schemes Regulations) and the gradual relaxation of the foreign currency limit by the Bank of Jamaica. There was also a new entrant in the market while existing market players added to their suite of Unit Trust offerings. Nevertheless, Scotia Asset Management (Jamaica) Limited (SAMJ) continued to have the largest share of the local fixed income unit trust market. In addition, the stellar performance of the Scotia Premium Money Market Fund (PMMF) contributed to the NAV surpassing the $10 billion mark at the end of the year. The Scotia Caribbean Income Fund (CIF) began distribution of 100% of net earned income during the year which allows its shareholders to Earn More and Keep More.

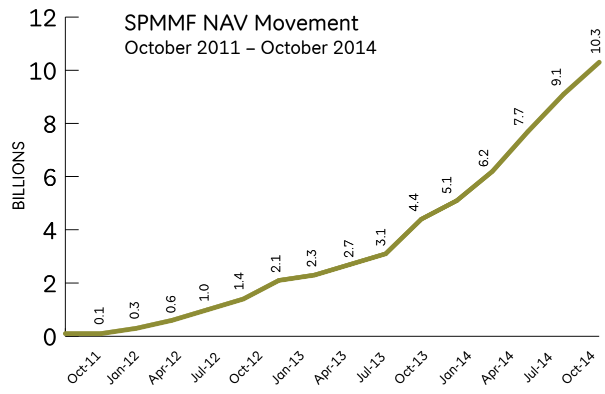
With these landmark events, SAMJ's Assets under Management (AUM) increased by 16% over the 12-month period, and it also experienced growth in its I-class shares of Unit Trust Funds.

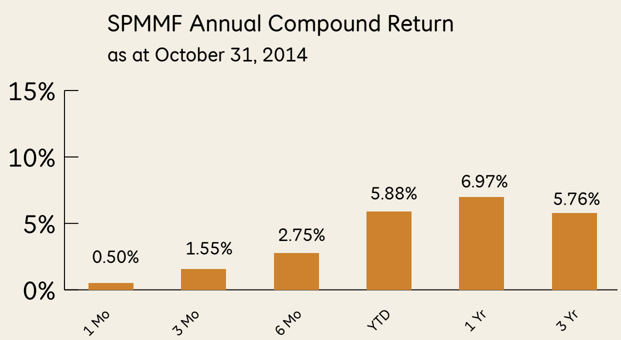
As at October 31, 2014, the Unit Trust Industry stood at J$95.52 billion with SAMJ controlling 28.10% with AUM of $26.84 billion compared to $22.67 billion as at the end of October 2013. During the fiscal year, SAMJ contributed $421 million to the revenues of Scotia Investments Jamaica Limited compared to $371 million the previous year.

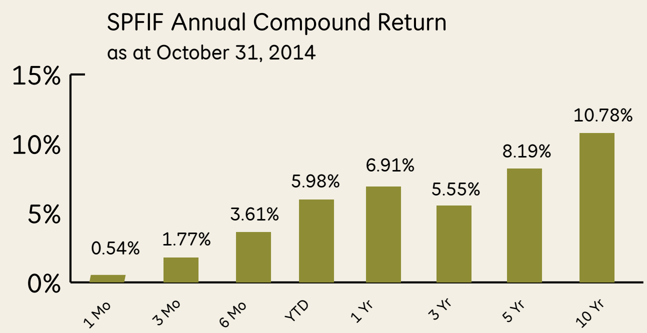
Scotia Premium Money Market Fund (SPMMF)

The Scotia Premium Money Market Fund remains a one-of-a-kind money market unit trust fund with quarterly income payments and principal stability. The attractive features of this Fund as well as its competitive return throughout the year resulted in the NAV doubling to J$10.3 billion at October 31, 2014.

Over the 12-month period to October 31, 2014, it generated return to its investors of 6.97%.







Scotia Premium Fixed Income Fund (SPFIF)

Despite new entrants to the unit trust fixed income market, the Scotia Premium Fixed Income Fund remains the largest unit trust portfolio in Jamaica with a NAV of $15 billion and accounts for 37% of this market share.

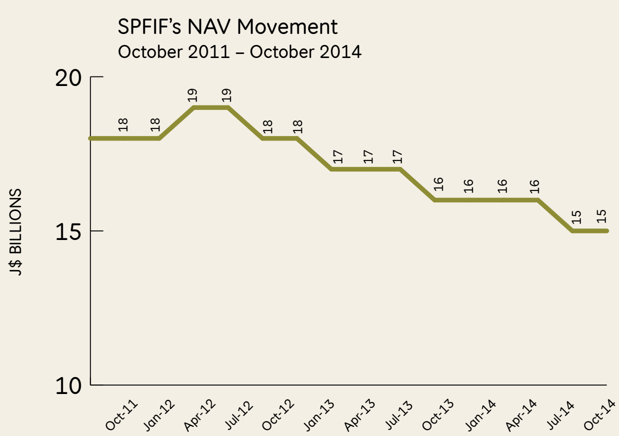
During the year, investors in the SPFIF recalibrated their portfolio, which resulted in the swap from SPFIF to SPMMF. This is consistent with SAMJ's overall strategy of adopting a portfolio approach and it also reinforces SIJL's diverse suite of product offerings available to its customers. Despite this, the PFIF delivered solid returns to its investors with a 12-month return of 6.91% and a calendar year to date return of 5.98%. This return was amidst fluctuation in interest rates during the year. Additionally, the Fund Managers continued to diversify the Fund by increasing its exposure to corporate bonds and foreign currency denominated assets which benefited the Fund.

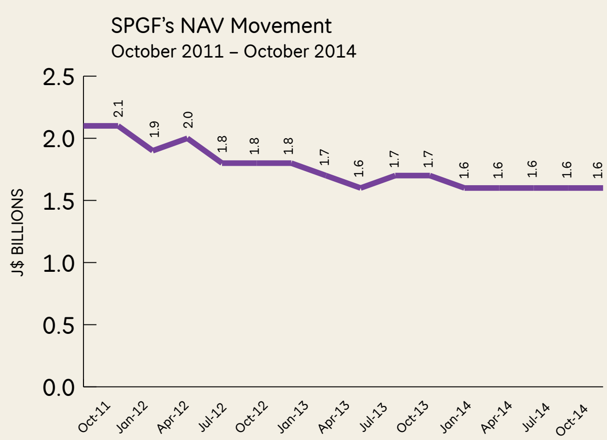
Scotia Premium Growth Fund (SPGF)

The Scotia Premium Growth Fund ended the year at $1.55 billion, commanding 18% of the equity-based unit trust market.

Although the Jamaican government passed five consecutive IMF tests, this did not redound to the equities market which continued to record less than robust performance during the year under review. The Fund Managers' proactive strategy of increasing its exposure to international equities and adopting a tactical overweight position in fixed income instruments helped to offset the negative impact of the local stock market.

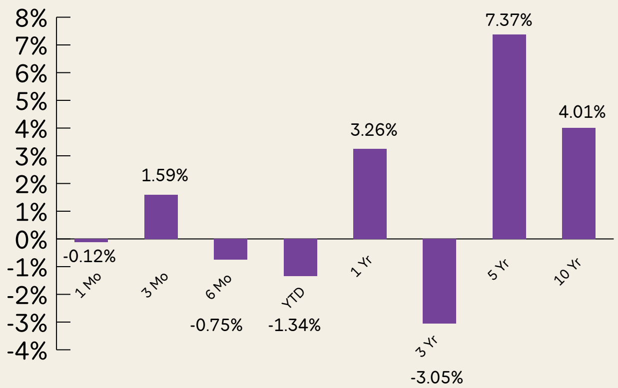
In light of the Fund Managers' diversification strategy, the Fund's return outperformed its benchmark, the JSE Select Index. The 12-month return was 3.26% and the calendar year-to-date return was -1.34% compared to





the benchmark returns for the same period of -3.86% and -3.23% respectively.

SPGF Annual Compound Return
as at October 31, 2014



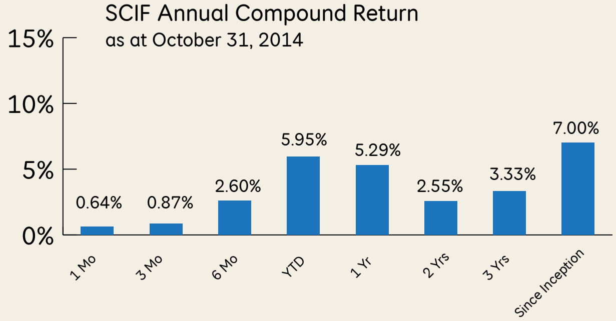
Scotia Caribbean Income Fund

Despite the volatility in interest rates over the one-year period, the Scotia Caribbean Income Fund competitive return and quarterly income payments contributed to the Fund's NAV growing by 0.50% to US$76.8 million as at October 31, 2014.

During the year, interest rates declined by 22 basis points as a result of ongoing uncertainty and geopolitical risks in the international market. As a result of the reduction in interest rates, the bonds in the portfolio recorded positive price movements which offset the outflows from the Fund. In addition, the Fund began distributing 100% of net income earned to its shareholders which further improved the attractiveness of the Fund with a 12-month dividend yield of 2.03%.

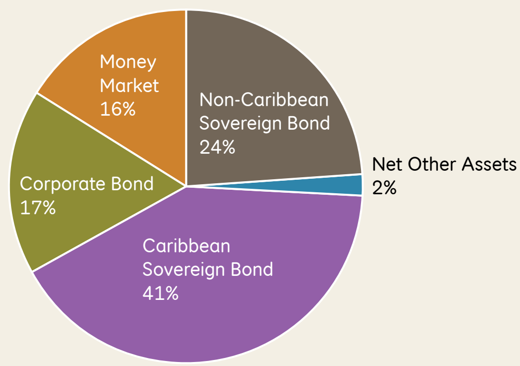
Over the 1-year period, the Fund's return was 5.29% which compares favourably with negative 0.13% reported in the previous year.

SCIF Annual Compound Return
as at October 31, 2014



The Fund remains adequately diversified across the various asset classes as depicted in the pie chart (bottom left). The Fund Managers' immediate strategy is to mitigate the interest rate risk which is expected to increase over the next three to six months while continuing to provide investors with a consistent and stable tax-free income stream.

SCIF Composition
As at October 31, 2014



SCOTIA INVESTMENTS ASSET MANAGEMENT DIVISION

Investment Management Services

The Asset Management Unit (AMU) had funds under management (FUM) of $55.3 billion as at October 31, 2014; a growth of 11.0% compared to the $49.8 billion under management at the end of the previous year. Pension funds, inclusive of the ScotiaBRIDGE Retirement Scheme, grew to $54.5 billion, while foundations, personal trust and investment management accounts amounted to $780.7 million.

The 2013/14 financial year was mixed with an upward trend in local interest rates, continued depreciation of the local currency while the equities markets reported negative returns. Institutional investors sought greater diversification away from Government of Jamaica assets due to the negative impact that the NDX had on their portfolios in the previous year. As a result of this, direct and indirect exposure to foreign currency denominated assets as well as further diversification into corporate bonds were the main strategies employed during the year. The upward trend in local interest rates would have also benefited the Funds under our management with exposure to variable rate securities whilst the real estate segment continued to beat inflation.

Revenues from investment management as at October 31, 2014 contributed $194.4 million to the overall revenues of SIJL. This represents an 11% 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.

Mutual Funds

SIJL leads the collective investment scheme market with a suite of 55 Mutual Funds offered to investors. These comprise our five Scotiabank Mutual Funds, CI Mutual Funds and our proprietary Scotia Caribbean Income Fund.

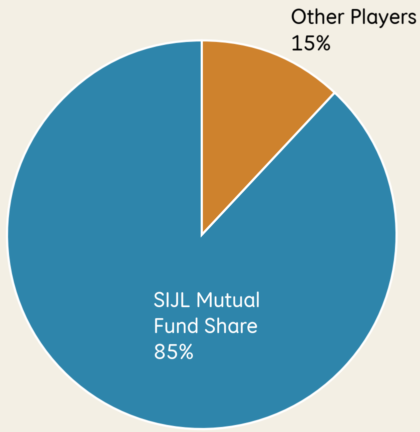
Investors have access to the major asset classes: cash, fixed income and equity in their portfolios and gives them investment options for global and regional assets with the ability to effectively diversify their holdings. The Scotiabank Mutual Funds and CI Mutual Funds are denominated in US and Canadian dollars. In addition, clients can enjoy tax-free income in the Caribbean Income Fund.

As at October 2014, SIJL dominated the mutual fund segment with a market share of 85% (including the Caribbean Income Fund). SIJL's total CI and Scotiabank Mutual Funds Asset Under Administration (AUA) was in excess of US$56 million as at October 2014; when the Caribbean Income Fund is included the total exceeds US$133m.

SIJL enjoyed another excellent year for Mutual Fund sales against the backdrop of the continued depreciation of the Jamaican dollar to the US dollar. Investors continued to seek US dollar denominated investments and diversification for their portfolios.

In the coming year, we anticipate robust sales as investors continue to diversify their portfolios and we will renew our focus on the Institutional Class of Mutual Funds for the Scotiabank and Caribbean Income Funds which offer investors negotiable management fees.

Mutual Fund Industry Market Share
October 2014



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 products, brokerage products and advisory services for corporate clients who want exposure to international capital markets.

Over the past year the unit continued to optimise 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 financial year the department worked on a number of initiatives which provided additional tools and resources to support the sales & service team in delivering investment advice to clients in a more efficient manner. The team also expanded its coverage of Caribbean, Latin America and Central American markets in support of the proprietary funds managed by Scotia Investments. There was also expanded coverage of US and Canadian financial markets for advisory services.

Overall, the 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 clients.

For the upcoming year, the unit will 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 clients to make more informed investment decisions.

Finally, product development remains a major strategic focus of the unit. In this regard, the unit advanced a number of new product initiatives to the final stage of development for launch early during the next financial year. These products will give clients more unique options to tailor their investments to meet their respective risk appetites.

CAPITAL MARKETS UNIT YEAR IN REVIEW - FISCAL 2014

Insight, Innovation, Execution

During the year, the Unit successfully closed over J$5.0 billion in transactions, including local currency bond/note offerings and sale & leaseback financing.

- **Note Offerings:** Capital Markets structured and arranged a creative Short Term Notes Programme (Series A, B, C) for Jamaica Cane Products Sales Limited to finance its pre-export working capital requirements. Capital Markets was also Joint Arranger that secured the consent of investors to extend the maturity of the JP 2017 bond to March 2020.
- **Sales & Leaseback Financing:** This structured deal for Facey Group Limited was another in a series of recent sale and leaseback transactions and established Capital Markets as the market leader in delivering this financing solution to corporate clients.

Highlighted below are summaries of the transactions executed during the fiscal year:

The Unit currently has a robust pipeline of transactions going into the 2015 fiscal.

Facey Group Limited
J$ 900,000,000
Sale & Leaseback Financing
Sole Arranger
Scotia Investments
April 2014

Jamaica Producers Group
J$ 1,000,000,000
Long Term Bond
Sole Arranger
Scotia Investments
September 2014

Jamaica Producers Group
J$ 860,000,000
Bond Maturity Extension
Joint Arranger
Scotia Investments
October 2014

Jamaica Cane Products Sales Limited
US$ 7,300,000
Series A Short Term Notes
Sole Arranger
Scotia Investments
October 2014

Jamaica Cane Products Sales Limited
J$ 1,015,000,000
Series B Short Term Notes
Sole Arranger
Scotia Investments
November 2014

Jamaica Cane Products Sales Limited
J$ 957,000,000
Series C Short Term Notes
Sole Arranger
Scotia Investments
December 2014

SALES & SERVICE UNIT

During the 2014 financial year our sales team was driven by the theme of sales conference - "ROAR" (Relationship, Ownership, Accountability, Results) which challenged them to strive for extraordinary performances, while focusing on our key strategic imperatives. It is against this background that we achieved many of our objectives, and were able to increase our Scotia Premium Money Market Fund to over J$10.2 billion from J$ 5.1 billion at the end of 2013.

We executed our training and development plans for our sales team which included seminars and workshops covering the features and benefits of our suite of products, investment strategies, economic updates, as well as accreditation to sell our Scotiabank Mutual Funds. Our branch managers also attended the Phuel training programme which covered a number of advanced techniques in uncovering clients' needs in order to provide appropriate financial advice.

Throughout the year team members were kept abreast of research and economic updates from our Business Analytic, Portfolio Advisory and Product Development Unit, as well as information regarding our Unit Trust and Mutual Fund performances by Scotia Investments Asset Management Division. This philosophy of remaining current in the sophisticated and ever-changing financial landscape allowed our advisors to bring the skill and expertise of the Scotiabank Group to our client relationships. We also drew on the knowledge and competencies within the group with the visit of the Chief Investment Officer from our International Wealth Advisory Group who addressed a number of clients regarding various investment options and the global economic outlook.

This year greater emphasis was placed on improving our client relationships and increasing our clients' loyalty, and as such we implemented a number of initiatives with this in mind. Counselor, which is a client relationship management platform, was successfully introduced and fully adopted by our sales team, and has made our advisors significantly more effective in managing their relationships with their clients. SIJL's Service Promise was reintroduced in order to increase awareness of our service standards and behaviours, and has been followed by a number of routine activities, which will sustain these standards and behaviors on an ongoing basis. Our complaints management process was modified and strengthened, which will allow complaints to be captured more easily, and tracked effectively to ensure speedy resolutions. We also increased the frequency of our client surveys from quarterly to monthly to obtain more frequent and timely feedback to aid us in our action planning.

We enhanced our Eclipse rewards and recognition programme to include a number of new categories of awards, mainly in the area of service and support, and inducted a number of new people into our Chairman's Club, which recognizes sales persons who embody excellence and passion in becoming their client's most trusted advisors.

MARKETING SUPPORT

The Marketing team had another exciting year which focused on providing exposure for the brand and building client loyalty, while giving back to the community. Our mission was to maintain strong brand presence in the media and throughout the industry. We achieved this by supporting external partner activities which allowed us to showcase our team's expertise, our comprehensive range of products whilst delivering strong financial advice to prospective and existing clients.

Brand Awareness

We continued to build brand awareness through prominent placement of our corporate campaign on prime time television and throughout various industry magazines which appealed to our target audience. The messages of Trust, Expertise, Focus and Diversity which reflect our core values were used to reinforce the strength of the SIJL brand in the marketplace.

Sponsorships

The team endorsed a number of partner events throughout the year which increased brand exposure and built brand health while showcasing our services. These included the Pensioners Association Conference, the Jamaica Manufacturers' Association/Jamaica Exporters' Association Expo, the Medical Association of Jamaica Symposium, the Jamaica Stock Exchange Investor Education Week, the Private Sector Organisation of Jamaica Awards and the Manchester Chamber of Commerce Awards Banquet.

Investor Education

Being a strategic pillar for the company, we continued to execute a number of initiatives to promote investor education including targeted mass media interviews and articles, magazine advertorials as well as postings on our website. Clients and prospects were able to get local and global economic updates and investment advice from visiting head of international investments Nick Chamie, at an investors seminar held at the Jamaica Pegasus hotel in Kingston. Meanwhile, our Research and Product Development team also spoke at various events about Jamaica's economic future and opportunities for client investment.

BUSINESS SUPPORT UNIT

Fiscal year 2013/14 continued to see the Business Support Unit (BSU) expanding the scope of its contribution to critical areas of the firm's operations and more closely attaining the status of "Centre of Excellence". This was driven largely by the prioritisation of the key functions, combined with the development of human resource capital.

Operations Support

The Centralized Account Management Unit (CAMU) with its expertise and focus has effectively managed the processes of onboarding new clients and the ongoing management of our High Risk cccounts. This has contributed significantly to the company being compliant with internal and regulatory policies. Hence, we were able to deliver on our promise and commitment by:

1. Improving service delivery to our clients
2. Complement the sales effort
3. Improve our operational efficiency
4. Meet our fiduciary responsibility.

Projects

The company also undertook two (2) major projects and was able to achieve critical milestones which support the strengthening of the compliance framework, as well as meet regulatory requirements. Phase 1 of the Proceeds of Crime Act - Retrospective Due Diligence (POCA/ RDD) project, which required SIJL to undertake reviews of all existing client accounts on our books for seven (7) years or more were completed. We are also on track to meet all milestones for the Foreign Account Tax Compliance Act (FATCA) project.

The BSU continued to explore all opportunities in improving the operational efficiency of the company by reviewing the current processes with a view to optimising their effectiveness.

Business Continuity Plan

Scotia Investments continued to place high priority on our Business Continuity Plan (BCP) by ensuring that a robust and effective structure is in place so 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. Training of staff and actively testing the plans are two areas of focus that continued to receive senior management oversight.

Operational Risk Management

In collaboration with the Scotia Group's Operational Risk unit, Scotia Investments completed its annual Operational Risk & Control Assessment (RCA). The objective of the assessment was to identify the operational risks and associated controls within SIJL and determine whether the risks are being adequately mitigated or whether opportunities existed to further strengthen the control environment. This initiative was well executed and the group's indepth knowledge and expertise were significant success factors in achieving the stated objectives.

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 & Securities Services
- Capital Market Services
- Pension & Asset Management Services
- Money Market Investment Products
- Trust Services
- Cambio Services

Scotia Investments controls 37.2% of the Collective Investment Scheme Industry. These include our proprietary Unit Trusts (3) and our US denominated Caribbean Income Fund. In addition, we offer Scotiabank Mutual Funds to complement our product suite. We dominate the fixed income Unit Trust market with the Premium Fixed Income Fund and the Premium Money Market Fund which has grown to $10.2b in just 3 years. We made significant strides in our Asset Management Services and are now the 2nd largest Pension Fund Manager in the industry with over $54.5b in Assets Under Management.

SIJL's Treasury & Trading Unit remains among the top primary dealers in the island as ranked by the Bank of Jamaica Quarterly Performance Index Scores. We provide an extensive suite of offerings which include, money market offerings, securities trading (fixed income), stockbrokerage/equity trading as well as foreign exchange trading. For the financial year 2014, the Unit was first runner-up for the most trades by value on the Jamaica Stock Exchange and second runner-up for best website for brokerage for fiscal 2014.

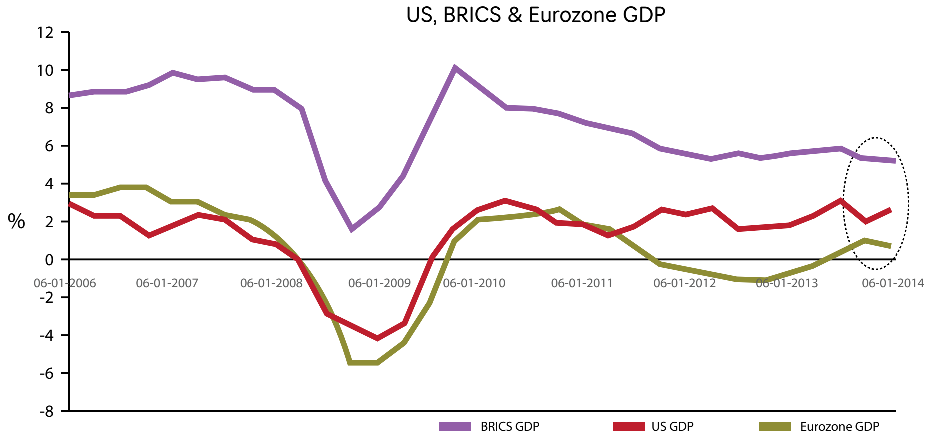
Much of our success can be attributed to the tremendous performance of our dedicated team. Our Senior Management, ably directed by our Chief Executive Officer with the support of our qualified Board of Directors, supplies the vision and strategy required to stay on top of the competition. The talented 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.

THE INTERNATIONAL MARKET

The global economy continued to exhibit a two speed recovery during the last fiscal year, as the United Kingdom, Canada and the United States saw improved growth conditions, while the Eurozone struggled to gain traction. In fact, the Eurozone acted as a drag on growth for the rest of the developed world and the global economy, as it teetered on the brink of another recession while its inflation rate fell to dangerously low levels approaching deflation. Europe was also the epicentre of one of the largest geopolitical risks that affected global markets, as tensions between Russia and the Ukraine went through several phases of escalation, which in turn hampered any nascent recovery the Eurozone may have engineered. Indeed Europe was significantly affected by several rounds of sanctions and counter-sanctions between Western allies and the Russian state, which had unintended consequences on the much weaker peripheral European economies. In response to the challenges faced by the Eurozone, the European Central Bank slashed rates to record lows and unleashed record amounts of liquidity to stimulate growth and reflate the Eurozone.



Source: Bloomberg, SIJL's PAG

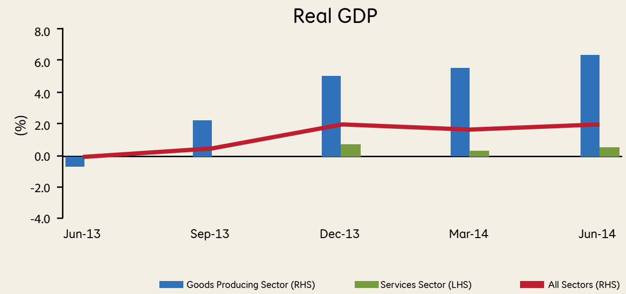
In the emerging markets space, China, the world's second largest economy, continued to decelerate as the policymakers prioritised structural economic reforms over unsustainable spending. The deceleration in China and the weakness in Eurozone pegged back developed market equities which had surged to record highs during the first half of the fiscal year. In fact, policymakers in the faster growing developed markets were left an uncertain path to monetary policy during the last quarter of the fiscal year. The US, which ended its quantitative easing programme in October and was initially poised to raise rates in the first half of 2015, may now have to delay to the latter half of 2015. The UK, which experienced the fastest pace of growth in the G-8, also had to rethink its timeline for hiking rates as the Eurozone slowdown began to spillover on its shores.

Finally, a threat of unknown quantity emerged during the last quarter in the form of the deadly Ebola disease for which there is no cure or vaccine to date. While the disease was mostly centred on the African continent, two cases emerged on US and European shores as the quarter closed. While these cases were mainly contained to people who had treated an infected victim who had died, the Ebola threat could still impact financial markets in the upcoming financial year.

THE JAMAICAN MARKET

Gross Domestic Products (GDP)

After six consecutive quarters of contraction, the Jamaican economy continued its uptrend during the financial year, posting four straight quarters of growth. Real GDP growth amounted to 0.4% and 1.8% for the third and fourth quarters of 2013 and 1.6% and 1.8% for the first and second quarters of 2014 calendar year respectively; and compared favourably to declines of 1.2% for both the fourth and first quarters of 2012 and 2013 and a -0.2% drop in the second quarter of 2013.



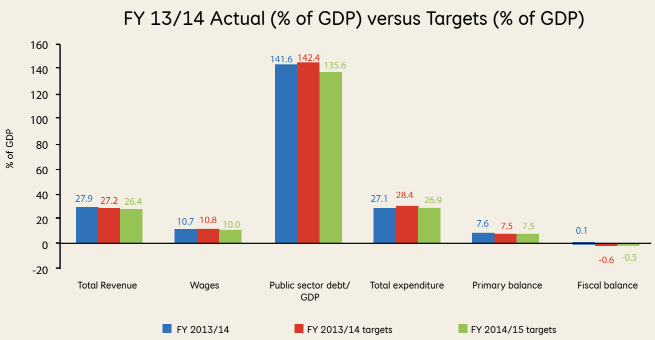
Source: STATIN, SIJL's PAG

The Productive sector recorded stellar performances following notable improvements in the Mining and Agriculture sub-sectors. Mining continues to recover on the back of increased production levels in crude bauxite and alumina, whereas the Agricultural sub-sector posted higher growth due to more favourable weather conditions and continued government support. The Construction sub-sector also expanded for the first six months of 2014 attributable largely to increased activities in civil engineering and building construction. Manufacturing rebounded in Q2 of 2014 with growth of 4.1% following eight consecutive quarters of decline.

Growth in the Service sector was largely buttressed by the Hotels & Restaurants sub-sector. All the other sub-sectors have shown some signs of restoration with the exception of Producers of Government Services which continues to contract, impacted chiefly by ongoing fiscal tightening.

In our view, the economy is likely to expand by 1.3% for 2014. The proposed private investment projects, valued in excess of US$5.0 billion, provide significant medium-term growth potential but continued fiscal consolidation coupled with global headwinds could dampen the prospects.

Growth in the Service sector was largely buttressed by the Hotels & Restaurants sub-sector.



Source: MOF, SIJL's PAG

Fiscal Accounts

Over the past year, Jamaica's fiscal accounts reflected marked improvements. The government successfully completed its fifth review under the four-year Extended Fund Facility (EFF) with the International Monetary Fund (IMF) and saw a total of US$483.2 million poured into its coffers so far. Central government primary balance increased to 7.6% of GDP at the end of March 2014 from 5.4% of GDP the prior year. Notably, the country generated a fiscal surplus equivalent to 0.1% of GDP, its first since the 1.8% of GDP reached in fiscal year 95/96. In light of the improvements in the fiscal accounts, total government debt to GDP ratio declined to 141.6% at the end of March 2014 from 146.5% the previous year.

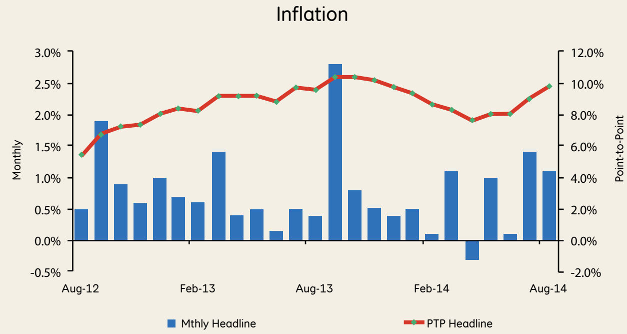
The latest fiscal numbers for the five months to August 2014 showed the primary balance ahead of plan by J$3.4 billion, while the fiscal deficit was better by J$4.4 billion. Underspends in expenditure continue to be the key driver behind the outperformance on the fiscal front as total revenue fell J$5.9 billion behind plan. Grant flows and overall tax revenue fell short of expectations by J$1.1 billion and J$5.9 billion respectively. Total tax collected for the five-month period grew at a relatively slower pace of 3.2% versus the budgeted 7.7% and the 6.0% obtained over the similar period of the prior fiscal year.

Looking at the months ahead, continued slippage in tax revenue remains the key risk to the government's full-year primary balance target of J$122 billion (or 7.5% of GDP). All else equal, this primary balance requires tax revenue to grow at 11.8% for the full year. Given a still anaemic domestic demand situation and global headwinds, there is a fair chance that the growth in tax revenue for the full year could fall short of the desired 11.8%. We, therefore, expect a further tightening of fiscal policy in the coming months.

Inflation

During the financial year under review, the movements in headline inflation levels were fuelled mostly by transient factors. For the first three months, monthly inflation slowed to an average 0.5% due to lower petrol prices. The pace eased further to 0.1% in February on the heels of a reduction in utility costs. Subsequently, the monthly pace accelerated to 1.1% in March, driven largely by higher costs for electricity. This trend was however reversed in April due to a decline in electricity rates, which led to the inflation rate falling into negative territory. The rate then jumped 1.0% in May, reflecting an increase in the cost for electricity. Thereafter, monthly inflation climbed higher, reaching 1.4% and 1.1% in July and August respectively, owing largely to supply shortages of agricultural produce.

As at August 2014, all inflation measures were higher than the comparable period of 2013. Calendar year-to-date inflation stood at 5.0% relative to the 4.7% for the comparable period of the previous year. Point-to-point headline inflation amounted to 9.8% against the 9.5% inflation rate for the analogous period last year. Fiscal inflation closed at 3.3%, 1.3% higher than 2013.



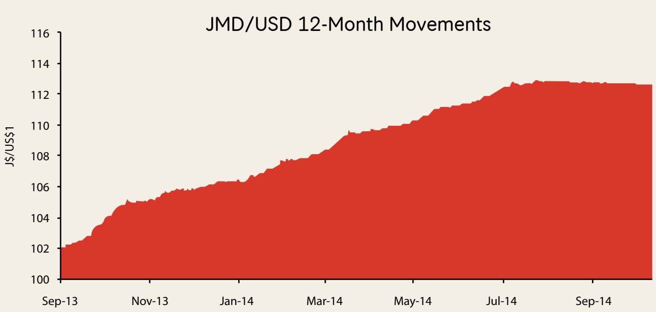
Source: STATIN, SIJL's PAG

Going forward, the lag effect of the drought should continue to affect the local CPI but prices could moderate near term given improved weather conditions and falling international oil prices. Future inflationary pressures are also expected to remain anchored due to persistent weakness in domestic demand driven largely by high unemployment levels and diminishing disposable incomes.

Foreign Exchange

During the first half of the financial year, the Jamaican dollar faced significant depreciatory pressure driven largely by low investor confidence regarding the ability of the government to meet the IMF targets as well as increased US dollar demand from the central bank given quarterly NIR targets. For the first six months, the local dollar depreciated by 4.9%, moving from an average selling rate of $105.05/US$1 at the start of the year to $110.16/US$1 as at the end of April 2014. The rate of depreciation slowed sharply in the second half with the currency losing only 2.3% to its US counterpart as US dollar supply conditions improved markedly with the US$800 million raised on the international capital market in July. Notably, the local dollar appreciated during July and August for the first time since December 2011.

For the Financial year to October 31, 2014, the Jamaican dollar lost 7.34% or $7.71 against its US dollar counterpart to close the period at an average selling rate of J$112.76/US$1. For the review period, the local currency also lost versus the British Pound, depreciating by 5.04% or $8.65. Conversely, the local currency gained versus the Canadian dollar, rising by 0.51% or 51 cents.



Source: BOJ, SIJL's PAG

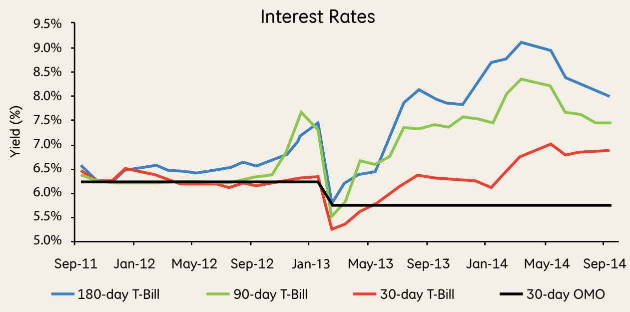
Buoyed by the US$800 million raised on the international capital market and continued multilateral support, the net international reserves (NIR) increased to US$2.0 billion at the end of October 2014, thereby pushing gross reserves to US$2.5 billion. At the current level, the NIR is adequate to purchase 19.5 weeks of goods and services imports.

The favourable NIR position should continue to benefit the local dollar near term.

Exchange Rates - JAD	November 1, 2013	October 31, 2014	% Change
USD	105.05	112.76	7.34%
POUND	171.59	180.24	5.04%
CAD	101.10	100.58	-0.51%

Domestic Money Market

During the review period, the BOJ maintained the interest rate on its 30-day open market instrument at 5.75% supported by contained inflation rates and an anaemic domestic demand picture. In contrast, market-determined interest rates trended higher in the first five months of the year, driven by tight liquidity conditions due to liquidity sterilisation by the Bank of Jamaica (BOJ) and ongoing inactivity of the secondary markets in government bonds following the debt exchange in February 2013. The average rate on the 180-day and 90-day Treasury bill (T-bills) increased 126 basis points and 98 basis points respectively for the first five months, moving from 7.84% and 7.37% at the start of the year to end March 2014 at 9.11% for the former and 8.35% for the latter. For the same period, the 30-day jumped 48 basis points to 6.76%. Subsequent to March, JMD liquidity conditions improved mainly due to the BOJ purchasing GOJ VR bonds from deposit–taking institutions in June which led to an overall net injection of J$12.4 billion into the financial system. Local JMD liquidity situation also benefited from a reversal of demand pressures on the US dollar following the USD800 million raised on the international capital market.



Source: BOJ, SIJL's PAG

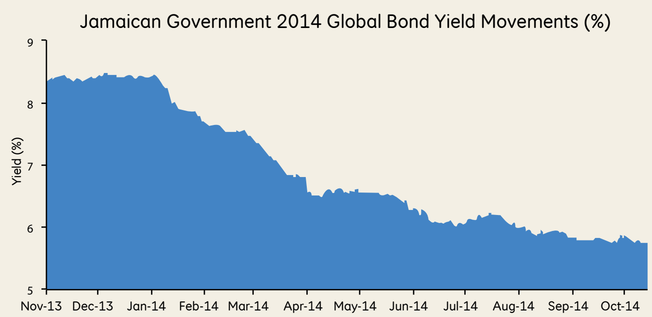
The much-improved liquidity profile led to a gradual decline in the rate on the longer dated T-bill tenors over the second half of the year. T-bill yields ended October 2014 at 7.73% for the 180-day and 7.34% for the 90-day, declining 138 basis points for the former and 101 basis points for the latter relative to where they ended March 2014. However, the 30-day advanced by 7 basis points over the same period to 6.83%.

Looking ahead, local market-determined-interest rates could continue to face downward pressure in the near term given improved liquidity conditions. Additionally, the reversal of demand pressures on USD could continue to contribute positively to Jamaican dollar liquidity conditions, thereby putting downward pressure on market-determined interest rates.

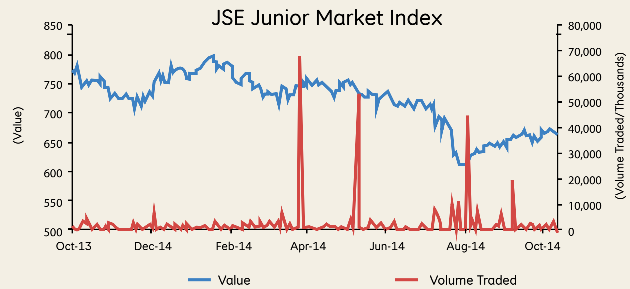
Global Bond Market

The Government of Jamaica (GOJ) Global Bond Market has seen notable declines in yields (or increases in prices) during the review year due to improved investor confidence. This was driven in large part by a much-improved fiscal stance as well as the government's ability to meet all the targets under the IMF agreement. Credit rating agency Standard & Poor's revised Jamaica's outlook from stable to positive in September as a result of the favourable outturn in fiscal and external liquidity positions which contributed to further declines in bond yields (or increases in prices).

The Government of Jamaica (GOJ) Global Bond Market has seen notable declines in yields (or increases in prices) during the review year due to improved investor confidence.



Source: Bloomberg, SIJL's PAG

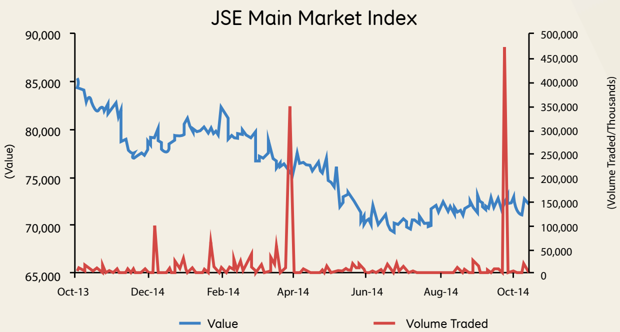


Source: JSE, SIJL's PAG

Stock Market

During the financial year to October 13, 2014, the Jamaica Stock Exchange Main Index and the JSE Junior Market fell by 11.07% and 13.4% respectively. This was spurred by low investor confidence as a result of ongoing instability in the local foreign exchange market. In addition, relatively low Jamaican dollar liquidity had resulted in sluggish demand for equities by investors. Further, amid the challenging local economic backdrop combined with the adverse effects of an increase in the asset tax levied on financial firms, the earnings performance of a wide cross section of listed companies has been lacklustre.

In consideration of the foregoing, it is likely that both the JSE Main and Junior market Indices will remain subdued in the near term. However, based on the prospects for stronger growth in the wider economy as well as improved Jamaican dollar liquidity, it is expected that we could see modest growth over the medium term for both indices.



Source: JSE, SIJL's PAG

Corporate Social Responsibility

Scotia Investments is committed to being an active corporate citizen through support of the local community and the wider Jamaica by identifying and responding to issues of national importance. Throughout the year, our philanthropic outreach has included various initiatives which support education, health and sport. This included our integral involvement in the National Golden Cleats Awards, the Education Wealth Plan Scholarship Competition and the Trench Town Reading Centre Annual Spelling Bee Competition.

The Golden Cleats Awards was held on December 9, 2013 and awarded national sporting honours, including the male and female athlete of the year awards as well as coach of the year for 2013. Two young students who were high achievers in sports and academics were awarded scholarships.

The Education Wealth Plan in 2014 awarded $750,000 in academic scholarships and bursaries to sixteen students from across the island who are pursuing high school diplomas and university degrees. This was a $325,000 increase over last year which allowed us to make a more meaningful contribution to the students' programmes of study which included medicine, engineering and law.

Trench Town Reading Centre:

The Scotia Wealth Management continues to be a strong supporter of the Trench Town Reading Centre, which is a complete non-profit community library and education centre. The Team's main initiative is the annual Spelling Bee Competition, which was executed on October 25th with more than 80 children aged 5-16 years contending for the coveted first-place spot in their division. This event continues to build confidence and self-esteem. Now in its 21st year of operation, the Centre offers a wide array of programmes, including youth and adult literacy classes, creative arts and summer school lessons.

OUR Moments

Mr. Jason Morris (2nd right), Vice President, Business Analytics, Portfolio Advisory and Product Development, talks with (from left) Dr. Edgar Abbott and Dr. Albert Lockhart, executive members of Medical Association Of Jamaica, and Michael Isaacs of Scotia Insurance at the launch of the 2014 MAJ Symposium held at the Jamaica Pegasus hotel in April 2014. Mr. Morris addressed the audience of medical practitioners about the Jamaican economy and opportunities for growth.

Lissant Mitchell, (right) CEO of Scotia Investments, meets Nick Chamie, Chief Investment Officer, International Wealth Management at Scotiabank, responsible for developing the global investment strategy and asset allocation process for clients. Mr. Chamie spoke at an investors seminar held in September 2014, at the Jamaica Pegasus hotel in Kingston.

Economic Seminar

(From left) Gregory Samuels, Assistant Vice President Treasury and Trading, Minister of State in the Ministry of Foreign Affairs & Foreign Trade Arnaldo Brown, Jamaica Stock Exchange (JSE) Chairman Allan Lewis and Robin Levy, Deputy General Manager, JSE talk investment opportunities on the stock market following a JIS Think Tank session held in Kingston October 2014.

Corporate Social Responsibility

Winners of the Education Wealth Plan from the parishes of Kingston, St. Catherine and St. Ann who were awarded 2014 scholarships take the opportunity to capture a light moment before being presented with their sponsorship cheques. The scholarship competition, which is part sponsored by Scotia Investments, allowed sixteen (16) scholars to receive scholarships and bursaries, totalling JMD$ 750,000. The promotion, which ran through August 2014, encourages Scotia Mutual Funds and ScotiaMINT customers to save and plan towards education, with the chance of winning scholarships or bursaries to tertiary institutions and high schools.

Education Wealth Plan

Andrea Tinker (right), VP Re-Engineering Projects at Scotia Investments, presents a certificate to Kadejah Gale, 2nd place winner of the purple group in the 2014 Trench Town Spelling Bee Competition.

Trench Town Spelling Bee

Lissant Mitchell (left), CEO of Scotia Investments, joins Hugh Reid (2nd right), President of Scotia Insurance and Dr. Warren Blake (right), President of Jamaica Administrative Athletic Association in sharing a proud moment with winners of the 2013 Golden Cleats Award – Christoff Bryan of Wolmer's Boys', Shelly-Ann Fraser-Pryce (3rd right) and Yanique Thompson.

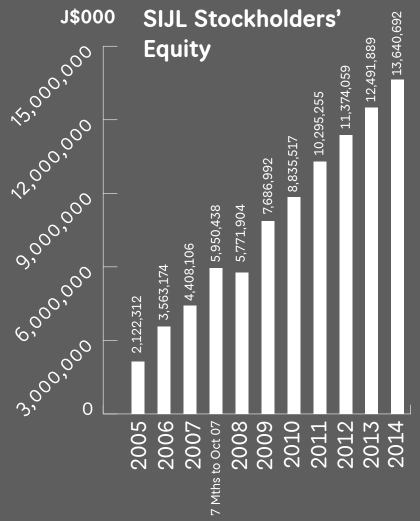
2014 Financial Highlights

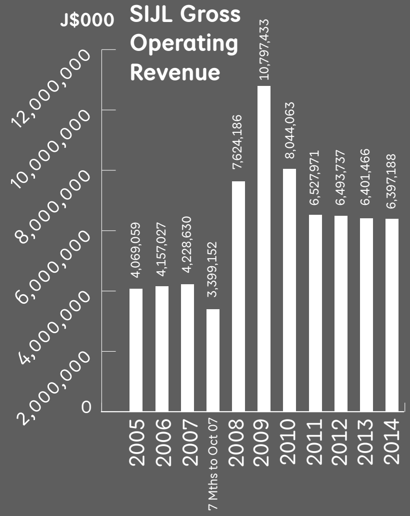
	2005 J$ ('000)	2006 J$ ('000)	2007 J$ ('000)	7 Mths to Oct-2007 J$ ('000)
Profit and Loss Account				
Gross Operating Revenue	4,069,059	4,157,027	4,228,630	3,399,152
Net Interest Revenue	630,313	773,844	854,915	724,633
Other Operating Revenues	1,026,682	1,041,599	745,971	340,353
Other Operating Expenses	846,042	929,014	930,863	595,607
Net Profit attributable to members	802,642	882,319	702,955	686,295
Balance Sheet				
Total Assets	28,422,734	30,572,360	37,749,263	56,352,603
Total Liabilities	26,300,422	27,009,186	33,341,157	50,402,165
Total Stockholders' Equity	2,122,312	3,563,174	4,408,106	5,950,438
Total Funds Under Management	30,697,330	31,720,431	38,519,109	84,480,969
Number of Stock Units at Year End	290,385,731	303,194,744	309,258,639	374,364,997
Key Financial Ratios				
Earnings per share ($)	2.76	2.85	2.27	1.83
Book Value per share	7.31	11.75	14.25	15.89
Efficiency Ratio	51%	51%	57%	57%
Return on Average Equity	58%	42%	20%	14%
Return on Average Asset	3%	3%	2%	1%
Net Profit Growth (% growth)	49%	10%	-20%	*67%
Asset Growth (% growth)	20%	8%	23%	49%
Equity Growth (% growth)	54%	68%	24%	35%
Average Equity	1,750,581	2,842,743	3,985,640	5,179,272
Average Assets	26,037,781	29,497,547	34,160,812	47,050,933
Net Revenue	1,656,646	1,815,443	1,630,965	1,053,094

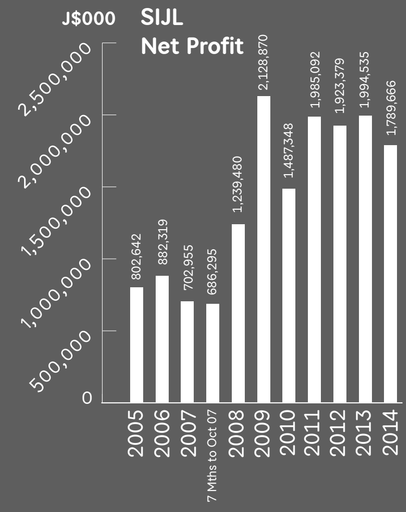
** Based on annualised net profit after tax for 7 months ended Oct 2007*

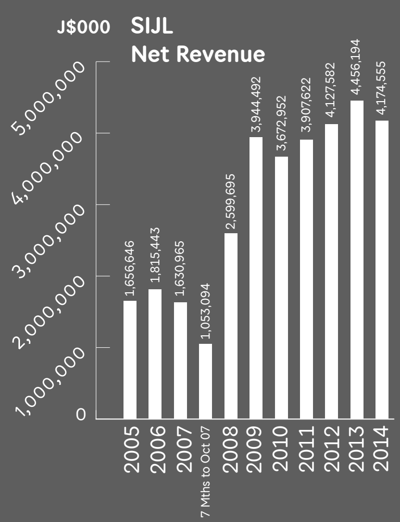
2008	2009	2010	2011	2012	2013	2014
J$ ('000)	J$ ('000)	J$ ('000)	J$ ('000)	J$ ('000)	J$ ('000)	J$ ('000)
7,624,186	10,797,433	8,044,063	6,527,971	6,493,737	**6,401,466**	**6,397,188**
1,960,014	3,359,099	3,105,843	2,816,466	2,812,148	**2,713,029**	**2,284,969**
642,217	657,105	701,072	1,065,049	1,294,014	**1,645,611**	**1,882,617**
1,062,059	1,360,236	1,228,395	1,260,446	1,368,359	**1,659,672**	**1,626,141**
1,239,480	2,128,870	1,487,348	1,985,092	1,923,379	**1,994,535**	**1,789,666**
65,996,518	74,010,727	70,974,893	72,854,001	73,871,395	**73,746,560**	**72,314,290**
60,224,614	66,323,735	62,139,376	62,558,746	62,497,336	**61,254,671**	**58,673,598**
5,771,904	7,686,992	8,835,517	10,295,255	11,374,059	**12,491,889**	**13,640,692**
96,790,241	109,433,421	118,884,463	135,213,981	138,302,969	**143,679,286**	**151,579,352**
423,194,765	423,194,765	423,194,765	423,194,765	423,194,765	**423,194,765**	**423,194,765**
2.93	5.03	3.51	4.69	4.54	**4.71**	**4.23**
13.64	18.16	20.88	24.33	26.88	**29.52**	**32.23**
41%	34%	33%	32%	33%	**36%**	**39%**
21%	32%	18%	20%	17%	**17%**	**14%**
2%	3%	2%	3%	3%	**3%**	**2%**
5%	72%	-30%	33%	-3%	**4%**	**-10%**
17%	12%	-4%	3%	1%	**0%**	**-2%**
-3%	33%	15%	17%	10%	**10%**	**9%**
5,090,005	6,729,448	8,261,255	9,565,386	10,834,657	**11,932,974**	**13,066,291**
51,872,891	70,003,623	72,492,810	71,914,447	73,362,698	**73,808,978**	**73,030,425**
2,599,695	3,944,492	3,672,952	3,907,622	4,127,582	**4,456,194**	**4,174,555**

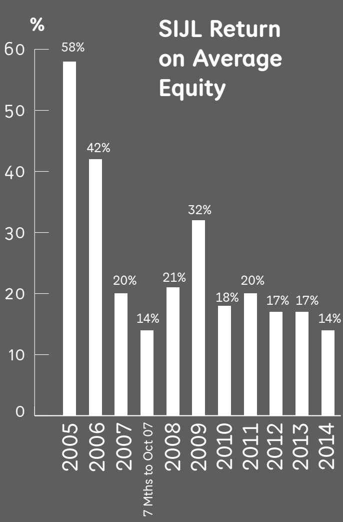
2014 Financial Highlights











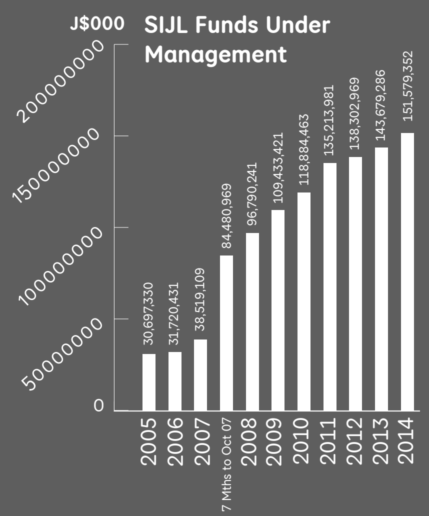
Stockholders' Equity
Stockholders' Equity represents the equity stake currently held on the books by a firm's ordinary shareholders. It is calculated either as a firm's total assets minus its total liabilities or as share capital plus retained earnings minus treasury shares.

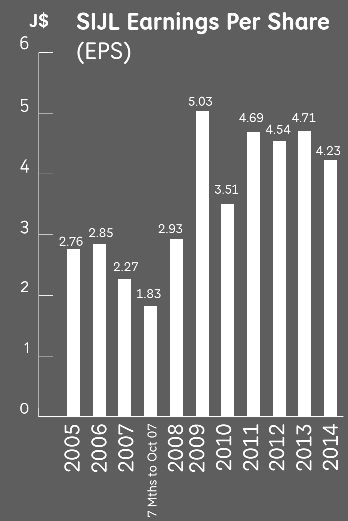
Return on Average Equity
A measure of a company's profitability that indicates the profit per unit of equity invested in the company. Return on Equity is often calculated by dividing net income by average shareholders' equity. Average shareholders' equity is calculated by adding the shareholders' equity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

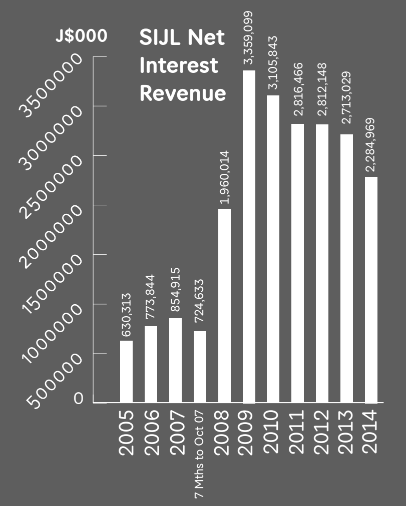
Return on Assets (ROA)
An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. ROA is calculated by dividing a company's annual earnings by its total assets. ROA tells what earnings were generated 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 realised from a business' own operations, but excluding operating expenses.

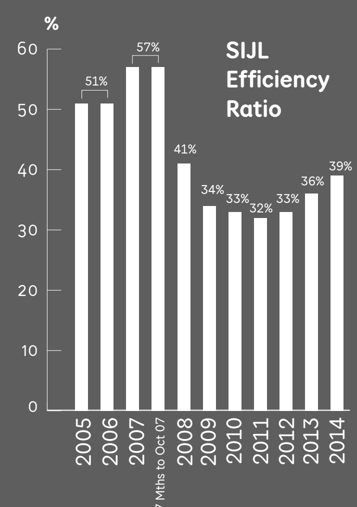
Earnings Per Share (EPS)
The portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share are generally considered to be the single most important variable in determining a share's price. EPS is also a major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

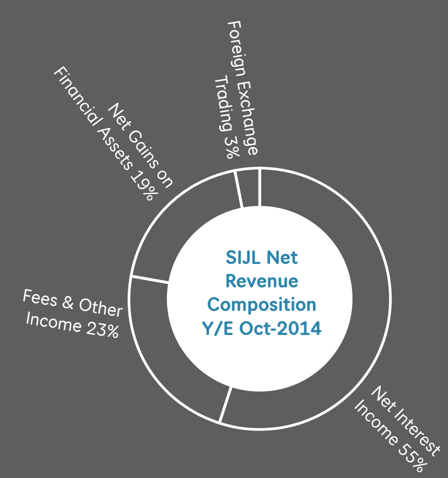
Efficiency Ratio
A ratio used to evaluate the overhead structure of a financial institution. The efficiency ratio gives us a measure of how effectively a company is operating. Efficiency is usually an acceptable measure of profitability as the more efficient companies are those that are able to generate 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 167 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, 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 continues to operate in a challenging macroeconomic environment characterised by slow economic growth, and the Government of Jamaica implementing the requirements to meet the IMF structural programme benchmark. This resulted in tight Jamaican dollar liquidity condition which affected the financial markets and peaked in June. Several factors contributed to these conditions which include a lack of trading in short-term securities, a new centralised cash management system by the GOJ, and foreign exchange operations of the Bank of Jamaica to meet the quarterly NIR targets. The liquidity environment led to the highest interest rates in 3 ½ years which compressed interest margins and affected investor's appetite for local assets.

The severity of the liquidity crunch subsided when the GOJ was able to raise US$800 million on the international capital markets in July 2014, thus eliminating the need for further adverse central bank foreign exchange operations. In addition, the BOJ provided liquidity support to ease local market conditions.

Despite the challenging operating environment, there were some green shoots of optimism as most of the major macro-economic variables trended in the right direction. Policymakers have continued to execute the major initiatives under the IMF programme, leading to successful completion of all the quarterly tests thus far. The depreciation of the local currency has slowed significantly from the double-digit pace of the past two years, while growth remains positive, albeit low.

AT A GLANCE

Scotia Investments recorded Net Profit available to common shareholders of $1.79 billion, while our return on equity remained strong at 13.59%. These results, which translate to earnings per share of $4.23, were delivered as a result of our diversified business model, prudent risk management practices and our team's innate ability to dominate the financial services market with targeted value propositions to our clients.

In a competitive financial services industry, SIJL remains a significant player in the investment management sector, and boasts a 37% market share in the total collective investment schemes. Our success was achieved primarily through the execution of our long-term strategy to grow our unit trusts, mutual funds and asset management business. As at October 31, 2014, total funds under management stood at $151 billion, of which $96 billion or 64% represents the off-balance sheet portfolio, compared to 60% last year, and 50% five years ago. This is a demonstration of the trust that our clients have placed in us over the years as they sought stability through diversification of their portfolios.

Our results were 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.

SIJL is committed to maintaining a solid capital base as we continue to exceed the regulatory capital requirement. We have reinvested 57.44% of our profit into the business, growing our capital base by $1.15 billion during the year. This will ensure that we continue to deliver superior service to our valued clients, as well as strategically position the company to take advantage of any future opportunities.

Financial Highlights	2014	2013
	$000's	$000's
Total Assets	72,314,290	73,746,560
Pledged Assets	59,419,866	62,860,190
Investment Securities	5,415,017	5,180,082
Liabilities under Repurchase Agreements	42,022,859	44,865,128
Other Client Obligations	13,003,074	13,018,564
Shareholder's Equity	13,640,692	12,491,889
Net Profit After Tax	1,789,666	1,994,535
Return on Equity	13.59%	16.55%
Earnings per share (cents)	423	471
Dividend per share (cents)	180	180

In a competitive financial services industry, SIJL remains a significant player in the investment management sector...

OUR STRATEGY

Our strategy remains squarely focused on building upon the strength of a realigned business model from two years ago. This is centred on the four key business lines: Treasury and Trading Operations; Retail Brokerage; Capital Markets; and Asset Management Services. We remain committed to the long-term vision of generating revenues in a diversified manner to produce an adequate risk-adjusted return for all of our stakeholders. As the evolution of our re-aligned business model continues, we will further reduce our reliance on net interest income by focusing on the ongoing development of a diverse range of products and services with unique value propositions that will strengthen existing client relationships and build new ones. In addition, we will continue to leverage the strengths of both the local and international Scotiabank Group to aid in the successful execution of our strategy.

Strategic Imperatives

We have streamlined our long-term strategic imperatives to be more closely aligned with our business objectives over the next three to five years. The four key strategic imperatives that will build on a solid foundation of key strengths are:

1. Sustainable Profit Growth

We remain focused on growing non-interest revenues by developing a diverse suite of fee-based products and services that offer unique client value propositions. We will continue to pursue this strategy through the introduction of new fund products, an expanded range of brokerage products, and a wider range of client services to deepen existing client relationships and maximise our share of customers' business while targeting new client acquisitions. At the same time we will continue to maintain strong capital ratios for our remaining balance sheet business.

2. 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 unique experiences for our clients to generate high levels of customer satisfaction and strengthen brand loyalty.

We will continue to pursue this objective through enhancements to our customer relationship management system, strengthening our sales management training and coaching process, re-organizing our sales and service structure and expanding the range of tools and services used in client interactions.

3. Operational Efficiency

Operating efficiently and cost effectively is an important part of our culture, and is also a competitive advantage for us. We will continue this thrust through the implementation of a new IT platform, process re-engineering initiatives, reviewing current business practices and utilising appropriate alternative delivery channels. We will also continue to enhance our risk management and corporate governance capabilities and benchmark our key performance indicators against our peer group and international best practice standards.

4. High Performance Culture and Leadership

The single most important ingredient to executing our business strategy is permanently embedding a high performance culture in the company's DNA to drive high levels of employee satisfaction and engagement. To ensure effective execution of this strategy, focus will be placed on enhancing leadership engagement and building leadership bench strength at all levels throughout the business. Our continuing strategy is to align employee objectives and business processes with our business strategy; focus on developing, recruiting and retaining top talent to build a competitive advantage; re-evaluating compensation, rewards and recognition practices to ensure incentives are aligned with performance, employee and shareholder interests; ensure the team enjoys a good work life balance.

FINANCIAL PERFORMANCE

PROFIT & LOSS HIGHLIGHTS

Total Revenue

Total revenue for the year was $4.17 billion, $282 million or 6% below last year. Net interest income recorded a decline of 16% due to lower interest margins resulting from the liquidity crunch experienced earlier in the year. Nevertheless, as we continue to focus on our long-term strategic imperative; to grow our funds and asset management business, the contribution of non-interest income to total revenue continues to increase, representing 45% in 2014 versus 39% in 2013. The continuous growth in our funds and asset management business allowed us to record a 14% increase in our asset management revenues.

In spite of the challenging economic conditions, we were able to capitalise on the effects of the improved market outlook for assets in our portfolio. As a result, net gains on financial assets were up by $352 million, representing an 83% increase over last year.

The pace of JMD/USD exchange rate depreciation was slower at 7% for the year compared to 15% in the previous year. This has contributed to the 48% reduction in foreign exchange trading revenues, along with the market conditions affecting volumes traded.

Net Interest Income

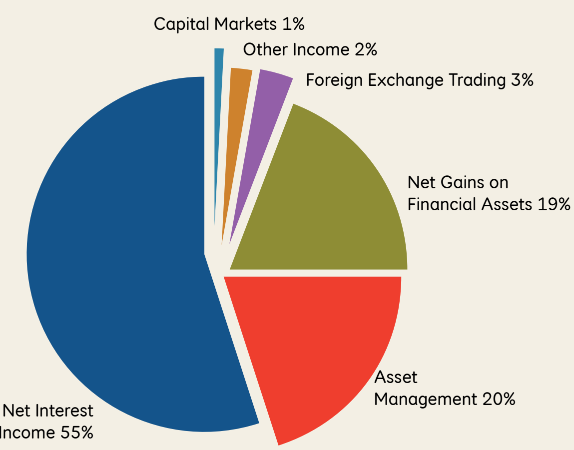
We recorded net interest income of $2.28 billion in 2014, down $428 million from last year. In line with the lower interest rate environment, post JDX and NDX, the earning asset yield continued the downward trend. The overall results were achieved through the proactive management of interest margins.

The average yields on JMD earning assets increased relative to prior year by 23 basis points to 7.79%, while the average volumes reduced by $1.7 billion to $42.3 billion. The average yields on our USD earning assets decreased relative to prior year by 207 basis points to 3.46%, and the average volumes decreased by US$23.1 million or 10.3% to US$201 million.

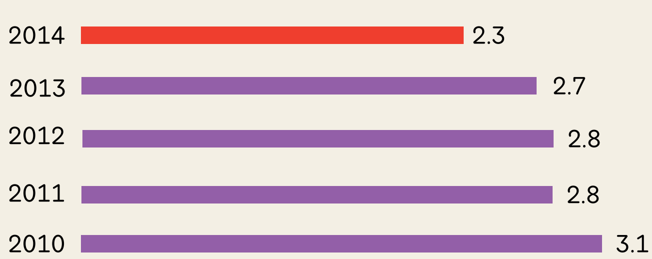
Interest expense increased by $187 million to $2.23 billion as at the year-end; the company's net interest margin on its JMD earning assets portfolio decreased relative to prior year by 121 basis points to 1.11%. The net interest margin on the USD earning assets portfolio also decreased relative to prior year by 176 basis points to 2.88%.

Total Revenue	2014	2013	Change	
	$000	$000	$000	%
Net Interest Income	2,284,969	2,713,029	(428,060)	(16)
Asset Management	848,654	744,390	104,264	14
Net Gains on Financial Assets	777,572	425,511	352,061	83
Foreign Exchange Trading	134,008	256,000	(121,992)	(48)
Capital Markets	51,566	108,801	(57,235)	(53)
Other Income	77,786	208,463	(130,677)	(63)
	4,174,555	**4,456,194**	**(281,639)**	**(6)**

Total Revenue 2014



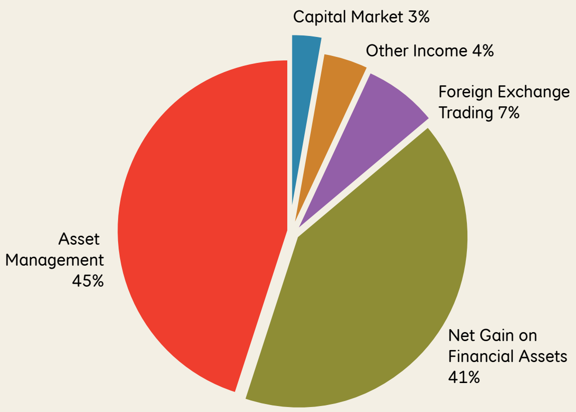
Net Interest Income ($ Billions)



Non-Interest Income

Other income, which represents all non-interest income, is comprises fees and commission income, foreign exchange trading income, net gains on financial assets and other revenue. Other income was $1.88 billion for the year, up $237 million or 14% over last year. The increase was driven largely by: 83% higher net gains on financial assets of $352 million; the prior year included a loss of $226 million resulting from the NDX/PDX. Also, commensurate with the growth in our fund management business, income increased by 14% to $849 million. Notwithstanding the above increases, there were reductions in foreign exchange trading gains of $122 million or 48%; and fees from our capital market activities.

2014 Non-Interest Revenue



Non-Interest Expenses

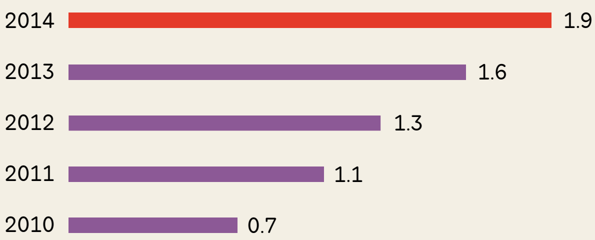
Non-interest expenses for the year totalled $1.63 billion, down marginally by $33 million or 2% relative to last year. We heightened our focus on proactively managing our expenses as we seek gains from operational efficiencies, and mitigate the impact of the increased asset tax. During the year the GOJ increased the asset tax rate from 0.14% to 0.25% resulting in increased cost of $55 million.

Salaries and employee benefits costs, the largest component of our expenses, were $855 million, marginally up $20 million or 2% over last year. It also accounted for 53% of the total operating costs, compared to 50% last year.

Systems related expenses and property expenses were up $11 million and $7 million respectively over last year, due primarily to the devaluation of the Jamaican dollar.

Marketing and advertising expenses decreased by $33 million. Reductions in other expenses were partly due to legal provisions made last year, which was offset by the impact of increased asset tax for 2014.

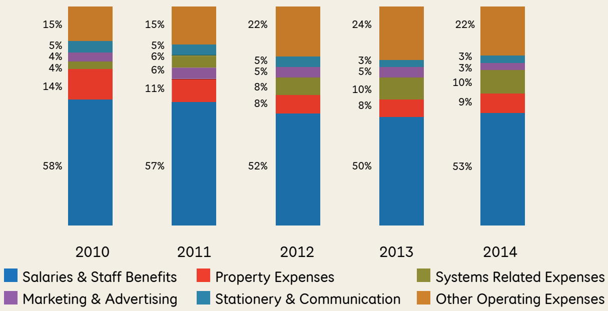
Non Interest Income ($ Billions)



	2014	2013	Change	
	$000	$000	$000	%
Salaries & Staff Benefits	855,081	834,697	(20,384)	-2
Property Expenses	139,851	132,579	(7,272)	-5
System Related Expenses	168,957	157,645	(11,312)	-7
Marketing & Advertising	48,766	81,820	33,054	40
Stationery & Communication	45,964	57,114	11,150	20
Other Operating Expenses	367,522	395,817	28,295	7
	1,626,141	**1,659,672**	**33,531**	**2**

Our productivity ratio, total operating expense as a percentage of total revenue, increased to 39% from 36% in 2013. The decrease in productivity in 2014 is attributable to the net effect of our reduction in revenues of 6%, outpacing our reduction in operating costs of 2%.

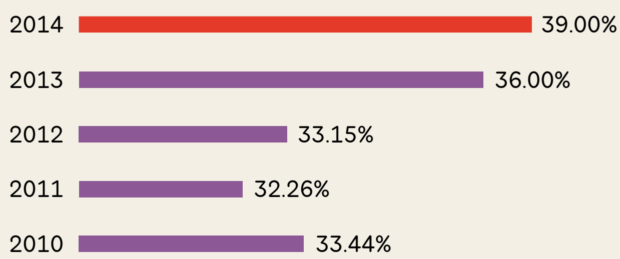
Non-Interest Expense Allocation



Taxes

In 2014, our income tax expense was $759 million, down 5% or $43 million from last year. The reduction is consistent with lower profitability.

Productivity Ratio (%)



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 $448 million; (2013: $0.499 million). Our peak performance occurred in quarter 3. Operating expenses have been carefully managed throughout the year.

	2014				2013			
($BILLIONS)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross Operating Income	1.508	1.625	1.733	1.538	1.714	1.469	1.618	1.697
Total Operating Income	0.989	1.071	1.129	0.986	1.108	0.950	1.178	1.220
Operating Expenses	0.424	0.442	0.396	0.364	0.428	0.417	0.366	0.447
Net Profit	0.421	0.415	0.504	0.450	0.487	0.372	0.563	0.573
Earnings per share (cents)	99	98	119	106	115	88	133	135
ROE (percentage)	13.39	12.97	15.28	13.29	16.94	12.63	18.69	18.59
Total Assets	**72.983**	**73.676**	**72.87**	**72.314**	**74.630**	**73.618**	**72.652**	**73.746**
Stockholder's Equity	**12.628**	**12.978**	**13.423**	**13.641**	**11.633**	**11.924**	**12.164**	**12.492**

FINANCIAL CONDITION

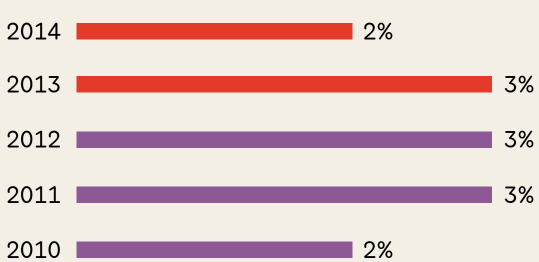
BALANCE SHEET HIGHLIGHTS

We have streamlined our long-term strategic imperatives to be more closely aligned with our business objectives over the next three to five years. The four key strategic imperatives that will build on a solid foundation of key strengths are:

Assets

Total assets of $72.3 billion at year-end were marginally below the $73.7 billion reported last year. While we experienced growth primarily in the cash resources, our stock of investment assets declined in line with our thrust to focus on our asset management business.

Return on Average Assets



Cash Resources

Our cash resources held to meet our cash outflow obligations and respond effectively to unexpected liquidity events stood at $2.92 billion (2013: $1.98 billion). This growth is largely due to inflows from maturity of investments that were placed on short-term instruments at other institutions.

	2014		2013	
	$000's	%	$000's	%
Financial assets at fair value through statement of revenue and expenses	527,338	0.81	253,305	0.37
Pledged assets	59,419,866	90.91	62,860,190	92.04
Investment securities: available-for-sale	5,415,017	8.28	5,180,082	7.59
Total securities	**65,362,221**	**100.00**	**68,293,577**	**100.00**

Securities

Total investment securities, including pledged assets, decreased by $2.93 billion to $65.3 billion. Pledged assets, mainly relating to securities sold under repurchase agreements and the capital management accounts, declined by $3.44 billion to $59.4 billion and represented 91% (2013: 92%) of total investment securities. This is in line with our strategy to heighten our focus on our fund management business 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 products.

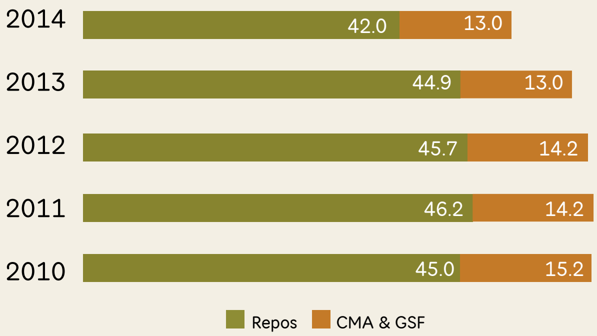
Liabilities

Total liabilities were $58.7 billion as at October 31, 2014, a reduction of $2.6 billion or 4% from last year, driven solely by the reduction in our client's holdings in Repurchase Agreements, Capital Management and Government Securities Funds.

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

These represent funds invested by our clients and the total obligations declined by $3 billion or 5% during the year as they realigned their portfolios towards wealth creation through mutual fund and unit trust vehicles. Consequently, there was a $5 billion increase in our unit trust and mutual fund portfolios.

Repurchase Agreements and
Capital Management Accounts ($Billions)



Funds Under Management

Scotia Investments continued to be a significant player in the industry for the provision of investment management services. As at October 31, 2014, the unit trusts, mutual funds and asset management portfolios stood at $96 billion, which represented 64% of the total funds under management. In addition, assets under custodial arrangements totalled $42 billion (2013: $32 billion).

The unit trusts, mutual funds and asset management portfolios are managed on a non-recourse basis on behalf of investors and the Group has no equitable rights or interest.

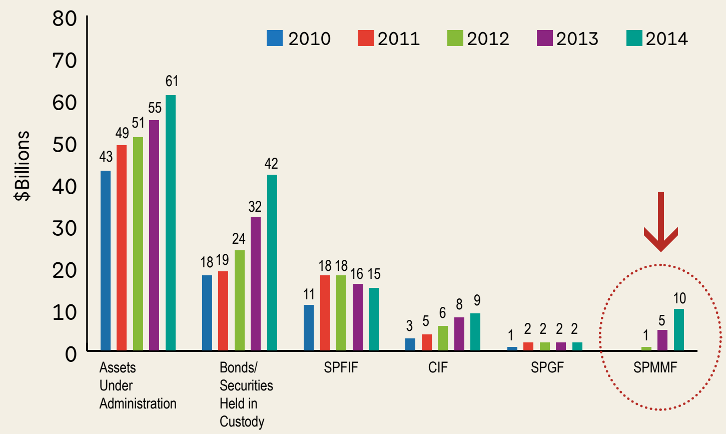
The funds managed through the unit trusts and mutual funds totalling $35.5 billion (2013: $30.7 billion) up 16%, and due to both growth in volume and appreciation in value of the funds.

The Scotia Money Market Fund, our flagship money market fund; launched three years ago, continues to experience significant inflows, and has achieved an impressive $10 billion mark, representing 100% movement over last year.

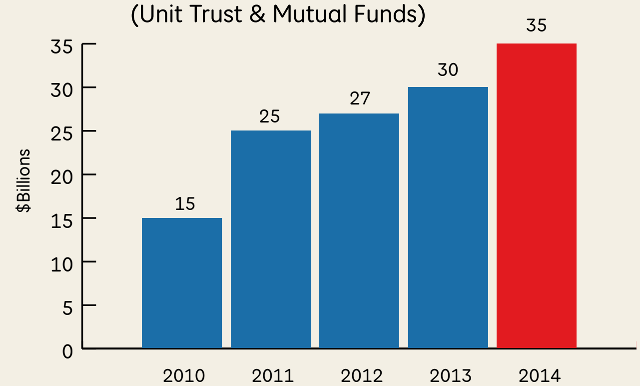
Other funds under administration for which the Group provides investment management advisory and trustee services to third parties stood at $61 billion (2013: $55 billion). The 11% increase over last year was influenced primarily by contributions to the funds as well as an appreciation in the value of the assets of the Funds.

Dividend Per Share

5 Year movement showing over 82% (2010: $76 billion; 2014: $138 billion)
Year/Year movement of 17% (2014: $138 billion; 2013: $118 billion)
Qtr/Qtr movement of 2% (Q4: $138 billion; Q3: $135 billion)



Managed Funds
(Unit Trust & Mutual Funds)



Management's Discussion & Analysis continued

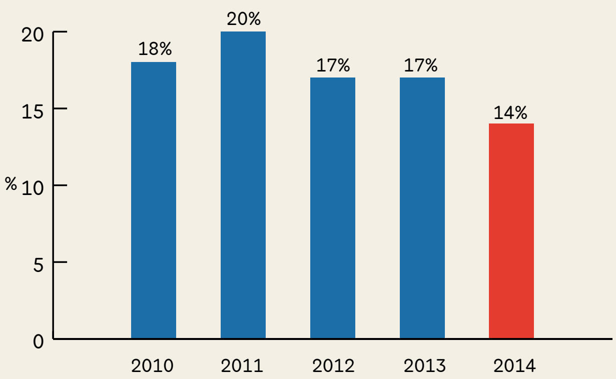
Shareholders' Equity

Total shareholders' equity rose to $13.6 billion in 2014, $1.1 billion more than prior year. This represented a 9% increase influenced primarily by retained earnings.

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 2014 was 42.56% compared to 38.19% last year.

Return on Equity



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 ratios, a measure of the Company's overall strength, continue to exceed the regulatory requirements and remain among the highest of its peer group. As at October 31, 2014, capital adequacy ratio was 50.01% (2013: 41.45%), which was 40.01% (2013: 31.45%) in excess of the regulatory requirement of 10%.

	2014	2013	2012	2011	2010
Captial Adequacy Ratio	50.0%	41.5%	36.7%	47.8%	100.1%
Regulatory Requirement	10.0%	10.0%	10.0%	10.0%	10.0%
Excess Over Regulatory Requirement	40.0%	31.5%	26.7%	37.8%	90.1%

BUSINESS OUTLOOK

For fiscal year 2015, Scotia Investments will continue to focus on product innovation and providing clients with more international investment options. This will enable our clients to better diversify their investment portfolio thereby mitigating the risks faced in the local and global environment. Our highly trained team will endeavour to continue providing clients with exceptional service to meet their investment needs.

With regards to the economic outlook, we are encouraged that the policy makers will continue to pursue the attainment of the critical reforms and targets under the IMF programme while striving to improve the country's growth trajectory. Despite the prevailing challenging environment, Scotia Investments will remain committed to its long-term strategic objective of diversifying its revenue streams by focusing on the growth of unit trusts, mutual funds and asset management business lines.

Risk Management

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the Company's strategies and risk appetite, and that there is an appropriate balance between risk and reward in order to maximise shareholder returns.

THREE LINES OF DEFENCE

Scotia Investments' risk management framework is predicated on the three-lines-of-defence model adopted by Scotia Group. Within this model, functional Business Line staff and management (the first line) incur and own the risks, while Scotia Group's risk management units and other control functions (the second line) provide independent oversight and objective challenge to the 1st line of defence, as well as monitoring and control of risk. Scotia Group's Internal Audit Department (the third line) provides assurance that control objectives are achieved by the first and second lines of defence.

RISK MANAGEMENT FRAMEWORK

1st Line of Defence

Business Line/Corporate Function

- Owns the risks associated with business activities.
- Exercises business judgment to evaluate risk.
- Ensures activities are within the Company's risk appetite and risk management policies.

2nd Line of Defence

Risk Management and Other Control Functions

- Independently facilitates and monitors the implementation of effective risk management practices.
- Develops policies, measurement & reporting, limits & controls, oversight & monitoring.
- Provides oversight and objective challenge to the 1st line of defence.
- Provides training, tools and advice to support policy and compliance.

3rd Line of Defence

Internal Audit

- Independent monitoring and oversight function.
- Focus on governance framework and control systems.
- Audit findings reported to management and Audit Committee.

RISK MANAGEMENT FRAMEWORK

Scotiabank has a robust, disciplined risk management framework supported by a strong risk management culture where risk management is a responsibility shared by all of the Company's employees. The framework is supported by a robust risk management culture perpetuated throughout Scotia Group Jamaica Limited & its affiliates (Scotia Group).

This framework is subject to constant evaluation to ensure that it meets the changes in the markets in which the Company operates, including regulatory standards and industry best practices.

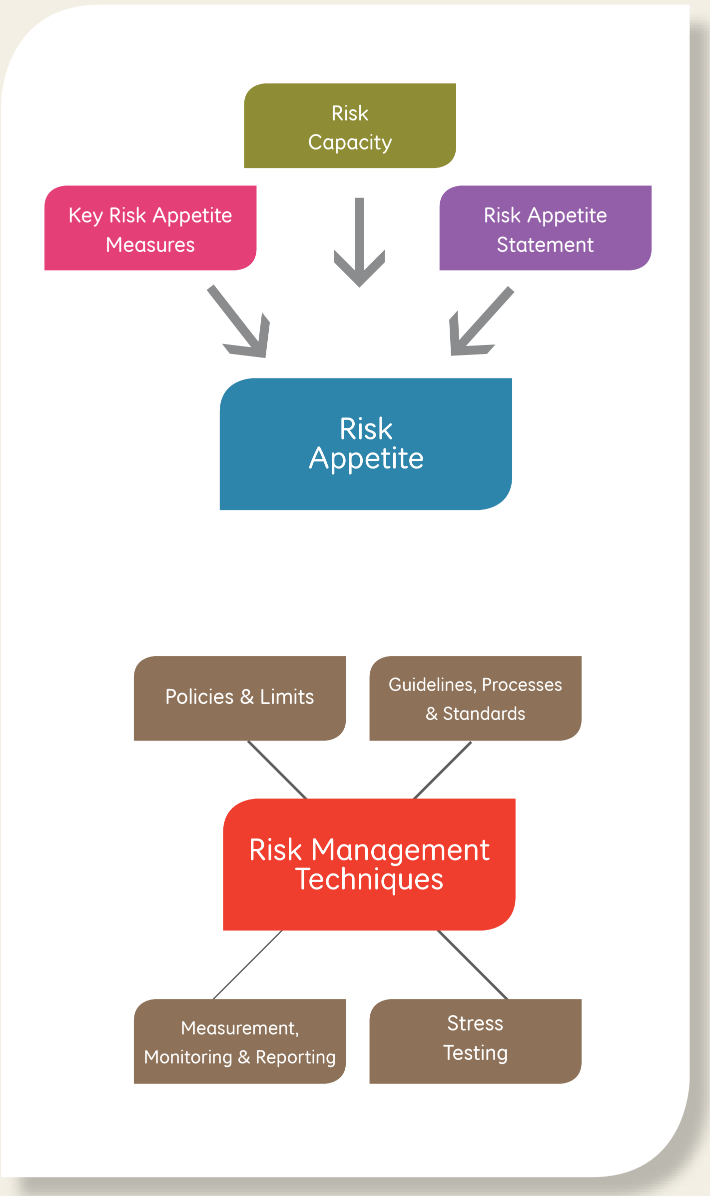
Scotia Investments' risk management framework consists of three key elements:

- Risk Governance
- Risk Appetite
- 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 centralised risk management group that is independent of the business lines. Decision-making is highly centralised through a number of senior and executive risk management committees.

Risk appetite - The Company's Risk Appetite Framework governs risk-taking activities on an enterprise-wide basis. It consists of the identification of risk capacity, the risk appetite statement and key risk appetite measures. Together, the application of these measures helps to ensure the Company stays within appropriate risk boundaries.

Risk management techniques - Effective risk management includes techniques that are integrated with the Company'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 Company. 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.

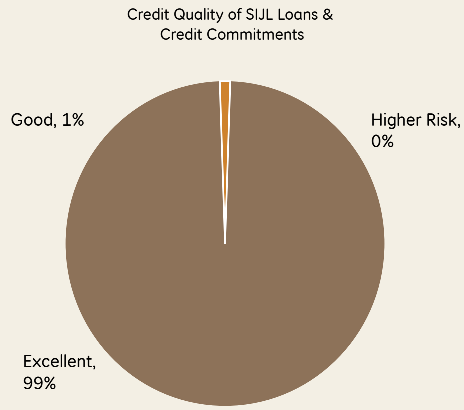
The Credit Risk framework for Scotia Investments seeks to support business outcomes that are consistently within the risk tolerance of the company. Doing this involves ensuring that target markets and product offerings are well defined and understood; risk parameters for new underwritings and for the 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.

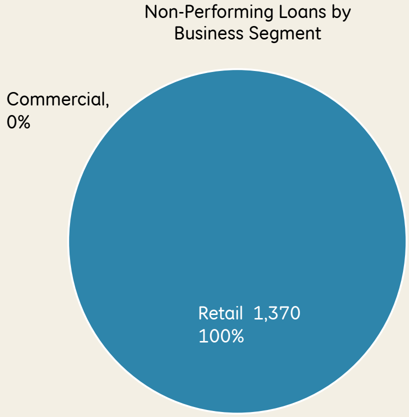
Scotia Investments' credit risk management revolves around Group credit risk policies, business-specific policies, a defined credit risk strategy and risk appetite, business ownership in managing risks, and centralised Group expertise to assist in identification, guidance, and oversight of credit risk 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.

Areas of Market Risk Exposure

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





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.

Scotia Group's Market Risk Management unit provides independent oversight of all significant market risks, supporting the ALCO with analysis, risk measurement, monitoring, reporting 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 Backoffice 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.

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.

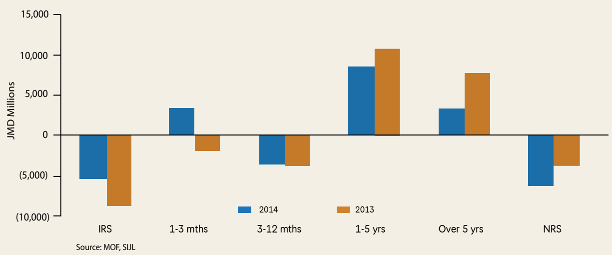
INTEREST RATE RISK

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 modelling, and sensitivity analysis are used to assess exposures and for planning purposes. Interest rate risk exposure is generally based on the earlier contractual re-pricing or maturity of the Group's assets and liabilities. Certain assets and liabilities without a fixed maturity 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.

Further details on the interest rate risk exposure for the Group are summarised in Note 35 (c) (i).

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 manages these positions.

The foreign currency risk exposure for the Group is summarised in Note 35 (c) (ii).

EQUITY RISK

Equity risk is the risk of loss due 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 summarised in Note 35 (c) (iii).

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; and facilitates transactions in equities and bonds for its customers. Gains and losses from transactions in these activities are included in other income.

Market risk arising from these activities is managed in accordance with Board-approved policies, and aggregate VaR and stress testing 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.

The Company actively measures and forecasts cash flows and manages liquidity through a set of limits including:

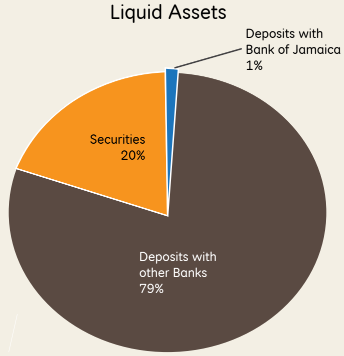
- the maximum net cash outflow by currency over specified short-term horizons (cash gaps) and
- a minimum level of core liquidity consisting of highly liquid, unencumbered assets that can be readily sold, or pledged to secure borrowings, under stressed market conditions or due to company specific events.

The Company has adopted, and is an integral component in, Scotia Group's liquidity contingency plan. The plan specifies an approach for analysing and responding to actual and potential liquidity events. It also 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 Scotia Group's Board of Directors.

LIQUIDITY PROFILE

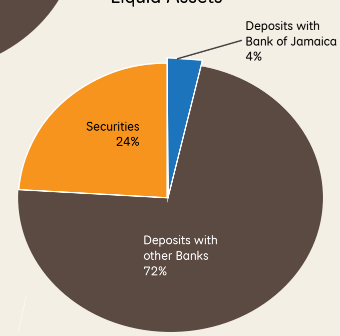
The Company maintains large holdings of liquid assets to support its operations. These assets generally can be sold or pledged to meet the Company's obligations. As at October 31, 2014 liquid assets were $17.1 billion or 24% of total assets, compared to $12.9 billion or 17% of total assets as at October 31, 2013. The mix of these assets is as follows:

Liquid Assets



2014

Liquid Assets



2013

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, and excludes reputational 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 Investments has adopted the policies, processes and assessment methodologies utilised by Scotia Group to ensure that operational risk is appropriately identified and managed with effective controls. Scotia Group's Operational Risk Management Policy is approved by its Board on an annual basis.

The processes to manage operational risk include a robust programme of risk identification and assessment, risk measurement, and risk mitigation. Risk identification and assessment is done primarily through the execution of risk and control assessments; and the development and monitoring of key risk indicators to enable proactive management of risk exposures. Risk measurement is primarily done through the active tracking of relevant operational loss data by business line and support function. Meanwhile, the Company uses various tools to mitigate operational risk including its Business Continuity Plan, technology development, and security procedures and controls.

REPUTATIONAL RISK

Reputational risk is the risk that negative publicity regarding Scotia Investments' 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 Scotia Group by codes of conduct, governance practices and risk management programmes, policies, procedures and training. Many relevant checks and balances are executed through the company's well-established compliance programme and operational risk management programme. 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 minimises 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.

STRATEGIC RISK

Strategic Risk is the risk that the Bank's business strategies are ineffective, being poorly executed, or insufficiently resilient to changes in the business environment.

The Board of Directors is ultimately responsible for oversight of strategic risk, by adopting a strategic planning process and approving, on an annual basis, a strategic plan for the company.

The execution and evaluation of strategic plans is a fundamental element of the company's risk management framework. All employees are responsible for clearly understanding the company's direction and goals. On an ongoing basis, business lines and control units identify, manage, and assess the internal and external events and risks that could impede achievement of strategic objectives. The Executive Management Team regularly meets to evaluate the effectiveness of the company's strategic plan, and consider what amendments, if any, are required.

Best of the Best Awards

The "Best of the Best Awards" recognises those individuals and teams who have made consistent contributions throughout the current fiscal year. These recipients possess unmistakable attributes – committed; steadfast; passionate and consistently go beyond, and outperform throughout the year.

BEST OF THE BEST AWARD RECIPIENTS FOR 2014

Employee Name	Job Title	Department/Branch
Alexia Morgan	Operations Supervisor	Savanna-la-Mar Branch
Saskia Williams	Relationship Officer	Savanna-la-Mar Branch
Dorothy Cassells	Senior Securities Officer	Business Support Unit
Jacquelyn Nairne	Asst Manager - Document Services	Business Support Unit
Ronnette Thompson	Senior Operations Officer	Business Support Unit
Shushana McFarlane	Operations Officer Investment/Foreign Exchange	Business Support Unit
Terry-Ann Ricketts	Operations Officer	Business Support Unit
Lerone Palmer	Manager, Compliance	Compliance Unit
Lisa Dixon	Senior Manager Asset Management	Scotia Asset Management
Jheanelda Brown	Operations Assistant	Signature Branch
Shauna Duncan	Senior Investment Advisor	Signature Branch
Cheryl Davy	Investment Advisor	Kingston Branch
Francia Elliott	Operations Assistant	Kingston Branch
Shanette Martin	Investment Advisor	Kingston Branch
Sheryl Johnson	Courtesy Officer	Mandeville Branch
Ainelee Tracey	Foreign Exchange Trader/Operations Assistant	Montego Bay Branch
Asha Dalley	Investment Representative	Montego Bay Branch
Chris McKenzie	Manager, Equities Trading	Treasury & Trading Unit
Damain Powell	Financial Analyst	Business Analytics, Portfolio Advisory & Product Development

	Team Award	
	Centralised Account Management Unit	

Shareholdings as at 31 October, 2014

10 Largest Shareholders as at 31 October 2014

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	7,769,083	1.84
Trading A/C - National Insurance Fund	7,021,597	1.66
JCSD Trustee Services Limited - Sigma Optima	3,263,448	0.77
JCSD Trustee Services Ltd A/C #76579-02	2,237,886	0.53
Gerald W. Purdy	2,078,688	0.49
GraceKennedy Limited Pension Scheme	1,984,000	0.47
P.A.M. Limited - Pooled Pension Equity Fund	1,848,251	0.44
Guardian Life Limited	1,582,166	0.37
TOTAL	**368,117,952**	**86.99**

Shareholdings of Senior Management & Connected Parties as at 31 October 2014

SENIOR MANAGEMENT AND CONNECTED PARTIES

Last Name	First Name	Total Shareholding	Direct	Connected Parties
Frazer	Brian	838	0	838
McKenzie	Karl	2,000	0	2,000
Miller	Hugh	0	0	0
Mitchell	Lissant	4,000	0	4,000
Morris	Jason	0	0	0
Pandohie	Yvonne	0	0	0
Sylvester	Courtney	0	0	0
Tinker	Andrea	216,050	216,050	0

Shareholdings of Directors & Connected Parties as at 31 October 2014

DIRECTORS AND CONNECTED PARTIES

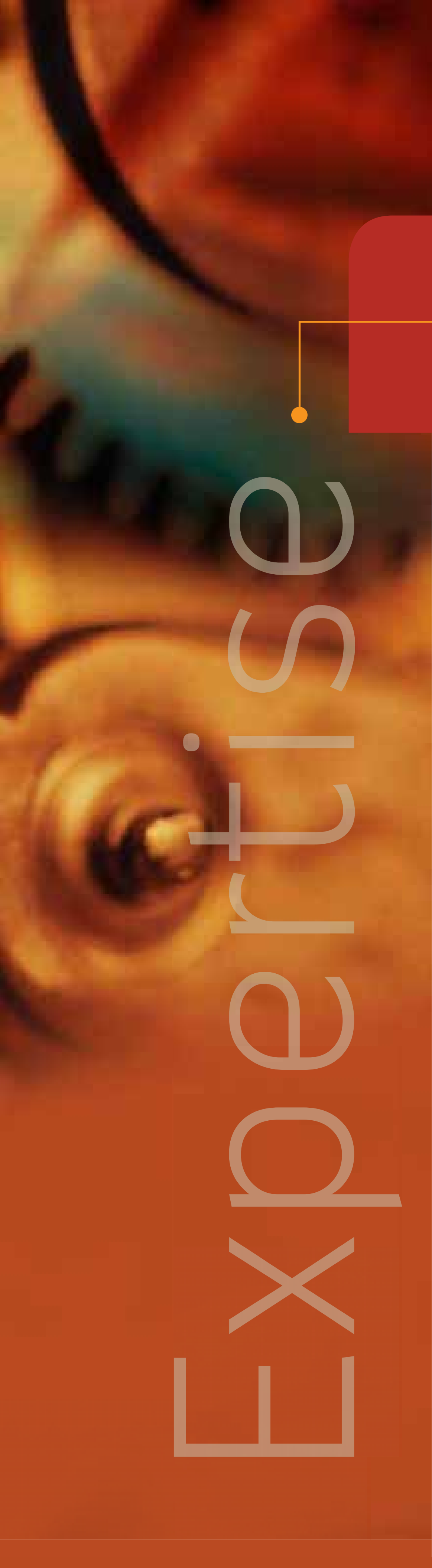
Last Name	First Name	Total Shareholding	Direct	Connected Parties
Alexander	Barbara	1,000	0	1,000
Bowen	Bruce	7,590	7,590	0
Chang	Anthony	0	0	0
Fowler	Angela	0	0	0
Hall	Jeffrey	0	0	0
Law	Anna	1,000	1,000	0
Mitchell	Lissant	4,000	0	4,000
Schroder	Marcel	0	0	0
Sharp	Jacqueline	0	0	0
Welling	Cathy	0	0	0

Shareholding Mix as at 31 October 2014

SHAREHOLDINGS	NUMBER OF SHARE-HOLDERS	TOTAL SHARES HELD	HOLDING %
Up to 500	481	134,539	0.03
501 to 2,000	786	1,004,593	0.24
2,001 to 5,000	576	2,046,535	0.48
5001 to 10,000	302	2,351,139	0.56
10,001 to 50,000	420	10,161,166	2.40
50,001 to 100,000	84	6,276,082	1.48
100,001 to 250,000	71	11,729,362	2.77
250,001 to 500,000	19	7,173,824	1.70
Over 500,000	27	382,317,525	90.34
TOTAL	**2,766**	**423,194,765**	**100.00**

Ordinary Shareholders as at 31 October 2014

CATEGORY	NUMBER OF SHARE-HOLDERS	NUMBER OF UNITS
Insurance Companies	14	8,708,875
Pension Funds	31	12,485,927
Individual	2,576	31,606,803
Other	145	370,393,160
TOTAL	**2,766**	**423,194,765**



Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA INVESTMENTS JAMAICA LIMITED

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 63 to 147, which comprise the Group's and the Company's statements of financial position as at October 31, 2014, 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 control 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.

INDEPENDENT AUDITORS' REPORT

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 Group and the Company as at October 31, 2014, and of the Group's and the Company's financial performance 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 27, 2014

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Revenue and Expenses
Year ended October 31, 2014
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2014	2013
Net interest income and other revenue			
Interest from loans and deposits with banks		262,265	268,792
Interest from securities		4,252,306	4,487,063
Total interest income	6	4,514,571	4,755,855
Interest expense	6	(2,229,602)	(2,042,826)
Net interest income		2,284,969	2,713,029
Impairment losses on loans, net of recoveries	22	6,969	97,554
Net interest income after impairment losses on loans		2,291,938	2,810,583
Fee and commission income	7	953,479	936,515
Net foreign exchange trading income	8	134,008	256,000
Net gains on financial assets	9	777,572	425,511
Other revenue	10	17,558	27,585
		1,882,617	1,645,611
		4,174,555	4,456,194
Expenses			
Salaries, pension contributions and other staff benefits	11	855,081	834,697
Property expenses, including depreciation		139,851	132,579
Amortisation of intangible assets	27	84	134
Other operating expenses		631,125	692,262
	12	1,626,141	1,659,672
Profit before taxation	13	2,548,414	2,796,522
Taxation	14	(758,748)	(801,987)
Profit for the year	15	1,789,666	1,994,535
EARNINGS PER STOCK UNIT (expressed in $ per share)	16	4.23	4.71

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, 2014
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2014	2013
Profit for the year	15	1,789,666	1,994,535
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Unrealised gains/(losses) on available-for-sale securities		87,062	(61,168)
Realised losses/(gains) on available-for-sale securities		32,883	(30,849)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables		115,912	(33,013)
Other comprehensive income/(loss) before tax		235,857	(125,030)
Taxation on other comprehensive income/(loss)	28(a)	(135,547)	(12,152)
Other comprehensive income/(loss), net of tax		100,310	(137,182)
Total comprehensive income for the year attributable to stockholders of the company		1,889,976	1,857,353

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Consolidated Statement of Financial Position
October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2014	2013
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call at, Bank of Jamaica	17	1,663	1,873
Amounts due from other financial institutions	17	2,056,939	902,062
Accounts with parent and fellow subsidiaries	17, 18	865,882	1,074,930
		2,924,484	1,978,865
Financial assets at fair value through profit or loss	19	527,338	253,305
Pledged assets	20	59,419,866	62,860,190
Loans, after allowance for impairment losses	21	110,226	79,997
Investment securities			
Available-for-sale	24	5,415,017	5,180,082
Other assets			
Customers' liabilities under guarantees		2,837,844	2,326,594
Taxation recoverable		752,557	808,992
Sundry assets	25	212,209	114,562
Property, plant and equipment	26	30,464	49,480
Intangible assets	27	84,202	60,144
Deferred tax assets	28(b)	83	34,349
		3,917,359	3,394,121
		72,314,290	73,746,560

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

Consolidated Statement of Financial Position (Continued)
October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2014	2013
LIABILITIES			
Capital management and government securities funds	20(a), 29	13,003,074	13,018,564
Other liabilities			
Guarantees issued		2,837,844	2,326,594
Securities sold under repurchase agreements	20(a)	42,022,859	44,865,128
Other liabilities	30	639,115	550,213
Taxation payable		64,614	477,976
Deferred tax liabilities	28(b)	106,092	719
Assets held in trust on behalf of ESOP participants		-	15,477
		45,670,524	48,236,107
STOCKHOLDERS' EQUITY			
Share capital	31	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	32	(61,519)	(161,829)
Capital reserve	33	22,075	22,075
Reserves for own shares-ESOP	34	-	(20,578)
Unappropriated profits		11,768,233	10,740,318
		13,640,692	12,491,889
		72,314,290	73,746,560

The financial statements on pages 63 to 147 were approved for issue by the Board of Directors on November 27, 2014 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, 2014
(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	Unappropriated 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:							
Unrealised losses on available-for-sale investments, net of taxes	32	-	(43,261)	-	-	-	(43,261)
Realised gains on available-for-sale Investments, transferred to profit or loss		-	(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 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 Changes in Stockholders' Equity (Continued)
Year ended October 31, 2014
(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	Unappropriated profits	Total
Balances at October 31, 2013		1,911,903	(161,829)	22,075	(20,578)	10,740,318	12,491,889
Total comprehensive income for the year:							
Profit for the year	15	-	-	-	-	1,789,666	1,789,666
Other comprehensive income:							
Unrealised gains on available-for-sale investments, net of taxes	32	-	64,945	-	-	-	64,945
Realised losses on available-for-sale Investments, transferred to profit or loss		-	5,117	-	-	-	5,117
Amortisation of fair value reserve on financial Instruments reclassified to loans and receivables	23	-	30,248	-	-	-	30,248
Total comprehensive income for the year		-	100,310	-	-	1,789,666	1,889,976
Transactions with owners of the company:							
Dividends	38	-	-	-	-	(761,751)	(761,751)
Movement in ESOP reserve	34	-	-	-	20,578	-	20,578
Balances at October 31, 2014		1,911,903	(61,519)	22,075	-	11,768,233	13,640,692

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

Consolidated Statement of Cash Flows
Year ended October 31, 2014
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2014	2013
Cash flows from operating activities			
Profit for the year		1,789,666	1,994,535
Items not affecting cash:			
Interest income	6	(4,514,571)	(4,755,855)
Interest expense	6	2,229,602	2,042,826
Impairment losses on loans, net of recoveries	22	(6,969)	(97,554)
Impairment loss on goodwill	27	-	4,618
Depreciation	26	16,575	20,192
Amortisation of intangible assets	27	84	134
Income tax charge	14	754,656	921,423
Loss on disposal of property, plant and equipment		4,128	-
Deferred taxation	14, 28(c)	4,092	(119,436)
		277,263	10,883
Changes in operating assets and liabilities:			
Amount due from other financial institutions		(519,734)	(362,318)
Pledged assets		1,747,475	5,272,017
Loans		(23,427)	445,316
Capital management and government securities funds		(15,501)	(1,156,360)
Securities sold under repurchase agreements		(2,937,178)	(776,165)
Taxation recoverable		56,434	(356,891)
Sundry assets		(608,896)	(399,425)
Financial assets at fair value through profit or loss		(271,082)	(77,959)
Other liabilities		584,677	683,287
		(1,709,969)	3,282,385
Interest received		4,561,493	5,137,703
Income tax paid		(1,167,979)	(799,518)
Interest paid		(2,134,683)	(2,085,222)
Net cash (used)/provided by operating activities (carried forward to page 70)		(451,138)	5,535,348

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, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2014	2013
Net cash (used)/provided by operating activities (brought forward from page 69)		(451,138)	5,535,348
Cash flows from investing activities			
Investment securities		37,238	(1,096,127)
Shares acquired for ESOP		20,578	22,227
Purchase of property, plant and equipment	26	(1,687)	(24,787)
Purchase of intangible assets	27	(24,142)	(595)
Proceeds from disposal of property, plant and equipment		-	11,424
Net cash provided/(used) by investing activities		31,987	(1,087,858)
Cash flows from operating and investing activities		(419,151)	4,447,490
Cash flows from financing activity			
Dividends, being cash flows used by financing activity	38	(761,751)	(761,751)
Effect of exchange rate changes on cash and cash equivalents		519,734	362,319
Net (decrease)/increase in cash and cash equivalents		(661,168)	4,048,058
Cash and cash equivalents at beginning of year		9,545,442	5,497,384
Cash and cash equivalents at end of year	17	8,884,274	9,545,442

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, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2014	2013
Net interest income and other revenue			
Interest from loans and deposits with banks		261,560	267,750
Interest from securities		4,252,306	4,487,063
Total interest income	6	4,513,866	4,754,813
Interest expense	6	(2,238,653)	(2,046,110)
Net interest income		2,275,213	2,708,703
Impairment losses on loans, net of recoveries	22	6,969	97,554
Net interest income after impairment losses on loans		2,282,182	2,806,257
Fee and commission income	7	449,695	493,933
Net foreign exchange trading income	8	116,294	233,468
Net gains on financial assets	9	764,475	423,471
Other revenue	10	120,852	27,585
		1,451,316	1,178,457
		3,733,498	3,984,714
Expenses			
Salaries, pension contributions and other staff benefits	11	855,081	834,697
Property expenses, including depreciation		144,002	139,469
Amortisation of intangible assets	27	84	134
Other operating expenses		538,038	590,477
	12	1,537,205	1,564,777
Profit before taxation	13	2,196,293	2,419,937
Taxation	14	(655,419)	(719,754)
Profit for the year	15	1,540,874	1,700,183

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, 2014
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2014	2013
Profit for the year	15	1,540,874	1,700,183
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Unrealised gains/(losses) on available-for-sale securities		87,062	(61,168)
Realised losses/(gains) on available-for-sale securities		32,883	(30,849)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivable		115,912	(33,013)
Other comprehensive income/(loss) before tax		235,857	(125,030)
Taxation on other comprehensive (loss)/income	28(a)	(135,547)	(12,152)
Other comprehensive income/(loss), net of tax		100,310	(137,182)
Total comprehensive income for the year attributable to stockholders of the company		1,641,184	1,563,001

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Financial Position
October 31, 2014
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2014	2013
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call, at Bank of Jamaica	17	1,663	1,873
Amounts due from other financial institutions	17	2,054,233	899,039
Accounts with parent and fellow subsidiaries	17, 18	764,619	953,340
		2,820,515	1,854,252
Financial assets at fair value through profit or loss	19	279,538	18,603
Pledged assets	20(a)	59,929,469	62,860,190
Loans, after allowance for impairment losses	21	110,226	79,997
Investment securities			
Available-for-sale	24	4,905,414	5,180,082
Investment in subsidiaries		443,307	442,526
Other assets			
Customers' liabilities under guarantees		2,837,844	2,326,594
Taxation recoverable		746,465	804,154
Sundry assets	25	118,643	69,644
Property, plant and equipment	26	27,156	40,302
Intangible assets	27	62,707	38,649
Deferred tax assets	28(b)	-	34,306
		3,792,815	3,313,649
		72,281,284	73,749,299

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

Company Statement of Financial Position (Continued)
October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2014	2013
LIABILITIES			
Capital management and government securities funds	20(a), 29	13,003,074	13,020,576
Other liabilities			
Amounts due to subsidiaries		438,960	473,292
Guarantees issued		2,837,844	2,326,594
Securities sold under repurchase agreements	20(a)	42,493,754	45,040,360
Other liabilities	30	586,160	507,947
Taxation payable		25,907	465,402
Deferred tax liabilities	28(b)	101,024	-
		46,483,649	48,813,595
STOCKHOLDERS' EQUITY			
Share capital	31	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	32	(61,519)	(161,829)
Capital reserve	33	24,615	24,615
Unappropriated profits		10,919,562	10,140,439
		12,794,561	11,915,128
		72,281,284	73,749,299

The financial statements on pages 63 to 147 were approved for issue by the Board of Directors on November 27, 2014 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

Company Statement of Changes in Stockholders' Equity
Year ended October 31, 2014

(*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, 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 income:						
Unrealised losses on available-for-sale investments, net of tax	32	-	(43,261)	-	-	(43,261)
Realised gains on available-for-sale-securities transferred to profit or loss		-	(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
Total comprehensive income for the year:						
Profit for the year	15	-	-	-	1,540,874	1,540,874
Other comprehensive income:						
Unrealised gains on available-for-sale investments, net of tax	32	-	64,945	-	-	64,945
Realised losses on available-for-sale-securities transferred to profit or loss		-	5,117	-	-	5,117
Amortisation of fair value reserve on financial instruments classified to loans and receivable	23	-	30,248	-	-	30,248
Total comprehensive income for the year		-	100,310	-	1,540,874	1,641,184
Transactions with owners of the company:						
Dividends paid	38	-	-	-	(761,751)	(761,751)
Balances at October 31, 2014		1,911,903	(61,519)	24,615	10,919,562	12,794,561

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

SCOTIA INVESTMENTS JAMAICA LIMITED

Company Statement of Cash Flows
Year ended October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2014	2013
Cash flows from operating activities			
Profit for the year		1,540,874	1,700,183
Items not affecting cash:			
Interest income	6	(4,513,866)	(4,754,813)
Interest expense	6	2,238,653	2,046,110
Impairment losses on loans, net of recoveries	22	(6,969)	(97,554)
Depreciation	26	13,947	15,299
Amortisation of intangible asset	27	84	134
Loss on disposal of property, plant and equipment		886	-
Income tax charge	14	655,636	839,802
Deferred taxation	14, 28(c)	(217)	(120,048)
		(70,972)	(370,887)
Changes in operating assets and liabilities:			
Amounts due from other financial institutions		(519,481)	(361,675)
Pledged assets		1,245,511	5,334,594
Loans		(23,427)	445,316
Capital management and government securities funds		(17,514)	(1,154,843)
Securities sold under repurchase agreements		(2,647,860)	(722,668)
Taxation recoverable		57,689	(358,933)
Sundry assets		(560,248)	(396,003)
Amounts due to subsidiaries		(34,332)	46,060
Financial assets at fair value through profit or loss		(257,985)	4,079
Other liabilities		589,463	701,074
		(2,239,156)	3,166,114
Interest received		4,560,788	5,136,661
Income tax paid		(1,095,131)	(699,208)
Interest paid		(2,137,388)	(2,088,510)
Net cash (used)/provided by operating activities (carried forward to page 77)		(910,887)	5,515,057

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, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2014	2013
Net cash (used)/provided by operating activities (brought forward from page 76)		(910,887)	5,515,057
Cash flows from investing activities			
Investment securities		539,243	(1,158,704)
Investment in subsidiaries		(781)	(1,388)
Purchase of property, plant and equipment	26	(1,687)	(24,787)
Purchase of intangible assets	27	(24,142)	(595)
Proceeds from sale of property, plant and equipment		-	11,424
Net cash flow provided/(used) by investing activities		512,633	(1,174,050)
Cash flows from operating and investing activities		(398,254)	4,341,007
Cash flows from financing activity			
Dividends paid, being cash flows used by financing activity	38	(761,751)	(761,751)
Effect of exchange rate changes on cash and cash equivalents		519,481	361,675
Net (decrease)/increase in cash and cash equivalents		(640,524)	3,940,931
Cash and cash equivalents at beginning of year		9,420,829	5,479,898
Cash and cash equivalents at end of year	17	8,780,305	9,420,829

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

(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 Limited, 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 $61,766 (2013: $55,566). This is stated after taking account of a liability of $63,259 (2013: $62,656) due to the Company.

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 ("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:

- IFRS 7, (*Amendment) 'Financial instruments*: *Disclosure*' requires disclosures about the effects or potential effects of offsetting financial assets and financial liabilities and related arrangements of an entity's financial position. The adoption of this standard has not had a significant impact on the financial statements disclosures in the current year.

- IFRS 10, *Consolidated Financial Statements* introduces a new approach to determining which investees should be consolidated. It focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.
  The Group has reassessed the control conclusion in respect of its investees as at January 1, 2013. This has, however, not resulted in any changes to the control conclusions previously determined.
- IFRS 12, *Disclosure of Interest in Other Entities* contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. Structured entities are entities that are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The disclosure requirements encompass risk exposures for the sponsor of such an entity even if it no longer has any contractual involvement. 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.

  As a result of IFRS 12, the Group expanded its disclosures about its interest in subsidiaries and equity-accounted investees.

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 became effective during the year (continued):

- IFRS 13, *Fair Value Measurement* establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. Consequently, the Group has included additional disclosures in this regard (note 36).

  Notwithstanding the above, the change had no impact on the measurements of the Group's assets and liabilities.

- *Improvements to IFRS 2009-2011* cycle contained 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* was 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.

  - IAS 16, *Property, Plant and Equipment* was 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*.

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 became effective during the year (continued):

- *Improvements to IFRS 2009-2011* (continued):
    - IAS 32*, Financial Instruments: Presentation* was amended to clarify that IAS 12*, Income Taxes* applies to 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.

  These amendments did not result in any change in amounts recognised in the financial statements.

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

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

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

  The Group is assessing the impact that the standard may have on its 2019 financial statements.

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 15, *Revenue from Contracts with Customers* is effective for periods beginning on or after January 1, 2017. It replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.
  The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

  The Group is assessing the impact that this standard may have on its 2018 financial statements

- 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.

- 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.

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 these amendments 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* are 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 requirements 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 these amendments may have on its 2015 financial statements.

- IFRIC 21, *Levies* which is effective for accounting periods beginning on or after January 1, 2014 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 an entity imposed by a government in accordance with legislation. It requires an entity to recognise a liability for a levy when and only when the triggering event specified in the legislation occurs. The interpretation is likely to affect the Group's recognition of asset tax liabilities when adopted. At the reporting date, management had not completed its evaluation of the effect of this interpretation.

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 and the Act 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

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

(i) Business combinations (continued)

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in fair value of the contingent consideration are recognised in profit or loss.

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.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(iii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interest to have a deficit balance.

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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.

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

(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 amortisation 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 recognised 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.

(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.

2. Summary of significant accounting policies (continued)

(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 statement profit or loss 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.

(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.

2. Summary of significant accounting policies (continued)

(h) Financial assets and liabilities

Financial assets comprise cash resources, financial assets at fair value through profit or loss, investment securities, securities purchased under resale agreements, pledged assets, loans and certain other assets. Financial liabilities comprise securities sold under repurchase agreements, 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 recognised 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.

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

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.

The measurement of financial assets subsequent to initial recognition depends upon their classification as set out in note 2(i) 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 determined 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.

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

2. Summary of significant accounting policies (continued)

(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.

(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 profit or loss.

(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.

2. Summary of significant accounting policies (continued)

(j) Fair value measurement:

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

(k) 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. Financial 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.

2. Summary of significant accounting policies (continued)

(k) 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.

(l) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not itself carried at fair value through profit or loss;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

(m) Investment in subsidiaries

Investment in subsidiaries are stated at cost less impairment losses.

(n) 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 recognised as interest over the life of the agreements using the effective interest method.

2. Summary of significant accounting policies (continued)

(o) 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 the 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.

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 provisions that exceed the amounts required under IFRS are included in a non-distributable loan loss reserve as an appropriation of profits.

(p) 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.

2. Summary of significant accounting policies (continued)

(q) 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.

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

(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. However, such costs are expensed where they are considered to be immaterial.

(r) 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.

(s) 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.

2. Summary of significant accounting policies (continued)

(s) Related party (continued)

(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.

(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.

(t) 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. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Expenditure subsequent to acquisition is 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 to their residual values over their expected useful lives, as follows:

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

2. Summary of significant accounting policies (continued)

(t) Property, plant and equipment (continued)

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.

(u) 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.

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.

2. Summary of significant accounting policies (continued)

(v) 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.

(ii) Equity compensation benefits

The Company had an Employee Share Ownership Plan (ESOP) for eligible employees which was discontinued in the current financial year. Employees now participate in the Bank of Nova Scotia Employee Share Option Plan (ESOP), effective November 2013. The Bank's ESOP provides a fixed benefit to eligible employees after one full year of service. The amount contributed to the ESOP trust by the Company for acquiring shares and allocating them to employees is recognised as an employee expense at the time of making the contribution.

(w) 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.

2. Summary of significant accounting policies (continued)

(x) 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.

(y) 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.

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

(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.

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

(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 Nil for 2014 (2013: $4,618).

(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) Valuation of financial instruments:

Fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

4. Responsibilities of the appointed external auditors

The shareholders, pursuant to the 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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

6. Net interest income

	The Group		The Company	
	2014	2013	2014	2013
Interest income:				
Deposit with banks and other financial institutions	181,352	97,680	180,647	96,638
Investment securities	4,242,700	4,453,144	4,242,700	4,453,144
Financial assets at fair value through profit or loss	7,274	13,592	7,274	13,592
Reverse repurchase agreements	2,332	20,327	2,332	20,327
Loans	80,913	171,112	80,913	171,112
	4,514,571	4,755,855	4,513,866	4,754,813
Interest expense:				
Repurchase agreements	2,194,266	1,875,889	2,203,317	1,879,173
Capital management and government securities funds	35,336	166,937	35,336	166,937
	2,229,602	2,042,826	2,238,653	2,046,110
Net interest income	2,284,969	2,713,029	2,275,213	2,708,703

7. Fee and commission income

	The Group		The Company	
	2014	2013	2014	2013
Asset management fees	803,945	705,473	300,161	262,891
Structured financing fees	51,566	108,801	51,566	108,801
Credit related fees	2,169	2,844	2,169	2,844
Trust fees	44,709	38,918	44,709	38,918
Stock brokerage fees	18,454	27,168	18,454	27,168
Other	32,636	53,311	32,636	53,311
	953,479	936,515	449,695	493,933

8. Net foreign exchange trading income

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

Notes to the Financial Statements (Continued)
Year ended October 31, 2014
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

9. Net gains on financial assets

	The Group		The Company	
	2014	2013	2014	2013
Equity securities held for trading	15,488	8,491	2,391	6,452
Other equity securities	79,149	-	79,149	-
Debt securities held for trading	230,951	255,785	230,951	255,785
Debt securities available-for-sale	451,984	161,235	451,984	161,234
	777,572	425,511	764,475	423,471

10. Other revenue

	The Group		The Company	
	2014	2013	2014	2013
Dividend income from subsidiary	-	-	100,053	-
Other	17,558	27,585	20,799	27,585
	17,558	27,585	120,852	27,585

11. Salaries, pension contributions and other staff benefits

	The Group		The Company	
	2014	2013	2014	2013
Wages and salaries	694,593	684,461	694,593	684,461
Payroll taxes	49,814	51,273	49,814	51,273
Pension contributions	22,638	22,325	22,638	22,325
Other staff benefits	88,036	76,638	88,036	76,638
	855,081	834,697	855,081	834,697

12. Expenses by nature

	The Group		The Company	
	2014	2013	2014	2013
Salaries, pension contributions and other staff benefits (note 11)	855,081	834,697	855,081	834,697
Property expenses, including depreciation	139,851	132,579	144,002	139,469
Transportation	10,621	10,596	10,621	10,596
Marketing and advertising	48,766	81,820	45,530	81,820
Management fees	105,621	107,980	84,705	84,518
Asset tax and minimum business tax	144,125	89,250	143,448	88,936
Computer related expenses	133,475	122,163	132,918	115,838
Stationery	10,231	11,679	10,231	11,679
Amortisation of intangible asset	84	134	84	134
Other operating expenses	178,286	268,774	110,585	197,090
	1,626,141	1,659,672	1,537,205	1,564,777

(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 (2013: Nil) being recognised. Goodwill Impairment for one subsidiary was assessed as Nil (2013: $4,618).

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	
	2014	2013	2014	2013
Auditors' remuneration				
Current year	12,002	11,002	9,309	8,700
Depreciation	16,575	20,192	13,947	15,299
Amortisation of intangible assets	84	134	84	134
Directors' emoluments				
- Fees	5,646	6,577	4,216	5,027
- Other	20,378	18,251	20,378	18,251
Loss on disposal of property, plant and equipment	4,127	-	886	-
Operating lease rentals	84,760	67,982	84,760	67,982

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	
	2014	2013	2014	2013
Current income tax:				
Income tax at 33⅓%	754,656	921,403	655,636	839,802
Adjustment in respect previous years	-	20	-	-
	754,656	921,423	655,636	839,802
Deferred income tax:				
Origination and reversal of temporary differences [note 28(c)]	4,092	(119,436)	(217)	(120,048)
	758,748	801,987	655,419	719,754

(b) Taxation losses, subject to agreement by the Commissioner, Tax Administration Jamaica, available for set-off against future taxable profits, amounted to $17,135 (2013: $10,449) for the Group.

(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	
	2014	2013	2014	2013
Profit before taxation	2,548,414	2,796,522	2,196,293	2,419,937
Taxation at 33⅓% and 25%	884,846	932,688	732,097	806,645
Adjusted for the effects of:				
Income not subject to tax				
- Tax free investments	(126,094)	(102,813)	(126,094)	(102,813)
- Exempt revenue	(22,899)	(17,788)	(229)	(2,647)
Expenses not deductible for tax purposes	30,343	59,215	30,000	59,089
Other charges and allowances	26,061	(38,097)	19,645	(40,520)
Different tax rates of subsidiaries operating in other jurisdictions	(33,509)	(31,238)	-	-
Adjustment in respect of prior years	-	20	-	-
Taxation expense	758,748	801,987	655,419	719,754

15. Profit for the year and unappropriated profits attributable to stockholders

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

	2014	2013
The Company	1,540,874	1,700,183
The Subsidiaries	248,792	294,352
	1,789,666	1,994,535

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

	2014	2013
The Company	10,919,562	10,140,439
The Subsidiaries	848,671	599,879
	11,768,233	10,740,318

(Expressed in thousands of Jamaican dollars unless otherwise stated)

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.

	2014	2013
Net profit attributable to stockholders	1,789,666	1,994,535
Weighted average number of ordinary stock units in issue ('000)	423,195	423,195
Basic earnings per stock unit (expressed in $ per share)	4.23	4.71
	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)
Weighted average number of ordinary stock units held during the year	423,195	422,696
Earnings per ordinary shares in issue excluding ESOP holdings (expressed in $ per share)	4.23	4.72

17. Cash and cash equivalents

	The Group		The Company	
	2014	2013	2014	2013
Cash resources	2,924,484	1,978,865	2,820,515	1,854,252
Less: amounts not considered cash and cash equivalents:				
Accrued interest	(793)	(987)	(793)	(987)
	2,923,691	1,977,878	2,819,722	1,853,265
Add other cash equivalent balances				
Pledged assets with original maturity less than ninety days	5,960,583	7,567,564	5,960,583	7,567,564
	8,884,274	9,545,442	8,780,305	9,420,829
Cash and balances with central bank	1,663	1,873	1,663	1,873
Amounts due from other financial institutions	2,056,939	902,062	2,054,233	899,039
Accounts with parent and fellow subsidiaries	865,882	1,074,930	764,619	953,340
Pledged assets [note 20(b)(i)]	5,960,583	7,567,564	5,960,583	7,567,564
Accrued interest	(793)	(987)	(793)	(987)
	8,884,274	9,545,442	8,780,305	9,420,829

(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	
	2014	2013	2014	2013
Government of Jamaica securities	5,517	18,603	5,517	18,603
Corporate bonds	274,009	-	274,009	-
Quoted shares	12	-	12	-
Units in unit trusts	247,800	234,702	-	-
	527,338	253,305	279,538	18,603

20. Pledged assets

(a) 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	
	2014	2013	2014	2013
Investment securities and securities purchased under resale agreements:				
Clients	32,319,158	39,459,542	28,567,997	35,194,054
Other financial institutions	14,092,366	10,186,210	13,454,862	9,671,074
	46,411,524	49,645,752	42,022,859	44,865,128
Capital management & government securities funds	13,008,342	13,214,438	13,003,074	13,018,564
	59,419,866	62,860,190	55,025,933	57,883,692

	The Company			
	Asset		Related liability	
	2014	2013	2014	2013
Investment securities and securities purchased under resale agreements:				
Clients	32,319,158	39,459,542	28,567,997	35,194,054
Other financial institutions	14,601,969	10,186,210	13,925,757	9,846,306
	46,921,127	49,645,752	42,493,754	45,040,360
Capital management & government securities funds	13,008,342	13,214,438	13,003,074	13,020,576
	59,929,469	62,860,190	55,496,828	58,060,936

(Expressed in thousands of Jamaican dollars unless otherwise stated)

20. Pledged assets (continued)

(b) Included in pledged assets are the following categories of assets:

	The Group		The Company	
	2014	2013	2014	2013
Deposits with financial institutions	10,659,444	7,570,354	10,659,444	7,570,354
Securities purchased under resale agreements	225,064	-	225,064	-
Loans	826,772	131,183	826,772	131,183
Government issued securities:				
Fair value through profit or loss	193,784	202,760	193,784	202,760
Available-for-sale	37,716,216	38,457,039	38,225,819	38,457,039
Loans and receivables	1,929,046	7,309,772	1,929,046	7,309,772
Held-to-maturity	5,651,636	7,315,062	5,651,636	7,315,062
Unitised funds:				
Available-for-sale	29,031	889,087	29,031	889,087
Other:				
Available-for-sale				
Corporate bonds	1,085,236	-	1,085,236	-
Credit linked note	1,103,637	984,933	1,103,637	984,933
	59,419,866	62,860,190	59,929,469	62,860,190

(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 Group and Company	
	2014	2013
Debt securities and other investments with an original maturity of less than 90 days (note 17)	5,960,583	7,567,564

(ii) The fair value of collateral held pursuant to reverse repurchase agreements is Nil (2013: Nil).

21. Loans, after allowance for impairment losses

	The Group and Company	
	2014	2013
Business and Government	19,519	19,987
Personal	91,806	61,084
Interest receivable	270	436
Total	111,595	81,507
Less: allowance for impairment losses [note 21(b)]	(1,369)	(1,510)
	110,226	79,997

(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 $1,369 (2013: $1,510) for the Company and the Group. These loans are included in the financial statements at their estimated net realisable value of Nil (2013: Nil) 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 Group and Company	
	2014	2013
Neither past due nor impaired	109,956	79,561
Impaired loans more than 90 days	1,369	1,510
Interest receivable	270	436
Gross loan portfolio	111,595	81,507
Less: allowance for impairment losses	(1,369)	(1,510)
	110,226	79,997

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.

(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 recognised on the Group's statement of financial position.

The Group had no repossessed collateral at the reporting date (2013: Nil).

(Expressed in thousands of Jamaican dollars unless otherwise stated)

22. Impairment losses on loans

	The Group and Company	
	2014	2013
Total impaired loans	1,369	1,510
Provision at beginning of year	1,510	371,374
Provided/(credited) during the year	(169)	(64,662)
Bad debts written off	-	(360,242)
Translation differences on foreign currency provisions	28	55,040
Allowance at end of year	1,369	1,510
Credited during the year	(169)	(64,662)
Recoveries of bad debts	(6,800)	(32,892)
	(6,969)	(97,554)

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 $953 as at October 31, 2014 (2013: $1,454) for the Company and the Group.

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

	The Group and Company	
	2014	2013
Allowance based on accounting standard - IAS 39	1,369	1,510

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

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 were as follows:

	The Group and Company			
	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
Debt Securities:				
US$ denominated GOJ Global Bonds	1,859,199	1,914,638	7,010,694	7,204,928
EURO denominated GOJ Global Bonds	-	-	131,548	136,143

(a) Fair value gains/(losses) net of deferred tax liabilities of $10,198 (2013: $40,455) were recognised in other comprehensive income in relation to the above investments reclassified in 2008.

(b) Fair value gains of $36,959 (2013: $147,923) 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.

(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 $1,959,069.

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

	The Group and Company			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Reclassified debt securities	1,959,009	-	58	2

(Expressed in thousands of Jamaican dollars unless otherwise stated)

24. Investment securities

	The Group		The Company	
	2014	2013	2014	2013
Available-for-sale				
Government of Jamaica securities	5,115,254	4,859,251	4,605,651	4,859,251
Quoted shares	5,610	25,500	5,610	25,500
Treasury bills	294,153	295,331	294,153	295,331
	5,415,017	5,180,082	4,905,414	5,180,082

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	
	2014	2013	2014	2013
Accounts receivable and prepayments	204,686	109,552	111,120	64,634
Other	7,523	5,010	7,523	5,010
	212,209	114,562	118,643	69,644

(Expressed in thousands of Jamaican dollars unless otherwise stated)

26. Property, plant and equipment

	The Group			
	Land & building	Leasehold improvements	Furniture, fixtures, motor vehicles & equipment	Total
Cost:				
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
Additions	-	322	1,365	1,687
Disposals	-	-	(231,865)	(231,865)
October 31, 2014	3,146	89,857	85,579	178,582
Accumulated depreciation:				
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
Charge for the year	75	3,293	13,207	16,575
Eliminated on disposals	-	-	(227,737)	(227,737)
October 31, 2014	1,532	89,548	57,038	148,118
Net book values:				
October 31, 2014	1,614	309	28,541	30,464
October 31, 2013	1,689	3,280	44,511	49,480
October 31, 2012	1,763	7,627	46,919	56,309

(Expressed in thousands of Jamaican dollars unless otherwise stated)

26. Property, plant and equipment (continued)

	The Company		
	Leasehold improvements	Furniture, fixtures motor vehicles & equipment	Total
Cost:			
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
Additions	322	1,365	1,687
Disposals	-	(140,731)	(140,731)
October 31, 2014	54,587	60,444	115,031
Accumulated depreciation:			
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
Charge for the year	3,293	10,654	13,947
Eliminated on disposals	-	(139,845)	(139,845)
October 31, 2014	54,278	33,597	87,875
Net book values:			
October 31, 2014	309	26,847	27,156
October 31, 2013	3,280	37,022	40,302
October 31, 2012	6,418	35,820	42,238

Notes to the Financial Statements (Continued)
Year ended October 31, 2014
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

27. Intangible assets

	The Group			The Company
	Goodwill	Computer software	Total	Computer software
Cost:				
October 31, 2012	26,113	163,571	189,684	149,271
Additions	-	595	595	595
October 31, 2013	26,113	164,166	190,279	149,866
Additions	-	24,142	24,142	24,142
Disposals	-	(27,950)	(27,950)	(13,647)
October 31, 2014	26,113	160,358	186,471	160,361
Accumulated amortisation and impairment losses:				
October 31, 2012	-	125,383	125,383	111,083
Amortisation	-	134	134	134
Impairment loss	4,618	-	4,618	-
October 31, 2013	4,618	125,517	130,135	111,217
Amortisation	-	84	84	84
Eliminated on disposals	-	(27,950)	(27,950)	(13,647)
October 31, 2014	4,618	97,651	102,269	97,654
Net book values:				
October 31, 2014	21,495	62,707	84,202	62,707
October 31, 2013	21,495	38,649	60,144	38,649
October 31, 2012	26,113	38,188	64,301	38,188

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% and 25%.

(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	
	2014	2013	2014	2013
Balance at the beginning of the year	33,630	(73,654)	34,306	(73,590)
Recognised in the statement of revenue and expenses [note 14(a)]	(4,092)	119,436	217	120,048
Recognised in other comprehensive income:				
Available-for-sale investments fair value re-measurement	(135,547)	(12,152)	(135,547)	(12,152)
Balance at the end of the year	(106,009)	33,630	(101,024)	34,306

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

	The Group		The Company	
	2014	2013	2014	2013
Deferred income tax assets:				
Vacation leave accrued	11,682	9,234	11,682	9,234
Accelerated tax depreciation	6,244	7,623	6,161	7,580
Available-for-sale investments	7,044	142,593	7,045	142,593
Computer software	-	24,299	-	24,299
Other	-	80	-	80
Deferred income tax liabilities:				
Interest receivable and interest payable, net	(110,287)	(149,478)	(110,287)	(149,478)
Accelerated tax depreciation	(23)	(41)	-	-
Other	(20,669)	(680)	(15,625)	(2)
Net deferred tax (liabilities)/ assets	(106,009)	33,630	(101,024)	34,306
This comprises:				
Net deferred tax assets	83	34,349	-	34,306
Net deferred tax liabilities	(106,092)	(719)	(101,024)	-
	(106,009)	33,630	(101,024)	34,306

(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	
	2014	2013	2014	2013
Vacation leave accrued	2,448	1,491	2,448	1,491
Accelerated tax depreciation	(1,363)	321	(1,419)	255
Interest receivable	39,192	93,924	39,192	93,924
Other	(44,369)	23,700	(40,004)	24,378
	(4,092)	119,436	217	120,048

(d) 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 $356,436 (2013: $298,971).

29. Capital management and government securities funds

The capital management and government securities funds represent 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.

30. Other liabilities

	The Group		The Company	
	2014	2013	2014	2013
Accrued liabilities	338,425	289,693	327,985	283,366
Sundry	300,690	260,520	258,175	224,581
	639,115	550,213	586,160	507,947

(Expressed in thousands of Jamaican dollars unless otherwise stated)

31. Share capital

	Number of units		Total	
	2014	2013	2014	2013
Authorised:				
Ordinary shares of no par value	1,200,000	1,200,000		
Issued and fully paid:				
Ordinary stock units	423,195	423,195	1,911,903	1,911,903

Under the provisions of 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

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

The number of stock units held by the ESOP at October 31, 2013 was $499,114. Based on the bid price, less a 10% discount normally allowed to staff, the value of those stock units at October 2013 was $12,987.

35. Financial risk management

(a) Overview and 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, interest rate and other price risks.

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.

In addition, the Group will seek additional collateral from the counterparty where impairment indicators are noticed for the relevant individual loans.

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 are consistent with the policies outlined in note 2(o).

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.

35. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Credit-related commitments (continued)

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.

(iii) Credit quality

Commercial loans:

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 and under

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:

- Excellent
- Good
- Higher risk

(Expressed in thousands of Jamaican dollars unless otherwise stated)

35. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

The table below shows the percentage of the Company's and Group's balances as at the reporting date relating to loans and advances and the associated impairment provision for each of the Group's internal rating categories:

	The Group and Company	
	2014	2013
	%	%
Excellent	99.3	99.1
Good	0.7	0.8
Higher Risk	0.0	0.1
	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, 2014 and 2013:

	The Group and Company	
	2014	2013
AAA+ to AA+	519,983	296,786
A to A+	131,309	-
BBB+ to BB+	728,096	197,956
BB to B-	51,720,701	58,973,503
Lower than B-	274,009	6
	53,374,098	59,468,251

	The Group		The Company	
	2014	2013	2014	2013
Financial assets at fair value through profit or loss	279,526	18,603	279,526	18,603
Investment securities:				
Available-for-sale	5,415,017	5,180,082	4,905,414	5,180,082
Pledged assets:				
Financial assets at fair value through profit or loss	193,784	202,760	193,784	202,760
Loans and receivables	1,929,046	7,309,772	1,929,046	7,309,772
Held-to-maturity	5,651,636	7,315,062	5,651,636	7,315,062
Available-for-sale	39,905,089	39,441,972	40,414,692	39,441,972
	53,374,098	59,468,251	53,374,098	59,468,251

(Expressed in thousands of Jamaican dollars unless otherwise stated)

35. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Maximum exposure to credit risk

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 $2,307,323 (2013: $1,957,140) for the Group and Company.

(v) Concentration of exposure to credit risk

(1) Loans

The following table summarises the Group's and Company'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 and Company			
	Loans leases	Acceptances, guarantees and letters of credit	Total 2014	Total 2013
Construction and real estate	-	57,771	57,771	59,151
Financial institutions	-	8,643	8,643	14,795
Manufacturing	-	93,500	93,500	133,030
Personal	91,557	2,188,264	2,279,821	1,729,128
Professional and other services	19,768	466,180	485,948	448,075
Tourism and entertainment	-	23,486	23,486	23,486
Interest receivable	270	-	270	436
	111,595	2,837,844	2,949,439	2,408,101
Total impairment allowance	(1,369)	-	(1,369)	(1,510)
Total	110,226	2,837,844	2,948,070	2,406,591

(Expressed in thousands of Jamaican dollars unless otherwise stated)

35. Financial risk management (continued)

(b) Credit risk (continued)

(v) Concentration of exposure to credit risk (continued)

(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	
	2014	2013	2014	2013
Governments	45,125,245	57,998,503	45,125,245	57,998,503
Bank of Jamaica	5,785,972	489,777	5,785,972	489,777
Financial institutions	14,918,579	11,457,112	14,814,610	11,332,499
Corporate and other	1,359,245	-	1,359,245	-
	67,189,041	69,945,392	67,085,072	69,820,779

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.

(c) Market risk

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 market interest rates on its financial position and cash flows.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

35. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

The Group monitors interest rate risk using its Asset and Liability Management model. It calculates the interest rate risk gaps, economic value and annual income amounts which are compared with risk limits approved by the Board of Directors. 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.

	The Group 2014						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	-	2,922,029	-	-	-	2,455	2,924,484
Financial assets at fair value through profit or loss	-	-	-	272,731	3,763	250,844	527,338
Pledged assets	1,098	42,494,350	4,047,421	8,978,600	3,278,644	619,753	59,419,866
Loans, after allowance for impairment losses	1,369	19,634	2,304	73,608	21,709	(8,398)	110,226
Investment securities available-for-sale	-	560,315	292,403	3,951,412	507,588	103,299	5,415,017
Other assets	-	-	-	-	-	3,917,359	3,917,359
Total assets	2,467	45,996,328	4,342,128	13,276,351	3,811,704	4,885,312	72,314,290
Capital management and government securities funds	13,001,901	-	-	-	-	1,173	13,003,074
Securities sold under repurchase agreements	340,624	33,511,685	7,823,889	14,818	-	331,843	42,022,859
Other liabilities	-	-	-	-	-	3,647,665	3,647,665
Stockholders' equity	-	-	-	-	-	13,640,692	13,640,692
Total liabilities and stockholders' equity	13,342,525	33,511,685	7,823,889	14,818	-	17,621,373	72,314,290
Total interest rate sensitivity gap	(13,340,058)	12,484,643	(3,481,761)	13,261,533	3,811,704	(12,736,061)	-
Cumulative gap	(13,340,058)	(855,415)	(4,337,176)	8,924,357	12,736,061	-	-

	The Group 2013						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	21,654	47,710,379	3,192,026	10,862,079	6,681,723	5,278,699	73,746,560
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**	-	-

(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 2014						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	-	2,818,060	-	-	-	2,455	2,820,515
Financial assets at fair value through profit or loss	-	-	-	272,731	3,763	3,044	279,538
Pledged assets	1,098	42,494,350	4,047,421	8,978,600	3,780,608	627,392	59,929,469
Loans, after allowance for impairment losses	1,369	19,634	2,304	73,608	21,709	(8,398)	110,226
Investment securities Available-for-sale	-	560,315	292,403	3,951,412	5,624	95,660	4,905,414
Investment in subsidiaries	-	-	-	-	-	443,307	443,307
Other assets	-	-	-	-	-	3,792,815	3,792,815
Total assets	2,467	45,892,359	4,342,128	13,276,351	3,811,704	4,956,275	72,281,284
Amount due to subsidiaries	-	-	-	-	-	438,960	438,960
Capital management and government securities funds	13,001,901	-	-	-	-	1,173	13,003,074
Securities sold under repurchase agreements	340,624	33,763,071	8,036,807	14,818	-	338,434	42,493,754
Other liabilities	-	-	-	-	-	3,550,935	3,550,935
Stockholders' equity	-	-	-	-	-	12,794,561	12,794,561
Total liabilities and stockholders' equity	13,342,525	33,763,071	8,036,807	14,818	-	17,124,063	72,281,284
Total interest rate sensitivity gap	(13,340,058)	12,129,288	(3,694,679)	13,261,533	3,811,704	(12,167,788)	-
Cumulative gap	**(13,340,058)**	**(1,210,770)**	**(4,905,449)**	**8,356,084**	**12,167,788**	**-**	**-**

(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 2013						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	21,654	47,585,766	3,192,026	10,862,079	6,681,723	5,406,051	73,749,299
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**	**-**	**-**

Average effective yields by the earlier of the contractual repricing and maturity dates:

	The Group 2014					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
Cash resources	-	3.50	-	-	-	3.50
Financial assets at fair value through profit or loss	-	-	-	10.59	7.98	10.50
Pledged assets	12.75	6.37	5.91	6.62	6.87	6.41
Loans, after allowance for impairment losses	0.84	14.80	8.24	8.50	7.70	10.37
Capital management and government securities fund	0.17	-	-	-	-	0.17
Investment securities Available-for-sale	-	7.91	6.15	5.00	5.25	5.55
Securities sold under repurchase agreements	1.63	5.17	5.28	2.15	-	5.16

(Expressed in thousands of Jamaican dollars unless otherwise stated)

35. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	The Group					
	2013					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted 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
Loans, after allowance for impairment losses	0.84	14.80	8.24	8.50	7.70	10.37
Capital management and government securities funds	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

	The Company					
	2014					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
Cash resources	-	3.50	-	-	-	3.50
Financial assets at fair value through profit or loss	-	-	-	10.59	7.98	10.50
Pledged assets	12.75	6.38	6.01	6.62	6.85	6.42
Loans, after allowance for impairment losses	-	14.95	7.83	6.52	7.30	8.01
Capital management and government securities funds	0.17	-	-	-	-	0.17
Investment securities Available-for-sale	-	7.95	5.00	5.00	5.25	5.34
Securities sold under repurchase agreements	1.63	5.17	5.28	2.15	-	5.16

(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 2013					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted 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
Loans, after allowance for impairment losses	0.84	14.80	8.24	8.50	7.70	10.37
Capital management and government securities funds	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

(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 to interest rate movements

The following shows the sensitivity to interest rate movements using scenarios that are based on recently observed market movements. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis as for 2013.

	2014	2013
JMD Interest rates	increase/decrease by 450 bps	increase/decrease by 350 bps
USD Interest rates	increase/decrease by 250 bps	increase/decrease by 300 bps

(Expressed in thousands of Jamaican dollars unless otherwise stated)

35. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity to interest rate movements (continued)

	The Group		The Company	
	2014	2013	2014	2013
Effect on profit or loss	283,063	557,061	283,063	557,061
Effect on shareholders' equity	1,021,946	2,010,174	1,021,946	2,010,174

(ii) Currency risk

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 tables below summarize the Group's exposure to foreign currency risk:

	The Group					
	2014					
JMD Equivalent	JMD	USD	CAD	GBP	EUR	TOTAL
Assets:						
Cash resources	571,861	1,370,427	22,433	100,464	859,299	2,924,484
Financial assets at fair value through profit or loss	521,822	5,516	-	-	-	527,338
Pledged assets	41,477,191	17,664,159	109,176	169,340	-	59,419,866
Investment securities	763,821	4,357,043	294,153	-	-	5,415,017
Loans, after allowance for impairment losses	110,226	-	-	-	-	110,226
Other assets	2,640,210	1,241,896	9,647	(506)	26,112	3,917,359
Total assets	46,085,131	24,639,041	435,409	269,298	885,411	72,314,290
Liabilities:						
Securities sold under repurchase agreement	30,151,648	11,871,211	-	-	-	42,022,859
Capital management & government securities funds	1,143,280	9,684,531	405,377	986,503	783,383	13,003,074
Other liabilities	1,110,161	3,128,084	28,289	(720,920)	102,051	3,647,665
Total liabilities	32,405,089	24,683,826	433,666	265,583	885,434	58,673,598
Net financial position	13,680,042	(44,785)	1,743	3,715	(23)	13,640,692

(Expressed in thousands of Jamaican dollars unless otherwise stated)

35. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

	The Group					
	2013					
JMD Equivalent	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 profit or loss	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 allowance 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 funds	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

	The Company					
	2014					
JMD Equivalent	JMD	USD	CAD	GBP	EUR	TOTAL
Assets:						
Cash resources	472,538	1,368,487	22,433	97,758	859,299	2,820,515
Financial assets at fair value through profit or loss	274,022	5,516	-	-	-	279,538
Pledged assets	41,667,561	17,983,392	109,176	169,340	-	59,929,469
Investment securities	573,451	4,037,810	294,153	-	-	4,905,414
Investment subsidiaries	443,307	-	-	-	-	443,307
Loans, after allowance for impairment losses	110,226	-	-	-	-	110,226
Other assets	2,227,304	1,527,551	9,647	2,201	26,112	3,792,815
Total assets	45,768,409	24,922,756	435,409	269,299	885,411	72,281,284
Liabilities:						
Securities sold under repurchase agreement	30,327,589	12,166,165	-	-	-	42,493,754
Capital management & government securities funds	1,143,280	9,684,531	405,377	986,503	783,383	13,003,074
Other liabilities	1,452,412	3,128,063	28,289	(720,920)	102,051	3,989,895
Total liabilities	32,923,281	24,978,759	433,666	265,583	885,434	59,486,723
Net financial position	12,845,128	(56,003)	1,743	3,716	(23)	12,794,561

(Expressed in thousands of Jamaican dollars unless otherwise stated)

35. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

	The Company					
	2013					
JMD Equivalent	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 allowance 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 funds	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

The following significant exchange rates were applied during the period:

	Average rate for the period		Reporting date spot rate	
	2014	2013	2014	2013
USD	109.9574	98.6419	112.4939	104.6866
CAD	100.3221	96.3132	99.1070	100.4229
GBP	181.9337	154.0407	179.4395	170.1634
EUR	147.5269	129.7239	141.0465	142.8333

Sensitivity to foreign exchange rate movements

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 2013. 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 variables remain constant.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

35. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity to foreign exchange rate movements (continued)

	2014	2013
USD	increase/decrease by 4.75%	increase/decrease by 7.25%
CAD	increase/decrease by 6.25%	increase/decrease by 6.25%
GBP	increase/decrease by 10.50%	increase/decrease by 10.5%
EUR	increase/decrease by 9.75%	increase/decrease by 9.75%

	The Group		The Company	
	2014	2013	2014	2013
Effect on profit and shareholder's equity	84,151	137,492	80,173	132,252

(iii) Equity price 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 Group's and Company's equity portfolio was:

	2014	2013
Available- for-sale	5,610	25,500
Financial assets at fair value through profit or loss	12	-

Sensitivity to equity price movements

Maximum changes observed in running 10-day periods during the financial year for the equity portfolio as at October 31, 2014 would have increased or decreased equity and profit or loss by the amounts shown below. This analysis is performed on the same basis for 2013. 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 2014	1	1	562	562
31 October 2013	-	-	4,653	2,950

(Expressed in thousands of Jamaican dollars unless otherwise stated)

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 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.

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.

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 Group						
	2014						
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total	Carrying amounts
Financial liabilities:							
Securities sold under repurchase agreements	33,932,418	8,420,075	15,172	-	-	42,367,665	42,022,859
Capital management & government securities funds	13,003,074	-	-	-	-	13,003,074	13,003,074
Other liabilities	2,837,844	-	-	-	-	2,837,844	2,837,844
Total liabilities	49,773,336	8,420,075	15,172	-	-	58,208,583	57,863,777

(Expressed in thousands of Jamaican dollars unless otherwise stated)

35. Financial risk management (continued)

(d) Liquidity risk (continued)

Financial liabilities cash flows (continued)

	The Group 2013						
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total	Carrying amounts
Financial liabilities:							
Securities sold under repurchase agreements	41,170,711	5,006,717	52,778	-	-	46,230,206	44,865,128
Capital management & government securities funds	13,018,564	-	-	-	-	13,018,564	13,018,564
Other liabilities	2,320,836	-	5,758	-	15,477	2,342,071	2,342,071
Total liabilities	56,510,111	5,006,717	58,536	-	15,477	61,590,841	60,225,763

	The Company 2014						
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total	Carrying amounts
Financial liabilities:							
Amount due to subsidiaries	-	-	-	-	438,960	438,960	438,960
Securities sold under repurchase agreements	34,394,827	8,421,970	15,172	-	-	42,831,969	42,493,754
Capital management & government securities funds	13,003,074	-	-	-	-	13,003,074	13,003,074
Other liabilities	2,837,844	-	-	-	-	2,837,844	2,837,844
Total liabilities	50,235,745	8,421,970	15,172	-	438,960	59,111,847	58,773,632

	The Company 2013						
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total	Carrying amounts
Financial liabilities:							
Securities sold under repurchase agreements	41,170,711	5,181,950	52,778	-	-	46,405,439	45,040,360
Capital management & government securities funds	13,020,576	-	-	-	-	13,020,576	13,020,576
Other liabilities	2,320,836	-	5,758	-	-	2,326,594	2,326,594
Total liabilities	56,512,123	5,181,950	58,536	-	-	61,752,609	60,387,530

36. Fair value of financial instruments

The Group measures fair value using the following fair value hierarchy, which reflect the significance of the inputs used in deriving the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observation data and the observation inputs have a significant effect on the instrument valuation. This category includes instruments that are valued based on prices for similar instruments for which significant observation adjustments or assumptions are to reflect differences between the instruments.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Financial instruments classified as available-for-sale: fair value is estimated 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) Financial instruments classified as fair value through profit or loss: fair value is estimated by reference to quoted market prices when available.

(iii) The fair value of liquid assets and other assets maturing within one year is considered to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and liabilities;

(iv) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts;

36. Fair value of financial instruments (continued)

(v) 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.

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;

(vi) The fair values of quoted equity investments are based on current bid prices. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

Notes to the Financial Statements (Continued)
Year ended October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

36. Fair value of financial instruments (continued)

(a) Accounting classifications and fair values:

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The Group 2014

	Carrying amount						Fair value			
	Loans and receivables	Held-to-maturity	Available-for-sale	At fair value through profit and loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:										
Quoted shares	-	-	5,610	12	-	5,622	5,622	-	-	5,622
Government securities	-	-	5,115,254	5,517	-	5,120,771	-	5,120,771	-	5,120,771
Treasury bills	-	-	294,153	-	-	294,153	-	294,153	-	294,153
Unitised funds	-	-	-	247,800	-	247,800	-	247,800	-	247,800
Corporate bonds	-	-	-	274,009	-	274,009	-	274,009	-	274,009
	-	-	5,415,017	527,338	-	5,942,355	5,622	5,936,733	-	5,942,355
Pledged assets measured at fair value:										
Government securities	-	-	37,716,216	193,784	-	37,910,000	-	37,910,000	-	37,910,000
Unitised funds	-	-	29,031	-	-	29,031	-	29,031	-	29,031
Corporate bonds	-	-	1,085,236	-	-	1,085,236	-	1,085,236	-	1,085,236
Credit linked note	-	-	1,103,637	-	-	1,103,637	-	1,103,637	-	1,103,637
	-	-	39,934,120	193,784	-	40,127,904	-	40,127,904	-	40,127,904

	Carrying value	Fair value
Financial assets not measured at fair value:		
Cash resources	2,924,484	2,924,484
Loans, after allowance for impairment losses	110,226	110,228
Other assets	2,837,844	2,837,844
	5,872,554	5,872,556
Pledged assets not measured at fair value:		
Cash resources	10,659,444	10,659,444
Securities purchased under resale agreements	225,064	225,064
Government securities	7,580,682	7,646,043
Loans, after allowance for impairment losses	826,772	826,772
	19,291,962	19,357,323
Financial liabilities not measured at fair value:		
Capital management and government securities funds	13,003,074	13,003,074
Securities sold under repurchase agreements	42,022,859	42,022,859
Other liabilities	2,837,844	2,837,844
	57,863,777	57,863,777

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended October 31, 2014
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

36. Fair value of financial instruments (continued)

(a) Accounting classifications and fair values (continued):

	Group									
	2013									
	Carrying amount						Fair value			
	Loans and receivables $'000	Held-to-maturity $'000	Available-for-sale $'000	At fair value through profit and loss $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $
Financial assets measured at fair value:										
Quoted shares	-	-	25,500	-	-	25,500	25,500	-	-	25,500
Government securities	-	-	4,859,251	18,603	-	4,877,854	-	4,877,854	-	4,877,854
Treasury bills	-	-	295,331	-	-	295,331	-	295,331	-	295,331
Unitised funds	-	-	-	234,702	-	234,702	-	234,702	-	234,702
	-	-	5,180,082	253,305	-	5,433,387	25,500	5,407,887	-	5,433,387
Pledged assets measured at fair value:										
Government securities	-	-	38,457,039	202,760	-	38,659,799	-	38,659,799	-	38,659,799
Unitised funds	-	-	889,087	-	-	889,087	-	889,087	-	889,087
Credit linked note	-	-	984,933	-	-	984,933	-	984,933	-	984,933
	-	-	40,331,059	202,760	-	40,533,819	-	40,533,819	-	40,533,819

	Carrying value	Fair value
Financial assets not measured at fair value:		
Cash resources	1,978,865	1,978,865
Loans, after allowance for impairment losses	79,997	76,681
Other assets	2,326,594	2,326,594
	4,385,456	4,382,140
Pledged assets not measured at fair value:		
Cash resources	7,570,354	7,570,354
Government securities	14,624,834	14,854,212
Loans, after allowance for impairment losses	131,183	131,183
	22,326,371	22,555,749
Financial liabilities not measured at fair value:		
Capital management and government securities funds	13,018,564	13,018,564
Securities sold under repurchase agreements	44,865,128	44,865,128
Other liabilities	2,326,594	2,326,594
	60,210,286	60,210,286

Notes to the Financial Statements (Continued)
Year ended October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

36. Fair value of financial instruments (continued)

(a) Accounting classifications and fair values (continued):

	The Company									
	2014									
	Carrying amount						Fair value			
	Loans and receivables	Held-to-maturity	Available-for-sale	At fair value through profit and loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:										
Quoted shares	-	-	5,610	12	-	5,622	5,622	-	-	5,622
Government securities	-	-	4,605,651	5,517	-	4,611,168	-	4,611,168	-	4,611,168
Treasury bills	-	-	294,153	-	-	294,153	-	294,153	-	294,153
Corporate bonds	-	-	-	274,009	-	274,009	-	274,009	-	274,009
	-	-	4,905,414	279,538	-	5,184,952	5,622	5,179,330	-	5,184,952
Pledged assets measured at fair value:										
Government securities	-	-	38,225,819	193,784	-	38,419,603	-	38,419,603	-	38,419,603
Unitised funds	-	-	29,031	-	-	29,031	-	29,031	-	29,031
Corporate bonds	-	-	1,085,236	-	-	1,085,236	-	1,085,236	-	1,085,236
Credit linked note	-	-	1,103,637	-	-	1,103,637	-	1,103,637	-	1,103,637
	-	-	40,443,723	193,784	-	40,637,507	-	40,637,507	-	40,637,507

	Carrying value	Fair value
Financial assets not measured at fair value:		
Cash resources	2,820,515	2,820,515
Loans, after allowance for impairment losses	110,226	110,228
Other assets	2,837,844	2,837,844
	5,768,585	5,768,587
Pledged assets not measured at fair value:		
Cash resources	10,659,444	10,659,444
Securities purchased under resale agreements	225,064	225,064
Government securities	7,580,682	7,646,043
Loans after allowance for impairment allowances	826,772	826,772
	19,291,962	19,357,323
Financial liabilities not measured at fair value:		
Capital management and government securities fund	13,003,074	13,003,074
Securities sold under repurchase agreements	42,493,754	42,493,754
Other liabilities	2,837,844	2,837,844
	58,334,672	58,334,672

SCOTIA INVESTMENTS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended October 31, 2014
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

36. Fair value of financial instruments (continued)

(a) Accounting classifications and fair values (continued):

	The Company									
	2013									
	Carrying amount						Fair value			
	Loans and receivables	Held-to-maturity	Available-for-sale	At fair value through profit and loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:										
Quoted shares	-	-	25,500	-	-	25,500	25,500	-	-	25,500
Government securities	-	-	4,859,251	18,603	-	4,877,854	-	4,877,854	-	4,877,854
Treasury bills	-	-	295,331	-	-	295,331	-	295,331	-	295,331
	-	-	5,180,082	18,603	-	5,198,685	25,500	5,173,185	-	5,198,685
Pledged assets measured at fair value:										
Government securities	-	-	38,457,039	202,760	-	38,659,799	-	38,659,799	-	38,659,799
Unitised funds	-	-	889,087	-	-	889,087	-	889,087	-	889,087
Credit linked note	-	-	984,933	-	-	984,933	-	984,933	-	984,933
	-	-	40,331,059	202,760	-	40,533,819	-	40,533,819	-	40,533,819

	Carrying value	Fair value
Financial assets not measured at fair value:		
Cash resources	1,854,252	1,854,252
Loans, after allowance for impairment losses	79,997	76,681
Other assets	2,326,594	2,326,594
	4,260,843	4,257,527
Pledged assets not measured at fair value:		
Cash resources	7,570,354	7,570,354
Government securities	14,624,834	14,854,212
Loans, after allowance for impairment losses	131,183	131,183
	22,326,371	22,555,749
Financial liabilities not measured at fair value:		
Capital management and government securities funds	13,020,576	13,020,576
Securities sold under repurchase agreements	45,040,360	45,040,360
Other liabilities	2,326,594	2,326,594
	60,387,530	60,387,530

36. Fair value of financial instruments (continued)

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

(b) Reconciliation of level 3 items:

	The Group and Company	
	2014	2013
Book value of investments	-	8,782
Transfer to level 1 hierarchy during the year	-	(8,782)
Balance at end of year	-	-

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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Capital risk management (continued)

The Company is subject to a regulator, which sets 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 is 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	
	2014	2013
Tier 1 capital	12,831,465	12,052,341
Tier 2 capital	24,615	24,615
	12,856,080	12,076,956
Less prescribed adjustment – Investment in subsidiaries	(142,326)	(202,662)
Total regulatory capital	12,713,754	11,874,294

(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Capital risk management (continued)

	Regulated by the FSC	
	2014	2013
Risk weighted assets:		
On statement of financial position	24,488,255	27,658,467
Foreign exchange exposure	933,211	991,171
Total risk weighted assets	25,421,466	28,649,638
Actual regulatory capital to risk weighted assets	50.01%	41.45%
Regulatory requirement	10.00%	10.00%

During the year, the Group and Company complied with all of the externally imposed capital requirements to which they are subject. Capital adequacy requirements by the FSC involve a market risk measure for the designated trading book. Therefore, the risk weighted computation to determine the Group and Company's capital adequacy incorporates:

(i) a Risk Weighted Assets (RWA) credit risk charge; and

(ii) a Risk Weighted Assets (RWA) market risk charge

38. Dividends

(a) Declared

	The Group and Company	
	2014	2013
In respect of 2012	-	190,438
In respect of 2013	190,438	571,313
In respect of 2014	571,313	-
	761,751	761,751

(b) Proposed

At the Board of Directors meeting on November 27, 2014, a dividend in respect of 2014 of $0.45- per share (October 2013 - $0.45 per share) amounting to a total of $190,438 (2013: $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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

39. Commitments

Operating lease commitments:

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	The Group and Company	
	2014	2013
Not later than one year	61,870	46,966
Later than one year and not later than five years	91,342	80,818
	153,212	127,784

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 2014, the Group had financial assets under administration of approximately $138,167,368 (2013: $118,260,892).

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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

41. Related party transactions and balances (continued)

Pursuant to Section 13(1), (d) and (i) of the Banking Act, 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.

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 2014	Total 2013
Loans					
Loans outstanding at beginning of year	-	400	-	400	1,796
Net loans repaid during the year	-	(400)	-	(400)	(1,396)
Loans outstanding at end of year	-	-	-	-	400
Interest income earned	-	-	-	-	80
Average repayment term (years)	-	-	-	-	4
Average interest rate (%)	-	-	-	-	8
Other					
Fees and commission earned	4,908	-	-	4,908	4,049
Securities sold under repurchase agreements	(2,801,329)	(3,134)	(30,961)	(2,835,424)	(2,301,393)
Interest paid on repurchase agreements	(217,927)	(119)	(1,053)	(219,099)	(113,678)
Capital management account & Government securities funds (CMA & GSF)	-	(84,254)	(14,137)	(98,391)	(63,273)
Interest paid on CMA & GSF	-	(229)	(68)	(297)	(452)
Interest earned on reverse repurchase agreements	1,757	-	-	1,757	1,354
Due from banks and other financial institutions	764,619	-	-	764,619	953,339
Interest earned from banks and other financial institutions	1,139	-	-	1,139	2,293
Term deposits	10,618,919	-	-	10,618,919	7,567,564
Interest earned on term deposits	178,435	-	-	178,435	88,072
Other investments	1,086,806	-	270,993	1,357,799	968,948
Interest earned on other investments	63,267	-	3,016	66,283	44,315
Management fees paid to parent company	105,621	-	-	105,621	107,980
Pension and ESOP fees received from parent company	122,230	-	-	122,230	114,315
Other operating (expense)/income	(17,772)	-	14,673	(3,099)	(17,589)

Notes to the Financial Statements (Continued)
Year ended October 31, 2014
(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 2014	Total 2013
Loans					
Loans outstanding at beginning of year	-	400	-	400	1,796
Net loans repaid during the year	-	(400)	-	(400)	(1,396)
Loans outstanding at end of year	-	-	-	-	400
Interest income earned	-	-	-	-	80
Average repayment term (years)	-	-	-	-	4
Average interest rate (%)	-	-	-	-	8
Other					
Fees and commission earned	4,908	-	-	4,908	4,049
Securities sold under repurchase agreements	(3,265,633)	(3,134)	(30,961)	(3,299,728)	(2,476,379)
Interest paid on repurchase agreements	(226,978)	(119)	(1,053)	(228,150)	(117,196)
Capital management account & Government securities fund (CMA & GSF)	-	(84,254)	(14,137)	(98,391)	(65,286)
Interest paid on CMA & GSF	-	(229)	(68)	(297)	(466)
Interest earned on reverse repurchase agreements	1,757	-	-	1,757	1,354
Due from banks and other financial institutions	764,619	-	-	764,619	953,339
Interest earned from banks and other financial institutions	1,139	-	-	1,139	2,293
Term deposits	10,618,919	-	-	10,618,919	7,567,564
Interest earned on term deposits	178,435	-	-	178,435	88,072
Other investments	1,086,806	-	270,993	1,357,799	968,948
Interest earned on other investments	63,267	-	3,016	66,283	44,315
Management fees paid to parent company	84,705	-	-	84,705	84,518
Pension and ESOP fees received from parent company	122,230	-	-	122,230	114,314
Dividend income	100,053			100,053	-
Other operating (expense)/income	(17,772)	-	14,673	(3,099)	(17,589)

	The Group and Company 2014	The Group and Company 2013
Key management compensation:		
Salaries and other short term benefits	131,281	140,516

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.

notes

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Scotia Investments

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