

SCOTIA FONDOS, S. A. DE C. V.
Sociedad Operadora de Sociedades de Inversión
Grupo Financiero Scotiabank Inverlat

Financial Statements

December 31, 2004 and 2003

(With Statutory and Independent Auditors'
Reports Thereon)

(Free Translation from Spanish Language Original)

Statutory Auditor's Report
(Free translation from Spanish language original)

The Stockholders
Scotia Fondos, S. A. de C. V.,
Sociedad Operadora de Sociedades de Inversión,
Grupo Financiero Scotiabank Inverlat:

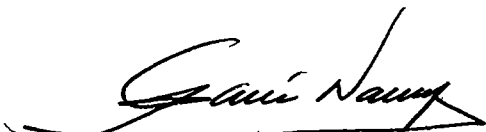
In my capacity as Statutory Auditor, and in compliance with the provisions of Article 166 of the General Corporation Law and the by-laws of Scotia Fondos, S. A. de C. V., Sociedad Operadora de Sociedades de Inversión, Grupo Financiero Scotiabank Inverlat ("the Management Company"), I hereby submit my report on the accuracy, sufficiency and fairness of the information contained in the accompanying financial statements furnished to the General Stockholders' Meeting by the Board of Directors for the year ended December 31, 2004.

I have attended the stockholders' and board of directors' meetings to which I have been called, and I have obtained from the directors and management such information on the operations, documentation and accounting records, as I considered necessary in the circumstances. In addition, I have examined the balance sheet and the statement of portfolio valuation of the Management Company as of December 31, 2004, and the related statements of operations, changes in stockholders' equity and changes in financial position for the year then ended, which are the responsibility of the Management Company's management. My examination was carried out in accordance with auditing standards generally accepted in Mexico.

The Management Company is required to prepare and present its financial statements in accordance with the accounting criteria established by the National Banking and Securities Commission ("the Commission") for mutual fund management companies in Mexico, which in general conform to accounting principles generally accepted in Mexico, issued by the Mexican Institute of Public Accountants.

In my opinion, the accounting and reporting criteria and policies followed by the Management Company, and considered by management in preparing the financial statements presented at this meeting are appropriate and sufficient in the circumstances, and have been applied on a basis consistent with that of the preceding year. Accordingly, such information is a fair, reasonable and sufficient representation of the financial position and portfolio valuation of Scotia Fondos, S. A. de C. V., Sociedad Operadora de Sociedades de Inversión, Grupo Financiero Scotiabank Inverlat as of December 31, 2004, and of the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the year then ended, in conformity with the accounting criteria established by the Commission for mutual fund management companies in Mexico.

Very truly yours,



Guillermo García-Naranjo A.
Statutory Auditor

Mexico City, February 11, 2005.



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Independent Auditors' Report
(Free translation from Spanish language original)

The Board of Directors and Stockholders
Scotia Fondos, S. A. de C. V.,
Sociedad Operadora de Sociedades de Inversión,
Grupo Financiero Scotiabank Inverlat:

We have examined the accompanying balance sheets and statements of portfolio valuation of Scotia Fondos, S. A. de C. V., Sociedad Operadora de Sociedades de Inversión, Grupo Financiero Scotiabank Inverlat ("the Management Company") as of December 31, 2004 and 2003, and the related statements of operations, changes in stockholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Management Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and are prepared in accordance with the accounting criteria for mutual fund management companies in Mexico. An audit consists of examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting criteria used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in note 2 to the financial statements, the Management Company is required to prepare and present its financial statements in accordance with the accounting criteria established by the National Banking and Securities Commission ("the Commission") for mutual fund management companies in Mexico, which in general conform to accounting principles generally accepted in Mexico, issued by the Mexican Institute of Public Accountants.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and portfolio valuation of Scotia Fondos, S. A. de C. V., Sociedad Operadora de Sociedades de Inversión, Grupo Financiero Scotiabank Inverlat as of December 31, 2004 and 2003, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with the accounting criteria established by the Commission for mutual fund management companies in Mexico, as described in note 2 to the financial statements.

KPMG CARDENAS DOSAL, S. C.

Alejandro De Alba Mora

February 11, 2005.

SCOTIA FONDOS, S. A. DE C. V.
Sociedad Operadora de Sociedades de Inversión
Grupo Financiero Scotiabank Inverlat

Balance Sheets

December 31, 2004 and 2003

(Thousands of constant Mexican pesos as of December 31, 2004, except otherwise stated)

Assets	2004	2003	Liabilities and Stockholders' Equity	2004	2003
Cash and equivalents (note 6)	\$ 22	23	Sundry creditors and other accounts payable (note 6)	\$ 28,620	31,263
Investment securities:			Income tax and employee statutory profit sharing payable	<u>1,680</u>	<u>3,334</u>
Trading	11,592	9,013	Total liabilities	<u>30,300</u>	<u>34,597</u>
Accounts receivable (note 6)	28,181	30,045	Stockholders' equity (note 4):		
Furniture and equipment, net	39	64	Paid-in capital:		
Deferred taxes (note 5)	1,237	1,378	Capital stock	<u>2,324</u>	<u>2,324</u>
Other assets	67	112	Earned capital:		
			Statutory reserves	190	33
			Retained earnings	3,524	541
			Net income	<u>4,800</u>	<u>3,140</u>
			Total stockholders' equity	<u>8,514</u>	<u>3,714</u>
			Contingent liability (note 7)	10,838	6,038
Total assets	<u>\$ 41,138</u>	<u>40,635</u>	Total liabilities and stockholders' equity	<u>\$ 41,138</u>	<u>40,635</u>

Memorandum accounts

	2004	2003
Authorized capital stock (nominal)	\$ 2,000	2,000
Other contingent liabilities	911	767
Transactions on behalf of third parties	<u>37,609,049</u>	<u>37,875,224</u>
Number of shares issued	<u>2,000,000</u>	<u>2,000,000</u>

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

"These balance sheets were prepared in accordance with the accounting criteria for mutual fund management companies issued by the National Banking and Securities Commission based on Articles 78, 79 and 80, first paragraph and fraction I of the Investment Companies Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Management Company through the dates indicated above. Furthermore, the transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These balance sheets were approved by the Board of Directors under the responsibility of the following officers".

"The historical capital stock amounts to \$2,000,000".

Ricardo M. Herrerías Zamacona
General Director

Jesús Eduardo Velázquez Reyes
Director of Group Accounting

SCOTIA FONDOS, S. A. DE C. V.,
Sociedad Operadora de Sociedades de Inversión
Grupo Financiero Scotiabank Inverlat

Statements of Portfolio Valuation

December 31, 2004 and 2003

(Thousands of constant Mexican pesos as of December 31, 2004)

	<u>Series</u>	<u>Type of security</u>	<u>Valuation rate</u>	<u>Type of rate</u>	<u>Rating or liquidity</u>	<u>Number of securities</u>	<u>Total securities of the issue</u>	<u>Average unit acquisition cost (in pesos)</u>	<u>Total acquisition cost</u>	<u>Unit fair or accounting value (in pesos)</u>	<u>Total fair or accounting value</u>	<u>Days to maturity</u>
December 31, 2004												
Trading securities												
Shares in mutual funds:												
	B	5f	-	TR	-	231,987	196,056,876	1.034530	\$ 240	1.084754	\$ 251	-
	B	51	-	TR	-	440,039	68,644,340	25.515920	11,228	25.772232	11,341	-
									<u>\$ 11,468</u>		<u>\$ 11,592</u>	
December 31, 2003												
Trading securities												
Shares in mutual funds:												
	B	51	-	TR	-	341,264	66,714,409	24.270100	\$ 8,283	24.327141	\$ 8,302	-
	B	51	-	TR	-	231,987	2,120,917	1.034539	240	1.055987	245	-
									<u>-</u>		<u>466</u>	
									<u>\$ 8,523</u>		<u>\$ 9,013</u>	

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

"These statements of portfolio valuation were prepared in accordance with the accounting criteria for mutual fund management companies, issued by the National Banking and Securities Commission based on Articles 78, 79 and 80, first paragraph and fraction I of the Investment Companies Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the investment transactions carried out by the Management Company as of the dates indicated above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions".

"These statements of portfolio valuation were approved by the Board of Directors under the responsibility of the following officers".

Ricardo M. Herrerias Zamacona
General Director

Jesús Eduardo Velázquez Reyes
Director of Group Accounting

SCOTIA FONDOS, S. A. DE C. V.
 Sociedad Operadora de Sociedades de Inversión
 Grupo Financiero Scotiabank Inverlat

Statements of Operations

Years ended December 31, 2004 and 2003

(Thousands of constant Mexican pesos as of December 31, 2004)

	<u>2004</u>	<u>2003</u>
Income from services (note 6a.)	\$ 295,593	300,849
Income from securities' transactions	548	351
Valuation gain on securities	128	26
Interest income	3	4
Monetary position loss, net	<u>(374)</u>	<u>(159)</u>
 Total operating income	 295,898	 301,071
 Administrative expenses (notes 6b. and 6c.)	 <u>(285,957)</u>	 <u>(294,523)</u>
 Operating income	 9,941	 6,548
 Other income	 177	 536
Other expense	<u>(1,474)</u>	<u>(1,359)</u>
 Income before income tax (IT) and employee statutory profit sharing (ESPS)	 8,644	 5,725
 Current IT and ESPS (note 5)	 (3,703)	 (3,727)
Deferred IT and ESPS (note 5)	<u>(141)</u>	<u>1,142</u>
 Net income	 \$ <u><u>4,800</u></u>	 <u><u>3,140</u></u>

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

"These statements of operations were prepared in accordance with the accounting criteria for mutual fund management companies issued by the National Banking and Securities Commission based on Articles 78, 79 and 80, first paragraph and fraction I of the Investment Companies Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the revenues and disbursements relating to the transactions carried out by the Management Company for the years indicated above. Furthermore, the transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These statements of operations were approved by the Board of Directors under the responsibility of the following officers".

 Ricardo M. Herrerías Zamacona
 General Director

 Jesús Eduardo Velázquez Reyes
 Director of Group Accounting

SCOTIA FONDOS, S. A. DE C. V.
Sociedad Operadora de Sociedades de Inversión
Grupo Financiero Scotiabank Inverlat

Statements of Changes in Stockholders' Equity

Years ended December 31, 2004 and 2003

(Thousands of constant Mexican pesos as of December 31, 2004)

	<u>Capital stock</u>	<u>Statutory reserves</u>	<u>Retained earnings (accumulated losses)</u>	<u>Net income</u>	<u>Total stockholders' equity</u>
Balances as of December 31, 2002	\$ 2,324	-	(78)	652	2,898
Item related to stockholder decisions:					
Appropriation of prior year's income	-	33	619	(652)	-
Item related to comprehensive income:					
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,140</u>	<u>3,140</u>
Balances as of December 31, 2003	2,324	33	541	3,140	6,038
Item related to stockholder decisions:					
Appropriation of prior year's income	-	157	2,983	(3,140)	-
Item related to comprehensive income:					
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,800</u>	<u>4,800</u>
Balances as of December 31, 2004	\$ <u>2,324</u>	<u>190</u>	<u>3,524</u>	<u>4,800</u>	<u>10,838</u>

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

"These statements of changes in stockholders' equity were prepared in accordance with the accounting criteria for mutual fund management companies issued by the National Banking and Securities Commission based on Articles 78, 79 and 80, first paragraph and fraction I of the Investment Companies Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the stockholders' equity account entries relating to the transactions carried out by the Management Company for the years indicated above. Furthermore, the transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These statements of changes in stockholders' equity were approved by the Board of Directors under the responsibility of the following officers".

Ricardo M. Herrerías Zamacona
General Director

Jesús Eduardo Velázquez Reyes
Director of Group Accounting

SCOTIA FONDOS, S. A. DE C. V.
 Sociedad Operadora de Sociedades de Inversión
 Grupo Financiero Scotiabank Inverlat

Statements of Changes in Financial Position

Years ended December 31, 2004 and 2003

(Thousands of constant Mexican pesos as of December 31, 2004)

	<u>2004</u>	<u>2003</u>
Operating activities:		
Net income	\$ 4,800 ✓	3,140 ✓
Add charges (deduct credits) to operations not requiring (providing) funds:		
Depreciation	25 ✓	27 ✓
Valuation of securities	(128) ✓	(26) ✓
Deferred income tax and employee statutory profit sharing	141 ✓	(1,142) ✓
	4,838 ✓	1,999 ✓
Changes in operating accounts:		
Investment securities	(2,451) ✓	(4,816) ✓
Accounts receivable	1,864 ✓	2,778 ✓
Other assets	45 ✓	(29) ✓
Sundry creditors and other accounts payable	(4,297) ✓	66 ✓
	(1) ✓	(2) ✓
Funds used in operating activities		
Cash and equivalents:		
At beginning of year	23 ✓	25 ✓
At end of year	\$ 22 ✓	23 ✓

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

"These statements of changes in financial position were prepared in accordance with the accounting criteria for mutual fund management companies issued by the National Banking and Securities Commission based on Articles 78, 79 and 80, first paragraph and fraction I of the Investment Companies Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the sources and applications of funds relating to the transactions carried out by the Management Company for the years indicated above. Furthermore, the transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"These statements of changes in financial position were approved by the Board of Directors under the responsibility of the following officers".

 Ricardo M. Herrerías Zamacona
 General Director

 Jesús Eduardo Velázquez Reyes
 Director of Group Accounting

SCOTIA FONDOS, S. A. DE C. V.
Sociedad Operadora de Sociedades de Inversión
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

December 31, 2004 and 2003

(Thousands of constant Mexican pesos as of December 31, 2004,
except otherwise stated)

These financial statements have been translated from the Spanish language original solely for the convenience of foreign/English-speaking readers.

(1) Description of business-

Activity-

Scotia Fondos, S. A. de C. V. (“the Management Company”) is a mutual fund management company that began operating on December 5, 2001 and is engaged in providing administrative, distribution, valuation, promotional and management services to the mutual funds of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. which are the following:

- Scotia Disponibilidad, S. A. de C. V., Sociedad de Inversión en Instrumentos de Deuda (Scotia 1)
- Scotia Rendimiento, S. A. de C. V., Sociedad de Inversión en Instrumentos de Deuda (Scotia 2)
- Scotia Cobertura, S. A. de C. V., Sociedad de Inversión en Instrumentos de Deuda (Scotia 3)
- Scotia Liquidez Periódica, S. A. de C. V., Sociedad de Inversión en Instrumentos de Deuda (Scotia 4)
- Scotia Patrimonial, S. A. de C. V. Sociedad de Inversión en Instrumentos de Deuda (Scotia 5)
- Scotia Inversiones, S. A. de C. V., Sociedad de Inversión en Instrumentos de Deuda (Scotia 6)
- Scotia Indizado, S. A. de C. V., Sociedad de Inversión de Renta Variable (Scotia 7)
- Scotia Liquidez, S. A. de C. V., Sociedad de Inversión en Instrumentos de Deuda (Scotia A)
- Scotia Previsional de Liquidez Restringida, S. A. de C. V., Sociedad de Inversión en Instrumentos de Deuda (Scotia C)
- Scotia para no Contribuyentes, S. A. de C. V., Sociedad de Inversión en Instrumentos de Deuda (Scotia D)
- Scotia Gubernamental, S. A. de C. V., Sociedad de Inversión en Instrumentos de Deuda (Scotia G)
- Scotia Mercado de Dinero, S. A. de C. V. Sociedad de Inversión en Instrumentos de Deuda (Scotia P)
- Scotia Internacional, S. A. de C. V. Sociedad de Inversión de Renta Variable (Scotin T)
- FINDE 1, S. A. de C. V., Sociedad de Inversión en Instrumentos de Deuda (Finde 1)

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SCOTIA FONDOS, S. A. DE C. V.
Sociedad Operadora de Sociedades de Inversión
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of constant Mexican pesos as of December 31, 2004,
except otherwise stated)

(2) Summary of significant accounting policies-

(a) Basis of presentation and disclosure-

The financial statements of the Management Company have been prepared based on the accounting criteria established by the National Banking and Securities Commission ("the Commission") for mutual fund management companies in Mexico. The Commission is responsible for the inspection and supervision of mutual fund management companies and for reviewing their financial information.

In general, the accounting criteria established by the Commission conform to accounting principles generally accepted in Mexico (Mexican GAAP), issued by the Mexican Institute of Public Accountants (IMCP).

For cases not contemplated therein, the accounting criteria include a process which provides for the supplementary use of other accounting principles and standards, in the following order: Mexican GAAP; International Accounting Standards issued by the International Accounting Standards Committee; accounting principles generally accepted in the United States of America (US GAAP); or in cases not covered by these principles and standards, any other formal and recognized accounting standards that do not contravene the general criteria of the Commission.

The financial statements of the Management Company are expressed in Mexican pesos of constant purchasing power as of the most recent balance sheet date, using the Investment Unit (UDI) value, which is a unit of measurement whose value is determined by the Banco de México (Central Bank) based on inflation. The UDI values used are as follows:

<u>December 31</u>	<u>UDI</u>	<u>Annual inflation</u>
2004	\$ 3.534716 ✓	5.45% ✓
2003	3.352003 ✓	3.91% ✓
2002	3.225778 ✓	5.58% ✓

(Continued)

SCOTIA FONDOS, S. A. DE C. V.
Sociedad Operadora de Sociedades de Inversión
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of constant Mexican pesos as of December 31, 2004,
except otherwise stated)

(b) Cash and equivalents-

This caption includes cash and bank account balances in local currency.

(c) Investment securities-

Investment securities include shares issued by the mutual funds to which the Management Company provides services, which are classified as trading securities according to management's investment intentions. Trading securities are initially recorded at cost and subsequently marked to market according to information provided by an independent price vendor. Valuation adjustments are reflected in the statement of operations, under "Valuation gain on securities".

(d) Furniture and equipment-

Furniture and equipment are initially recorded at their acquisition cost, and restated for inflation by applying UDI factors. Depreciation is calculated on the restated asset values using the straight-line method over the estimated useful lives of the assets.

(e) Income tax (IT) and employee statutory profit sharing (ESPS)-

Deferred IT is accounted for under the asset and liability method, which compare the accounting and tax values. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income for the period enacted.

Deferred ESPS is recognized for temporary differences arising from the reconciliation between accounting income and income for ESPS purposes, on which it may reasonably be estimated that a future liability will arise and there is no indication that the liability will not materialize.

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SCOTIA FONDOS, S. A. DE C. V.
Sociedad Operadora de Sociedades de Inversión
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of constant Mexican pesos as of December 31, 2004,
except otherwise stated)

(f) Pension plan, seniority premiums and other post-retirement benefits-

The Management Company has established a non-contributory pension plan, which covers all employees who reach 65 years of age with at least 10 years of service. The pension plan also covers seniority premiums benefits to which employees are entitled under the Federal Labor Law.

Accrued pension and seniority premium benefits are recognized in results of operations each year, based on actuarial calculations of the present value of these obligations, using the projected unit credit method and real interest rates, in accordance with Mexican GAAP Bulletin D-3 issued by the IMCP.

In addition, a liability, based on actuarial calculations, is recorded and funded for post-retirement benefits in connection with medical services, life insurance and food coupons for retirees.

Other compensation to which employees may be entitled in case of separation or disability, are charged to operations as incurred.

(g) Restatement of capital stock, statutory reserves and retained earnings (accumulated losses)-

This restatement is determined by multiplying stockholder contributions, statutory reserves and retained earnings (accumulated losses), by UDI factors, which measure accumulated inflation from the dates contributed or earned (lost), through the most recent year end. The resulting amounts represent the constant value of stockholders' equity.

(h) Monetary position gain or loss-

The Management Company recognizes in income the effect (gain or loss) in the purchasing power of its monetary position, which is calculated by multiplying the difference between monetary assets and liabilities at the beginning of each month by the monthly change in the UDI value. The aggregate of such monthly results, which is also restated using the UDI value at year end, represents the monetary gain or loss attributable to inflation, which is recorded in results of operations.

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SCOTIA FONDOS, S. A. DE C. V.
Sociedad Operadora de Sociedades de Inversión
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of constant Mexican pesos as of December 31, 2004,
except otherwise stated)

(i) Service income and expenses-

Fees relating to services rendered, or expenses incurred, are recognized at the time the services are provided or received.

(j) Contingencies-

Obligations or loss contingencies are recognized when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to financial statements. Contingent revenues, earnings or assets are not recognized until their realization is virtually assured.

(k) Use of estimates-

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

(3) Pension plan, seniority premiums and other post-retirement benefits-

The Management Company has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and the employee's compensation during the five years prior to retirement.

The cost, obligations, contributions to the fund, seniority premiums, post-retirement medical benefits, life insurance and food coupon plans for retirees, were determined as of December 31, 2004 and 2003 based on computations made by independent actuaries.

The components of the net period cost for the years ended December 31, 2004 and 2003 are shown on the next page (nominal pesos).

SCOTIA FONDOS, S. A. DE C. V.
Sociedad Operadora de Sociedades de Inversión
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of constant Mexican pesos as of December 31, 2004,
except otherwise stated)

	<u>2004</u>		<u>2003</u>	
	Pensions and seniority premiums	Medical benefits, life insurance and food coupons for retirees	Pensions and seniority premiums	Medical benefits, life insurance and food coupons for retirees
Service cost	\$ 115	15	106	9
Interest cost	39	5	30	13
Return on plan assets	(36)	(4)	(26)	(4)
Variances in assumptions and adjustments for experience	(1)	(1)	1	1
Amortization of transition liability	3	5	(1)	5
Net period cost	<u>\$ 120</u>	<u>20</u>	<u>110</u>	<u>24</u>

At December 31, 2004 and 2003, benefit obligations are analyzed as follows (nominal pesos):

	<u>2004</u>		<u>2003</u>	
	Pensions and seniority premiums	Medical benefits, life insurance and food coupons for retirees	Pensions and seniority premiums	Medical benefits, life insurance and food coupons for retirees
Projected benefit obligations (OBP)	\$ (973)	(114)	(741)	(132)
Plan assets	848	91	685	65
OBP in insufficiency of the fund	(125)	(23)	(56)	(67)
Items pending amortization	147	(16)	34	25
Transition items	(22)	39	22	42
Projected net (asset) liability	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

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SCOTIA FONDOS, S. A. DE C. V.
Sociedad Operadora de Sociedades de Inversión
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of constant Mexican pesos as of December 31, 2004,
except otherwise stated)

Real interest rates used in the actuarial projections are:

	<u>2004</u>	<u>2003</u>
Yield on fund assets	5.0%	5.0%
Discount rate	5.0%	5.0%
Salary increase rate	0.5%	1.0%
Medical expense increase rate	3.0%	10.0%
Estimated inflation rate	4.0%	4.4%
	====	====

The pension plan assets consist of fixed-yield instruments held in a trust and managed by a committee appointed by the Management Company.

(4) Stockholders' equity-

Following is a description of the main characteristics of the accounts included in stockholders' equity.

(a) Structure of capital stock-

At December 31, 2004 and 2003, the capital stock is represented by 2,000,000 common, nominative, fully subscribed and paid shares, with a par value of one peso each, divided into 1,000,000 shares corresponding to the minimum fixed portion capital stock (Series "A") and 1,000,000 shares corresponding to the variable portion capital stock (Series "B"). The variable portion of capital stock may at no time exceed the minimum fixed capital not subject to withdrawal.

(b) Restrictions on stockholders' equity-

Five percent of net income for the year must be appropriated to the statutory reserve, until it reaches 20% of the paid-in capital.

Stockholder contributions and retained earnings are subject to income tax on the amounts distributed or refunded that exceed the amounts determined for tax purposes.

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SCOTIA FONDOS, S. A. DE C. V.
Sociedad Operadora de Sociedades de Inversión
Grupo Financiero Scotiabank Inverlat

Notes to Financial Statements

(Thousands of constant Mexican pesos as of December 31, 2004,
except otherwise stated)

(5) Income (IT) and asset (AT) taxes and employee statutory profit sharing (ESPS)-

Under current Mexican tax regulations, corporations must pay the greater of their IT or AT. For determining taxable income, there are specific rules as to the deductibility of expenses and the recognition of the effects of inflation.

The AT Law provides for a 1.8% tax on assets, less certain liabilities. The Management Company was not liable to AT during 2004 and 2003, since, in accordance with the current Mexican tax law, companies during their pre-operating period, first year of operations and the two succeeding years, are exempt from AT.

ESPS is computed based on taxable income after eliminating the effects of inflation.

Following is a condensed reconciliation for the years ended December 31, 2004 and 2003, between accounting income before IT and ESPS and income for IT and ESPS purposes (nominal pesos):

	<u>2004</u>		<u>2003</u>	
	<u>IT</u>	<u>ESPS</u>	<u>IT</u>	<u>ESPS</u>
Income before IT and ESPS	\$ 8,644	8,644	5,429	5,429
Accounting effects of inflation	137	137	25	25
Tax effects of inflation, net	(597)	-	(121)	-
Accrued expenses	46	46	2,627	2,627
Non-deductible expenses	240	240	189	189
Valuation gain on securities	(125)	(125)	(25)	(25)
Other, net	(112)	(109)	(218)	(216)
Taxable income	\$ <u>8,233</u>	<u>8,833</u>	<u>7,906</u>	<u>8,029</u>
IT and ESPS payable	\$ 2,717	883	2,688	803
Restatement effect	<u>103</u>	<u>-</u>	<u>192</u>	<u>44</u>
Current IT and ESPS expense	\$ <u>2,820</u>	<u>883</u>	<u>2,880</u>	<u>847</u>
	\$ <u>3,703</u>		\$ <u>3,727</u>	

(Continued)

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Deferred tax assets as of December 31, 2004 and 2003 of \$1,237 and \$1,378, respectively, are mainly comprised of temporary differences arising from accrued expenses and prepaid expenses.

Other considerations

In accordance with the amendments to the Income Tax Law for fiscal 2005, the IT rate will change from 32% to 30% in 2005 and will continue to be reduced one percentage point each year to reach 28% in the year 2007.

In accordance with Mexican tax regulations currently in effect, the tax authorities may examine transactions carried out during the five years prior to the most recent income tax return filed.

In accordance with the IT Law, corporations carrying out transactions with related parties, whether domestic or foreign, are subject to certain limitations and requirements as to the determination of prices, since such prices must be equivalent to those that would be used in arm's-length transactions.

(6) Related-party transactions and balances-

During the normal course of business, the Management Company carries out transactions with related parties, receives and provides services, leases offices and renders administrative services.

Balances receivable from and payable to related parties as of December 31, 2004 and 2003, are as follows:

<u>Cash and equivalents:</u>	<u>2004</u>	<u>2003</u>
Scotiabank Inverlat, S. A., Institución de Banca Múltiple	\$ <u>20</u>	<u>21</u>

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	<u>2004</u>	<u>2003</u>
<u>Accounts receivable:</u>		
Mutual funds	\$ 23,433 ✓	24,440 ✓
<u>Accounts payable:</u>		
Scotiabank Inverlat, S. A., Institución de Banca Múltiple (the Bank)	\$ 6,015 ✓	5,962 ✓
Scotia Inverlat Casa de Bolsa, S. A. de C. V. (the Brokerage Firm)	<u>14,412</u> ✓	<u>16,148</u> ✓
	<u>\$ 20,427</u> ✓	<u>22,110</u> ✓

Transactions (nominal pesos):

- a) The Management Company has entered into agreements for providing management services to the mutual funds. Income from these services for the years ended December 31, 2004 and 2003 amounted to \$295,593 and \$285,298, respectively.
- b) The Management Company receives administrative services from the Brokerage Firm, which include the lease of office space, computer and communication systems and office furniture and equipment; accounting, legal and administrative services; stock certificate deposit and custody and any other indispensable services required for its operations. Total expense for such services for the years ended December 31, 2004 and 2003 amounted to \$11,265 and \$11,121, respectively.
- c) The Management Company receives services for the distribution of shares of the managed mutual funds from the Brokerage Firm and the Bank. Expenses for such services for the years ended December 31, 2004 and 2003 amounted to \$243,008 and \$245,528, respectively.

(7) Contingent liability-

Those arising from the labor obligations mentioned in the last paragraph of note 2(f).