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

Financial Statements

December 31, 2009 and 2008

(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, 2009.

I have attended the stockholders' and board of directors' meetings to which I have been summoned, 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, 2009, and the related statements of income, changes in stockholders' equity and cash flows 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 Mexican Financial Reporting Standards (FRS) issued by the Mexican Board for Research and Development of Financial Reporting Standards (Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera or CINIF). These accounting criteria include particular presentation rules, which in certain respects differ from such standards, as explained in the fourth paragraph of note 2 to the financial statements.

During 2009, accounting changes were made as disclosed in note 3 to the financial statements.

As discussed in note 4, on September 1, 2009 accounting criteria D-5 "Statement of cash flows" came into effect superseding accounting criteria D-5 "Statement of changes in financial position". Accordingly, since that date, and prospectively, the Management Company presents the statement of cash flows. Therefore, the statement of cash flows and the statement of changes in financial position are not presented for comparison purposes.

(Continued)

As discussed in note 1 to the financial statements, the Management Company is mainly engaged in the provision of management services: distribution, valuation, promotion and portfolio acquisition of shares of mutual funds forming part of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. During 2009, 99% of the Management Company's service revenues resulted from the foregoing.

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 adequate and sufficient under the circumstances and, except for the accounting changes disclosed in note 3, have been applied on a basis consistent with that of the preceding year. Therefore, 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, 2009, and of the results of its operations, the changes in its stockholders' equity and the cash flows 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,

Jorge Peña Tapia
Statutory Auditor

Mexico City, February 15, 2010.

KPMG ®

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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, 2009 and 2008, and the related statements of income and changes in stockholders' equity for the years then ended and statements of cash flows and changes in financial position for the years ended December 31, 2009 and 2008, respectively. 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 audit 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, 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 Mexican Financial Reporting Standards (FRS) issued by the the Mexican Board for Research and Development of Financial Reporting Standards (Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera or CINIF). These accounting criteria include particular presentation rules, primarily regarding presentation and disclosure rules that differ from such standards, as explained in the fourth paragraph of note 2 to the financial statements.

During 2009, accounting changes were made as disclosed in note 3 to the financial statements.

(Continued)

As discussed in note 4 to the financial statements, on September 1, 2009 accounting criteria D-5 "Statement of cash flows" came into effect superseding accounting criteria D-5 "Statement of changes in financial position". Accordingly, since that date, and prospectively, the Management Company presents the statement of cash flows. Therefore, the statement of cash flows and the statement of changes in financial position are not presented for comparison purposes.

As discussed in note 1 to the financial statements, the Management Company is mainly engaged in the provision of management services: distribution, valuation, promotion and portfolio acquisition of shares of mutual funds forming part of the Scotiabank Group in Mexico. During 2009 and 2008, 99% of the Management Company's service revenues resulted from the foregoing.

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, 2009 and 2008, and the results of its operations, and changes in its stockholders' equity for the years then ended and the statements of cash flows and changes in its financial position for the years ended December 31, 2009 and 2008, respectively, 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.

Jorge Orendain Villacampa

February 15, 2010.

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

Balance Sheets

December 31, 2009 and 2008

(Thousands of Mexican pesos, except otherwise stated)

Assets	2009	2008
Cash and cash equivalents (note 9)	$ 15	13
Investment securities (notes 5 and 9):		
Trading	152,910	89,368
Accounts receivable, net (note 9)	15,889	40,254
Deferred taxes and ESPS, net (note 8)	1,254	1,790
Other assets (note 6):		
Deferred charges, prepaid expenses and intangibles assets	18	18
Other short and long term assets	35	40
	53	58
Total assets	$ 170,121	131,483

Liabilities and Stockholders' Equity	2009	2008
Accounts payable:		
Income tax payable	$ 8,359	611
Employee statutory profit sharing payable	2,975	3,419
Sundry creditors and other accounts payable (notes 6 and 9)	20,262	37,603
Total liabilities	31,596	41,633
Stockholders' equity (note 7):		
Paid-in capital:		
Capital stock	2,586	2,586
Earned capital:		
Statutory reserves	517	517
Unappropriated retained earnings	86,747	54,926
Net income	48,675	31,821
	135,939	87,264
Total stockholders' equity	138,525	89,850
Total liabilities and stockholders' equity	$ 170,121	131,483

Memorandum accounts	2009	2008
Contingent assets and liabilities	$ 1,816	1,206
Property in custody or administration	100,516,850	77,245,391

"The historic value of the capital stock at December 31, 2009 and 2008 amounted to 2,000".

See accompanying notes to financial statements.

"These balance sheets were prepared in accordance with the accounting criteria applicable to the Institution, issued by the National Banking and Securities Commission, based on Article 76 of the Law for Investment Companies, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the transactions carried out by the Institution 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".

Ernesto Diez Sánchez
General Director

Gordon Macrae
Director of Group Accounting

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

Statements of Income

Years ended December 31, 2009 and 2008

(Thousands of Mexican pesos)

		2009	2008
Fee and commission income (note 9a)	$	556,559	441,652
Fee and commission expense (note 9b)		(485,765)	(392,265)
Income from services		70,794	49,387
Valuation gain on securities (note 5)		14	632
Income from securities' transactions (note 5)		5,547	5,141
Brokerage margin		5,561	5,773
Total operating income		76,355	55,160
Administrative expenses (note 9b)		(9,573)	(11,667)
Net operating income		66,782	43,493
Other income		993	336
Other expense		(1,648)	(1,530)
		(655)	(1,194)
Income before income taxes		66,127	42,299
Current income taxes (note 8)		(17,387)	(9,438)
Deferred income taxes, net (note 8)		(65)	(1,040)
		(17,452)	(10,478)
Net income	$	48,675	31,821

See accompanying notes to financial statements.

"These statements of income were prepared in accordance with the accounting criteria applicable to the Institution, issued by the National Banking and Securities Commission, based on Article 76 of the Law for Investment Companies, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the income and expenses arising from the transactions carried out by the Institution during the periods 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 income were approved by the Board of Directors under the responsibility of the following officers".

Ernesto Diez Sánchez
General Director

Gordon Macrae
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, 2009 and 2008

(Thousands of Mexican pesos)

	Capital stock	Statutory reserves	Unappropriated retained earnings	Net income	Total stockholders' equity
Balances as of December 31, 2007	$ 2,586	457	26,060	28,926	58,029
Item related to stockholders' decisions:					
Appropriation of prior year's income	-	60	28,866	(28,926)	-
Items related to comprehensive income:					
Net income	-	-	-	31,821	31,821
Balances as of December 31, 2008	2,586	517	54,926	31,821	89,850
Item related to stockholders' decisions:					
Appropriation of prior year's income	-	-	31,821	(31,821)	-
Item related to comprehensive income:					
Net income	-	-	-	48,675	48,675
Balances as of December 31, 2009	$ 2,586	517	86,747	48,675	138,525

See accompanying notes to financial statements.

"These statements of changes in stockholders' equity were prepared in accordance with the accounting criteria applicable to the Institution, issued by the National Banking and Securities Commission, based on Article 76 of the Law for Investment Companies, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the entries of the stockholders' equity accounts arising from the transactions carried out by the Institution during the periods 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".

Ernesto Díez Sánchez
General Director

Gordon Macrae
Director of Group Accounting

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

Statement of Cash Flows

Year ended December 31, 2009

(Thousands of Mexican pesos)

Net income	$ 48,675
Income statement items not requiring (providing) cash flow:	
Current and deferred income taxes	7,702
Provisions	419
Other	(14)
	8,107
Cash flows from operating activities:	
Change in investment securities	(63,528)
Change in other operative assets	24,370
Change in other operative liabilities	(17,622)
Net cash flows from operating activities	(56,780)
Net increase in cash and cash equivalents	2
Cash and cash equivalents at beginning of year	13
Cash and cash equivalents at end of year	$ 15

See accompanying notes to financial statements.

"The statement of cash flows was prepared in accordance with the accounting criteria applicable to the institution issued by the National Banking and Securities Commission based on Article 76 of the Law for Investment Companies, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, it reflects all the cash in flows and cash out flows relating to the transactions carried out by the Institution for the year noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"The statement of cash flows was approved by the Board of Directors under the responsibility of the following officers".

Ernesto Diez Sánchez
General Director

Gordon Macrae
Director of Group Accounting

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

Statement of Changes in Financial Position

Year ended December 31, 2008

(Thousands of Mexican pesos)

Operating activities:	
Net income	$ 31,821
Items not requiring (providing) funds:	
Valuation of securities at fair value	(632)
Deferred income tax and employee statutory profit sharing	1,412
Funds provided by operations	32,601
Changes in items related to operations:	
Investment securities	(21,304)
Funds provided by operating activities	11,297
Funds used in financial activities, originated from the decrease in other accounts payable and income taxes	(16,443)
Investment activities:	
Decrease in other accounts receivable	4,510
Decrease in other assets	627
Funds provided by investing activities	5,137
Decrease in cash and cash equivalents	(9)
Cash and cash equivalents:	
At beginning of year	22
At end of year	$ 13

See accompanying notes to financial statements.

"The statement of changes in financial position was prepared in accordance with the accounting criteria applicable to the Institution, issued by the National Banking and Securities Commission, based on Articles 76 of the Law for Investment Companies, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, it reflects all the sources and applications of funds relating to the transactions carried out by the Institution for the year noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions."

"The statement of changes in financial position was approved by the Board of Directors under the responsibility of the following officers"

Ernesto Diez Sánchez
General Director

Gordon Macrae
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, 2009 and 2008

(Thousands of Mexican pesos)

	Series	Type of security	Valuation rate	Type of rate	Rating or liquidity	Number of securities	Total securities of the issue	Average unit acquisition cost (in pesos)	Total acquisition cost	Unit fair or accounting value (in pesos)	Total fair or accounting value	Days to maturity
December 31, 2009												
Trading securities:												
Shares in mutual funds:												
Scotia G	M6	51	-	TR	AAA/2F	4,298,992	228,965,518	35.582964	$ 152,971	35.568823	$ 152,910	*
December 31, 2008												
Trading securities:												
Shares in mutual funds:												
Scotia G	M6	51	-	TR	AAA/2F	2,626,316	206,896,550	33.978116	$ 89,237	34.027779	$ 89,368	*

* Without maturity

See accompanying notes to financial statements.

"These statements of portfolio valuation were prepared in accordance with the accounting criteria applicable to the Institution, issued by the National Banking and Securities Commission based on Article 76 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 investments in assets made by the Institution 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 portfolio valuation were approved by the Board of Directors under the responsibility of the following officers".

Ernesto Díez Sánchez
General Director

Gordon Macrae
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, 2009 and 2008

(Thousands of Mexican pesos)

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

(1) 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. ("Scotiabank mutual funds"), which holds 99.99% of its capital stock. In fiscal years 2009 and 2008, 100% of the Management Company's service income was derived from the Scotiabank mutual funds, which are listed below:

Mutual funds investing in debt instruments:

- Scotia Disponibilidad, S. A. de C. V., (Scotia 1)
- Scotia Rendimiento, S. A. de C. V., (Scotia 2)
- Scotia Cobertura, S. A. de C. V., (Scotia 3)
- Scotia Inversiones, S. A. de C. V., (FBC)
- Scotia Productivo, S. A. de C. V., (Scoti 10)
- Scotia Plus, S. A. de C. V., (Scoti 11)
- Scotia Previsional de Liquidez Restringida, S. A. de C. V., (Scotia C)
- Scotia para no Contribuyentes, S. A. de C. V., (Scotia D)
- Scotia Gubernamental, S. A. de C. V., (Scotia G)
- Scotia Mercado de Dinero, S. A. de C. V., Deuda (Scotia P)
- FINDE 1, S. A. de C. V., Sociedad de Inversión en Instrumentos de Deuda (Finde 1)

Mutual funds investing in equities:

- Scotia Patrimonial, S. A. de C. V., (Scotia E)
- Scotia Indizado, S. A. de C. V., (Scotia 7)
- Scotia Estratégico, S. A. de C. V., (Scoti 12)
- Scotia Crecimiento, S. A. de C. V., (Scoti 14)
- Scotia Internacional, S. A. de C. V., (Scotint)

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(2) Authorization and basis of presentation and disclosure -

On February 15, 2010, Ernesto Diez Sánchez (General Director of the Management Company) and Gordon Macrae (Director of Group Accounting for Grupo Financiero Scotiabank Inverlat, S. A. de C. V., the Group) authorized the issuance of the accompanying financial statements and related notes.

The stockholders and the National Banking and Securities Commission ("the Commission") are empowered to modify the financial statements after issuance. The accompanying financial statements for 2009 will be submitted to the next Stockholders' Meeting for approval.

The financial statements of the Management Company have been prepared based on the accounting criteria established by 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 Mexican Financial Reporting Standards (FRS) issued by the Mexican Board for Research and Development of Financial Reporting Standards (Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A. C. or CINIF), and includes particular presentation and disclosure rules that differ from such standards, as these standards required the classification of income and expenses as ordinary and non-ordinary, and for 2008, the accounting criteria required the statement of changes in financial position.

The accounting criteria provide that the Commission will issue particular rules for specialized operations and in the absence of an express accounting criterion issued by the Commission for mutual fund management companies or for credit institutions, and in a wider context the FRS, the suppletory process as established by FRS A-8 shall be applicable, and only when the International Financial Reporting Standards (IFRS) referred to by FRS A-8 do not resolve the accounting treatment, the suppletory application of an accounting standard pertaining to other regulatory framework may be opted for, in the following order: U. S. Generally Accepted Accounting Principles (US GAAP), and any other formal and recognized accounting standard, provided comply with the requirements of criterion A-4 of the Commission.

(Continued)

(Thousands of Mexican pesos)

The Commission published on August 31, 2009 the resolution which modifies the "General provisions applicable to mutual funds and to the services providers" which superseded the accounting criteria established by the Commission for mutual fund management companies as mentioned in note 4.

Balance sheet and statement of income for 2008 include certain reclassifications to conform to the presentation as of and for the year ended December 31, 2009.

(3) Accounting policies-

The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of investment securities, deferred tax assets, and assets and liabilities related to labor obligations. Actual results could differ from those estimates and assumptions.

Significant accounting policies applied in the preparation of the financial statements are as follows:

(a) Recognition of the effects of inflation-

The financial statements of the Management Company have been prepared in accordance with the accounting criteria in effect as of the most recent balance sheet date and include the recognition of the effects of inflation on the financial information through December 31, 2007, based on the Investment Unit (UDI) value, which is a unit of measurement whose value is determined by Banco de México (Central Bank) based on inflation (see note 4). Cumulative inflation percentage of the three preceding years and the indexes used in recognizing inflation through such year are as follows:

		Inflation	
December 31	**UDI**	**Annual**	**Accumulated**
2009	$ 4.340166	3.72%	14.55%
2008	4.184316	6.39%	15.03%
2007	3.932983	3.80%	11.27%

(Continued)

(b) Cash and cash equivalents-

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

(c) Investment securities-

Investment securities include shares issued by the mutual funds, government securities and other securities, classified at the date of acquisition as trading securities. The trading securities are accounted for at fair value, which corresponds to the price of the acquisition. Transaction costs for the acquisition of securities are recognized in the statement of income at the acquisition date.

Valuations effects are marked to market by using information provided by an independent price vendor and these effects are reported on the statement of income under "Valuation gain on securities". The cost of selling securities is calculated by the average method.

(d) Accounts receivable-

The amounts for services pending collection are evaluated by the Management Company's management, and in case of being irrecoverable, are setting up the necessary reserves until 90 days next to the original recorded (60 days if the balances are not identified) charged to operations for the year.

(e) Accounts payable-

Based on management's estimates, the Management Company recognizes accruals for those present obligations in which the transfer of assets or the rendering of services is virtually assured and arises as a consequence of past events, principally fees and personnel bonuses.

(f) Income taxes (income tax (IT), flat rate business tax (IETU)) and employee statutory profit sharing (ESPS)-

IT or IETU payable for the year are determined in conformity with the tax provisions in effect.

(Continued)

Deferred IT or IETU and ESPS are accounted for under the asset and liability method, which compares 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.

To determine whether deferred IT or deferred IETU should be recorded, the tax base on which the differences that give rise to deferred taxes will be amortized in the future must be identified, and the likelihood of payment or recoverability of each tax is evaluated.

(g) Employee benefits -

The Management Company has a defined contribution pension and post-retirement benefit plan in place; plan contributions are recognized directly in the statement of income as expenses under "Administrative expenses".

Additionally, a benefit plan is in place covering the seniority premiums and compensation to which employees are entitled in accordance with the Federal Labor Law.

For both plans, irrevocable trusts have been created in which the plan assets are managed. The plan assets must be invested in Federal Government bonds or securities issued by authorized entities, and for employee housing loans.

The net periodic cost and the accrued seniority premiums benefits and severance payments are recognized based on computations prepared by independent actuaries of the present value of these obligations, applying nominal interest rates and based on projected salaries.

(Continued)

Since January 1, 2008, as a result of the entry in force of FRS D-3, was established a maximum of five years (or within the average remaining useful life, whichever is shorter) for amortization periods for unamortized items corresponding to past service.

Since 2008, unamortized termination benefit items (transition liability or asset, plan modifications, net actuarial gains or losses and compensation increases) are recorded directly in the statement of income.

The determination of deferred ESPS is made using the asset and liability method of accounting as explained in note 3(f).

(h) Restatement of capital stock, statutory reserves and unappropriated retained earnings-

Through December 31, 2007, this adjustment was determined by multiplying stockholder contributions, capital reserves and unappropriated retained earnings by factors derived from the UDI value, which measure the accumulated inflation from the dates of origin through year-end 2007. The resulting amounts represent the constant value of stockholders' equity.

From 2008, the Management Company suspended the recognition of the effects of inflation on the financial information pursuant to provisions of the FRS.

(i) Revenue recognition-

Fees on services provided to the mutual funds are recorded in the statement of income when earned.

(j) Expense recognition-

The expenses incurred by the Management Company relate primarily to fees and administrative expenses, which are charged to operations as incurred.

(Continued)

(k) Contingencies-

Liabilities 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.

(4) Accounting changes-

I. Changes in accounting polices issued by the Commission for 2009-

On August 31, 2009 the SHCP (Secretaria de Hacienda y Crédito Público) published in the Official Gazette the Resolution that amends the "General provisions applicable to mutual fund management companies and to services' providers", which became effective on the following day. The following are some of the principal criteria that are superseded by this resolution:

(a) ***B-2 "Investments securities"*** – It is specified that investment securities should initially be recognized at fair value and not at their acquisition cost; furthermore, the concept of impairment of value of securities is incorporated and rules are provided for determining evidence of impairment and its recognition. The adoption of this criterion did not have a significant impact on the Management Company financial statements.

(b) ***D-2 "Balance Sheet"-*** Certain balance sheet captions, which include the following, are added /or replaced: Debtors and creditors on sale and repurchase transactions, collateral sold or pledged, among others. The adoption of this criterion did not have a significant impact on the Management Company financial statements.

(c) ***D-3 "Statement of income"*** – Concepts are modified and specified for their presentation in the minimum income statement captions; current and deferred ESPS are incorporated within administrative expenses. As a result from the adoption of this standard, the Management Company reclassified its income statement for the year ended December 31, 2008, to conform to the presentation for the year ended December 31, 2009.

(Continued)

(d) ***D-5 "Statement of cash flows"-*** The statement of changes in financial position is superseded by the statement of cash flows. The statement of cash flows is primarily intended to provide financial statement users with information on the entity's ability to generate cash and cash equivalents as well as the manner in which entities use such cash flow to meet their needs.

a. Evaluate the changes between assets and liabilities of the entity and it financial structure (including liquidity and solvency), and

b. Evaluate the amounts and dates of collect and payment in reason to adapt to the circumstances and the opportunities of making and applying cash and cash equivalents.

The Management Company applies the indirect method, whereby the period's net results are either increased or decreased for the effects of transactions of items that do not have cash flows (except those affecting the balances of operating items); changes that occur in the balances of operating items and for cash flows relating to investing or financing activities.

As a result of the adoption of this standard, the Management Company presents the statement of cash flows for the year ended December 31, 2009 and, separately, the statement of changes in financial position for the year ended December 31, 2008.

II. *Changes in accounting polices issued by the CINIF in 2009-*

The CINIF has issued the following FRS effective for years beginning on and after January 1, 2009. Early application is not allowed.

(a) **FRS B-7 "Business combinations"**– FRS supersedes Bulletin B-7 and establishes, among other things, general rules for the initial valuation and recognition at the acquisition date of net assets, regarding that all business combinations should be accounted for using the purchase method.

(b) **FRS B-8 "Consolidated or combined financial statements"** – Supersedes Bulletin B-8 "Consolidated and combined financial statements and valuation of investments in shares" and establishes general rules for the preparation and presentation of consolidated and combined financial statements, and related disclosures. Amendments include:

(i) The obligation to consolidate special purpose entities (SPEs) when control exists.

(ii) The possibility, under certain conditions, to present unconsolidated financial statements when the holding company is a subsidiary without minimum participation or when the minimum stockholders has not objection that the consolidated financial statements will not be issued.

(iii) To consider the existence of potential voting rights that might be exercised or converted in favor of the entity, in its capacity as holding company, and that could change its involvement in decision-making at the time when the existence of control is being assessed.

(iv) Additionally, it refers to another bulletin concerning the valuation of permanent investments.

(c) **FRS C-7 "Investments in associates and other investments"**– Sets forth the rules to account for investments in associates as well as other investments where control, joint control or significant influence is not exercised. The principal changes with respect to the former standard include the following:

(i) The equity method of accounting is required for SPEs where significant influence is exercised.

(ii) Consideration is given to the existence of potential voting rights that might be exercised or converted in favor of the entity in its capacity as the holding Company and that may change its interference in decision-making at the time of assessing the existence of significant influence.

(iii) A specific procedure and a limit for recognition of an associated entity's losses are provided.

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(d) ***FRS C-8 "Intangible assets"***-Supersedes Bulletin C-8 and establishes general rules for the initial and subsequent recognition of intangible assets that are purchased individually, through the acquisition of a business or generated internally in the normal course of operations of the entity. Main changes include:

(i) Redefinition of intangible assets, establishing that separability is not the only condition for the intangible asset to be identifiable;

(ii) Subsequent outlays for research and developments in progress should be recorded as expenses if they are part of the research phase or recorded as expenses if they are part of the research phase or recorded as an intangible asset if they meet the criteria to be recognized as such;

(iii) The asset transfer accounting treatment is analyzed in more detail, in accordance with international standards and other FRS;

(iv) The presumption that the useful life of an intangible asset may not exceed twenty years was eliminated.

The application of this FRS had no significant effect.

III. <u>Changes in accounting polices issued by the CINIF for 2008-</u>

(a) FRS B-10 "Effects of inflation" -Supersedes Bulletin B-10 "Recognition of the effects of inflation on the financial information" and its five amendment documents, as well as the related circulars and Interpretation of Financial Reporting Standards 2. It establishes the principal modifications to the former standard, which are set forth as follows:

(i) Recognition of the effects of inflation – An entity operates in a) an inflationary economic environment when cumulative inflation over the immediately preceding 3-year period is equal to or greater than 26%; and b) non-inflationary economic environment, when inflation over the aforementioned period is less than 26%.

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For case a), the comprehensive recognition of the effects of inflation is required, (similarly to Bulletin B-10 being superseded). For case b), the effects of inflation are not recognized; however, at the effective date of this FRS and when an entity ceases to operate in an inflationary economic environment, the restatement effects determined through the last period in which the entity operated in an inflationary economic environment (in this case 2008), must be kept and shall be reclassified on the same date and using the same procedure as that of the corresponding assets, liabilities and stockholders' equity.

Should the entity once more operate in an inflationary economic environment, the cumulative effects of inflation not recognized in the periods where the environment was deemed as non-inflationary should be recognized retrospectively.

(ii) Price index – the use of the National Consumer Price Index (NCPI) or the change in the value of the Investment Unit (UDI) may be used for determining the inflation for a given period.

(iii) Valuation of inventories and of foreign machinery and equipment – The possibility of using replacement costs for inventories and specific indexation for foreign machinery and equipment is no longer allowed.

(iv) Equity adjustment for non-monetary Assets – On the effective date of this FRS, the unrealized portion of the equity adjustment for non monetary assets, which is maintained in stockholders' equity, should be identified to be reclassified to earnings of the year when the originating item is realized. The realized portion or when is not practical to identify the unrealized portion, the realized and unrealized portions should be reclassified to retained earnings.

(v) Monetary position gains or losses (included in deficit/excess in equity restatement) will be reclassified to retained earnings on the effective date of this FRS.

As a result of the adoption of this FRS, at January 1, 2008, the Management Company suspended the recognition of the effects of inflation due to is in a non inflationary economic environment. The recognition of the effects of inflation in the stockholders equity at December 31, 2007 was reclassified as shown in the Statements of Changes in Stockholders Equity.

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(5) Investment securities-

As of December 31, 2009 and 2008, investment securities classified as trading securities amount to $152,910 and $89,368 respectively, and consist of debt mutual fund shares (see detail in the statement of securities portfolio valuation).

The net result on securities trading for the years ended December 31, 2009 and 2008 amounted to $5,547 and $5,141, respectively. Mark to market of investment securities as of December 31, 2009 and 2008 resulted in a gain of $14 and $632, respectively. These amounts are included in the statement of income under "Income from securities transactions" and "Valuation gain on securities", respectively.

The investment securities of the Management Company are shares of SCOTIA GUBERNAMENTAL, S. A. DE C. V., Sociedad de Inversión en Instrumentos de Deuda (SCOTIAG), which maintains a rating according to the Commission of short term and government securities with a term no longer than 365 days, and with short term of settlement same day for buying and selling.

Fitch Ratings, an independent ratings agency who evaluates daily the mutual fund, awarded to SCOTIAG a rating of AAA/2 who is outstanding in terms of security of the mutual fund, this rating includes the quality and diversification of the assets in portfolio, strengths, weakness of the management and the operation capacity (AAA) and (2) or "Decrease" in terms of sensibility in the market conditions.

(6) *Employee benefits-*

The Management Company established a defined contribution pension and post-retirement benefits plan available until March 31, 2006. This plan calls for pre-established contributions by the Management Company, which may be fully withdrawn by the employee upon retirement if at least 55 years old or partially on employment termination in accordance with specific rules for vesting rights. Additionally, contributions are made by employees, who will be entitled to withdraw those contributions upon employment termination.

For the years ended December 31, 2009 and 2008, the Management Company's contributions to the defined contribution plan charged to operations amounted to $325 and $306, respectively.

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The cost, obligations and contributions to the fund relating to the defined benefits pension plan and seniority premiums and life insurance are determined based on computations prepared by independent actuaries as of December 31, 2009 and 2008.

The elements of the net periodic cost and the labor obligations at nominal value for the years ended December 31, 2009 and 2008 are as follows:

		2009		
	Seniority Premiums			Life
	Retirement	Termination	Total	insurance
Service cost	$ -	1	1	1
Interest cost	-	1	1	1
Return on plan assets	-	(2)	(2)	(1)
Actuarial gains and losses	-	9	9	-
Net periodic cost	-	9	9	1

		2008		
Service cost	$ 2	5	7	5
Interest cost	2	4	6	4
Return on plan assets	(3)	(5)	(8)	(6)
Amortizations:				
Prior service cost-plan improvements	-	-	-	2
Actuarial gain, net	-	(1)	(1)	(1)
Net periodic cost	1	3	4	4
Cost for personnel transfers	-	-	-	55
Income on recognition of actuarial gains	-	(13)	(13)	-
Total cost (gain) 2008	$ 1	(10)	(9)	59

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The present value of benefit obligations of seniority premiums and life insurance for the years ended December 31, 2009 and 2008 are as follows:

		Seniority Premiums			Life
2009		**Retirement**	**Termination**	**Total**	**insurance**
Projected benefit obligation (PBO)	$	(9)	(9)	(18)	(14)
Plan assets at market value		5	15	20	10
Projected benefit obligation over (under) plan assets		(4)	6	2	(4)
Unrecognized items:					
Transition liability		-	1	1	-
Plan improvements		-	-	-	4
Accumulated actuarial losses		6	-	6	4
Projected asset, net	$	2	7	9	4

		Seniority Premiums			Life
2008		**Retirement**	**Termination**	**Total**	**insurance**
Projected benefit obligation (PBO)	$	(3)	(9)	(12)	(10)
Plan assets at market value		4	23	27	8
Projected benefit obligation over (under) plan assets		1	14	15	(2)
Unrecognized items:					
Transition liability		1	1	2	-
Plan improvements		-	-	-	4
Actuarial losses		1	-	1	1
Projected asset, net	$	3	15	18	3

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A reconciliation of the projected asset, net as of December 31, 2009 is as follows:

		Seniority Premiums			Life
		Retirement	Termination	Total	insurance
Projected asset, net at December 31, 2008	$	1	16	17	4
Net periodic cost (income) 2009		-	-	-	(1)
Contributions to the fund during 2009		1	-	1	1
Actuarial gains and losses		-	(9)	(9)	-
Projected asset, net	$	2	7	9	4

The present value of the statutory severance benefit obligations as of December 31, 2009 and 2008 is as follows:

		2009	2008
ABO	$	-	-
PBO	$	(466)	(488)
Transition liability		223	297
Projected liability, net	$	(243)	(191)

The net severance pay cost (revenue) for the years ended December 31, 2009 and 2008 amounted to $52 and $(198), respectively.

The nominal rates used in the actuarial projections for the years ended December 31, 2009 and 2008 are:

	2009	2008
Yield on plan assets	9.90%	10.20%
Discount rate	9.00%	9.50%
Rate of increase in compensation	5.00%	5.50%
Estimated inflation rate	4.00%	4.25%

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

At December 31, 2009, the amortization period of unrecognized defined benefits for seniority premium benefits, life insurance and severance indemnities, are as follows:

	Seniority premiums		Life	Severance
	Retirement	Termination	insurance	indemnities
Unrecognized items - transition liability	2 years	2 years	-	3 years
Unrecognized items - plan improvements	-	-	17.5 years	-
Actuarial gain / loss, net	11.7 years	Immediately	11.7 years	Immediately

(7) 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, 2009 and 2008, 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. At December 31, 2009, the Management Company had appropriated the total statutory reserve requirement, equal to 20% of its capital stock.

Stockholders' 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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(8) Income taxes (income tax (IT), flat rate business tax (IETU)), and employee statutory profit sharing (ESPS)-

Under the current tax legislation, companies must pay the greater of their IT or IETU. If IETU is payable, the payment will be considered final i.e. not subject to recovery in subsequent years. The IT Law in effect as of December 31, 2009 provides for an IT rate of 28%, while in accordance with the tax reforms effective as of January 1, 2010, the IT rate for fiscal years 2010 to 2012 is 30%, for 2013 the rate shall be 29% and for 2014 and thereafter, the rate is 28%. The IETU rate is 17% for 2009 and 17.5% for 2010 and thereafter.

For IT determination, an IT rate of 28% is applied to the taxable income for the year. Specific rules relating to the deductibility of expenses and the recognition of the effects of inflation are established by the IT Law.

Because the Management Company estimates that the tax payable in future years will be IT, deferred tax effects as of December 31, 2009 and 2008 have been recorded on the IT basis.

On May 19, 2004, the Management Company obtained favorable resolution of the action for relief and Federal Justice Protection filed against articles 16 and 17, last paragraph, of the Income Tax Law in force for 2002. Accordingly, the Management Company is thus authorized to equalize the amount of the tax base for ESPS determination and that used for IT purposes, for fiscal year 2008.

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At December 31, 2009 and 2008, the deferred IT and ESPS asset is analyzed below:

	2009	2008	
	IT	IT	ESPS
Asset (liability):			
ESPS payable	$ 2,975	3,371	3,371
Accruals	1,233	1,371	1,371
Furniture and equipment	1	2	2
Prepaid expenses	(30)	(36)	(36)
	4,179	4,708	4,708
Rate	30%	28%	10%
	1,254	1,319	471
Deferred IT and ESPS	$ 1,254	1,790	

The net unfavorable effect in the statement of income of deferred IT and ESPS for the year ended December 31, 2009 and 2008 is analyzed below:

	2009	2008	
		IT	ESPS
ESPS	$ (52)	(202)	(73)
Accruals	(14)	(838)	(299)
Prepaid expenses	1	-	-
Deferred IT and ESPS in the statement of income	$ (65)	(1,040)	(372)
		$ (1,412)	

For the year ended December 31, 2009, the Management Company has no employees except two in directive level, for that reason, they do not participate in the ESPS.

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Income tax and profit sharing expense attributable to income of IT by December 31, 2009 and 2008 differed from the amounts calculated by applying rate of 28% IT, as a result of the items were as follows:

		IT	
	Base	**Tax at 28%**	**Effective rate**
December 31, 2009			
Income before IT and ESPS	$ 66,127	(18,515)	(28%)
Allocation to current tax:			
Inflationary adjustment	(4,037)	1,130	2%
Accruals	(76)	21	-
Current and deferred ESPS of the year	471	(131)	-
Deduction of ESPS paid	(432)	(121)	-
Non-deductible expenses	82	(23)	-
Other, net	(37)	10	-
Current tax	62,098	(17,387)	(26%)
Allocation to deferred taxes: (30% rate)			
Prepaid expenses	(6)	2	-
ESPS payable	396	(119)	-
Accruals	139	(42)	-
Effect of tax rate change	-	94	-
Deferred tax	529	(65)	-
Income tax	$ 62,627	(17,452)	(26%)

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		IT		ESPS
	Base	Tax at 28%	Effective rate	at 10%
December 31, 2008				
Income before IT and ESPS	$ 46,042			
Current ESPS	(3,371)			
Deferred ESPS	(372)			
Income before IT	42,299	(11,844)	(28%)	(4,230)
Allocation to current tax:				
Inflationary adjustment	(5,018)	1,405	3%	502
Accruals	(3,093)	866	2%	309
Current and deferred ESPS of the year	3,743	(1,048)	(2%)	(374)
Deduction of ESPS paid	(4,047)	1,133	3%	404
Non-deductible expenses	35	(10)	-	(3)
Other, net	(212)	60	-	21
Current tax	33,707	(9,438)	(22%)	(3,371)
Allocation to deferred taxes:				
ESPS payable	723	(202)	-	(73)
Accruals	2,991	(838)	(2%)	(299)
Deferred tax	3,714	(1,040)	(2%)	(372)
Income tax	$ 37,421	(10,478)	(24%)	(3,743)

Other considerations

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.

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(9) Related-party transactions and balances-

During the normal course of business, the Management Company receives and provides services, leases offices and renders administrative services from and to related parties.

Balances receivable from and payable to related parties as of December 31, 2009 and 2008 are as follows:

		2009	2008
Cash and cash equivalents:			
Scotiabank Inverlat, S. A., Institución de Banca Múltiple ("the Bank")	$	10	10
Investment securities:			
Mutual funds	$	152,910	89,368
Accounts receivable:			
Mutual funds	$	-	32,903
Scotia Inverlat Casa de Bolsa, S. A. de C. V. ("the Brokerage Firm")	$	-	512
		-	33,415
Accounts payable:			
The Bank	$	-	15,959
The Brokerage Firm		-	10,939
	$	-	26,898

(Continued)

Transactions:

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, 2009 and 2008 amounted to \$555,529 and \$434,526, respectively.

b) The Management Company receives administrative services from the Brokerage Firm and the Bank, 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, 2009 and 2008 amounted to \$20,329 and \$18,671, respectively. Furthermore, 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, 2009 and 2008 amounted to \$429,109 and \$342,435, respectively. The Management Company paid fiduciary services fee to the Bank for \$43.

(10) Accounting standards-

The CINIF has issued the following FRS, effective for years beginning January 1, 2010 or 2011, as follows:

(a) ***FRS B-5 "Segment information"***– Is effective as of January 1, 2011. Changes as compared to superseded Bulletin B-5 "Segment Information"

(b) ***FRS B-9 "Interim financial reporting"***- Is effective as of January 1, 2011. Changes as compared to superseded Bulletin B-9 "Interim financial reporting"

(c) ***FRS C-1 "Cash and cash equivalents"***- Supersedes Bulletin C-1 "Cash" and is effective as of January 1, 2010.

The Management Company estimates that these new FRS will not have an important effect in the financial statements.