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

Financial Statements

December 31, 2010 and 2009

(With Statutory and Independent Auditors' Reports Thereon)

(Free Translation from Spanish Language Original)

JORGE PEÑA TAPIA
CONTADOR PUBLICO CERTIFICADO

**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 (Ley General de Sociedades Mercantiles) 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, 2010.

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 investment portfolio valuation of the Management Company as of December 31, 2010, 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 management fund 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.

As mentioned in note 1 to the financial statements, the Management Company renders administrative services: distribution, valuation, promotion and acquisition of the investment portfolio and its shares to the investment funds of Grupo Financiero Scotiabank Inverlat, S. A. de C. V., therefore 95% of its revenues have been obtained from these funds in 2010.

(Continued)

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 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 investment portfolio valuation of Scotia Fondos, S. A. de C. V., Sociedad Operadora de Sociedades de Inversión, Grupo Financiero Scotiabank Inverlat as of December 31, 2010, 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 fund management companies in Mexico.

Very truly yours,

Jorge Peña Tapia
Statutory Auditor

Mexico City, February 14, 2011.

KPMG Cárdenas Dosal
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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 investment 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, 2010 and 2009, and the related statements of income, changes in stockholders' equity and cash flows 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 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 fund management companies in Mexico. An audit includes of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting criteria used and 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 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.

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As mentioned in note 1 to the financial statements, The Management Company renders administrative services: distribution, valuation, promotion and acquisition of the investment portfolio and its shares to the investment funds of Grupo Financiero Scotiabank Inverlat, S. A. de C. V., therefore 95% of its revenues have been obtained from these funds in 2010 and 2009.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and investment portfolio valuation of Scotia Fondos, S. A. de C. V., Sociedad Operadora de Sociedades de Inversión, Grupo Financiero Scotiabank Inverlat as of December 31, 2010 and 2009, and the results of its operations, changes in its stockholders' equity and its cash flows for the years then ended, in conformity with the accounting criteria established by the Commission for fund management companies in Mexico.

KPMG CARDENAS DOSAL, S. C.

Jorge Orendain Villacampa

February 14, 2011.

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

Balance Sheets

December 31, 2010 and 2009

(Thousands of Mexican pesos, except otherwise stated)

| Assets | | 2010 | 2009 |
|---|---|---|---|
| Cash and cash equivalents (note 10) | $ | 1,581 | 15 |
| Investment securities (notes 5 and 10): | | | |
| Trading | | 238,548 | 152,910 |
| Accounts receivable, net (notes 6 and 10) | | 73,170 | 15,889 |
| Deferred taxes and employee statutory profit sharing, net (note 9) | | 356 | 1,254 |
| Other assets: | | | |
| Deferred charges, prepaid expenses and intangibles assets | | 5 | 18 |
| Other short and long term assets (note 7) | | 20 | 35 |
| | | 25 | 53 |
| Total assets | $ | 313,680 | 170,121 |

| Liabilities and Stockholders' Equity | | 2010 | 2009 |
|---|---|---|---|
| Accounts payable: | | | |
| Income tax payable | $ | 16,545 | 8,359 |
| Employee statutory profit sharing payable | | – | 2,975 |
| Sundry creditors and other accounts payable (notes 7 and 10) | | 62,457 | 20,262 |
| Total liabilities | | 79,002 | 31,596 |
| Stockholders' equity (note 8): | | | |
| Paid-in capital: | | | |
| Capital stock | | 2,586 | 2,586 |
| Earned capital: | | | |
| Statutory reserves | | 517 | 517 |
| Retained earnings | | 135,422 | 86,747 |
| Net income | | 96,153 | 48,675 |
| | | 232,092 | 135,939 |
| Total stockholders' equity | | 234,678 | 138,525 |
| Total liabilities and stockholders' equity | $ | 313,680 | 170,121 |

| Memorandum accounts | | 2010 | 2009 |
|---|---|---|---|
| Contingent assets and liabilities | $ | 2,613 | 1,816 |
| Property in custody or administration | | 114,786,665 | 100,516,850 |

"The nominal value of the capital stock as of December 31, 2010 and 2009 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 Fund Mangement 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, 2010 and 2009

(Thousands of Mexican pesos)

| | | 2010 | 2009 |
|---|---|---|---|
| Fee and commission income (note 10) | $ | 719,609 | 556,559 |
| Fee and commission expense (note 10) | | (583,710) | (485,765) |
| Income from services | | 135,899 | 70,794 |
| Unrealized gain on securities (note 5) | | 200 | 14 |
| Net realized gain on securities (note 5) | | 7,451 | 5,547 |
| Brokerage margin | | 7,651 | 5,561 |
| Total operating income | | 143,550 | 76,355 |
| Administrative expenses (note 10) | | (11,484) | (9,573) |
| Net operating income | | 132,066 | 66,782 |
| Other income | | 3,686 | 993 |
| Other expense | | (1,853) | (1,648) |
| | | 1,833 | (655) |
| Income before income taxes | | 133,899 | 66,127 |
| Income taxes (note 9): | | | |
| Current | | (36,848) | (17,387) |
| Deferred | | (898) | (65) |
| | | (37,746) | (17,452) |
| Net income | $ | 96,153 | 48,675 |

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 Fund Management 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 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

Statements of Changes in Stockholders' Equity

Years ended December 31, 2010 and 2009

(Thousands of Mexican pesos)

| | Capital stock | Statutory reserves | Retained earnings | Net income | Total stockholders' equity |
|---|---|---|---|---|---|
| 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 net income | - | - | 31,821 | (31,821) | - |
| **Items 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 |
| **Item related to stockholders' decisions:** | | | | | |
| Appropriation of prior year's net income | - | - | 48,675 | (48,675) | - |
| **Item related to comprehensive income:** | | | | | |
| Net income | - | - | - | 96,153 | 96,153 |
| Balances as of December 31, 2010 | $ 2,586 | 517 | 135,422 | 96,153 | 234,678 |

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 Fund Management 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 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 Cash Flows

Years ended December 31, 2010 and 2009

(Thousands of Mexican pesos)

| | | 2010 | 2009 |
|---|---|---|---|
| Net income | $ | 96,153 | 48,675 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | |
| Current and deferred income taxes | | 34,800 | 17,452 |
| Provisions | | 381 | 419 |
| Unrealized gain on securities | | (200) | (14) |
| | | 131,134 | 66,532 |
| Operating activities: | | | |
| Change in investment securities | | (85,438) | (63,528) |
| Change in other operative assets | | (57,253) | 24,370 |
| Change in other liabilities | | 13,123 | (27,372) |
| Net cash flows from operating activities | | (129,568) | (66,530) |
| Net increase in cash and cash equivalents | | 1,566 | 2 |
| Cash and cash equivalents: | | | |
| At beginning of year | | 15 | 13 |
| At end of year | $ | 1,581 | 15 |

See accompanying notes to financial statements.

"These statements of cash flows 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 Fund Management 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.

These statements of cash flows 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 Investment Portfolio Valuation

December 31, 2010 and 2009

(Thousands of Mexican pesos)

| | Issuer | Series | Type of security | Valuation rate | Type of rate | Rating or liquidity | Number of securities | Number of securities settlement | 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, 2010 | | | | | | | | | | | | | | |
| Trading securities: | | | | | | | | | | | | | | |
| Shares in mutual funds: | Scotia G | M6 | 51 | – | TR | AAA/2F | 93,932,339 | 87,597,838 | 3,320,000,011 | 2.541761 | $ 238,754 | 2.539569 | $ 238,548 | * |
| December 31, 2009 | | | | | | | | | | | | | | |
| Trading securities: | | | | | | | | | | | | | | |
| Shares in mutual funds: | Scotia G | M6 | 51 | – | TR | AAA/2F | 4,298,992 | 593,383 | 228,965,518 | 35.582964 | $ 152,971 | 35.568823 | $ 152,910 | * |

* Without maturity

See accompanying notes to financial statements.

"These statements of investment 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 Fund Management 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 Diez-Sánchez
General Director

Gordon Macrae
Director of Group Accounting

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

## (1) Description of business-

Scotia Fondos, S. A. de C. V. ("the Management Company") is a fund management company that began operating on December 5, 2001 and is engaged in providing administrative services, distribution, valuation, promotional and management services to the investment funds of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. ("Scotiabank investment funds"), which holds 99.99% of its capital stock. During 2010 and 2009, 95% of the Management Company's fee and commission income was derived from the Scotiabank funds, which are listed below:

Investment funds investing in debt instruments:

- Scotia Disponibilidad, S. A. de C. V., (SCOTIA1)
- Scotia Rendimiento, S. A. de C. V., (SCOTIA2)
- Scotia Cobertura, S. A. de C. V., (SCOTIA3)
- Scotia Inversiones, S. A. de C. V., (SBANKCP)
- Scotia Productivo, S. A. de C. V., (SCOTI10)
- Scotia Plus, S. A. de C. V., (SCOTI11)
- Scotia Previsional de Liquidez Restringida, S. A. de C. V., (SCOTIAC)
- Scotia para no Contribuyentes, S. A. de C. V., (SCOTIAD)
- Scotia Gubernamental, S. A. de C. V., (SCOTIAG)
- Scotia Mercado de Dinero, S. A. de C. V., (SCOTIAP)
- Finde 1, S. A. de C. V (FINDE1)

Investment funds investing in equities:

- Scotia Patrimonial, S. A. de C. V., (SCOTIAE)
- Scotia Indizado, S. A. de C. V., (SCOTIA7)
- Scotia Estratégico, S. A. de C. V., (SCOTI12)
- Scotia Crecimiento, S. A. de C. V., (SCOTI14)
- Scotia Internacional, S. A. de C. V., (SCOTINT)

The Management Company only has 2 employees at the officer level; administrative and share distributive services required are provided by related parties (note 10).

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## (2) Authorization and basis of presentation and disclosure -

On February 14, 2011, 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 2010 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 fund management companies in Mexico. The Commission is responsible for the inspection and supervision of 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, see note 3(k).

Financial statements as of December 31, 2009 and for the year then ended include certain reclassifications to conform them to the presentation as of December 31, 2010 and for the year then ended.

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 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)

(Mexican pesos in thousands)

## (3) Accounting policies-

The preparation of the 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, 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 employee benefit 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 accompanying financial statements include the recognition of the effects of inflation on the financial information through December 31, 2007. Year ended December 31, 2010 is considered as non inflationary economic environment (Cumulative inflation through the past 3 years lower than 26%), according to FRS B-10 "Effects of inflation"; consequently, inflation effects are not recognized in the Management Company's financial information. Cumulative inflation for the last 3 years is shown as follows:

| | | Inflation | |
|---|---|---|---|
| **December 31** | **UDI** | **Annual** | **Accumulated** |
| 2010 | $ 4.526308 | 4.29% | 15.09% |
| 2009 | 4.340166 | 3.72% | 14.55% |
| 2008 | 4.184316 | 6.39% | 15.03% |

(Continued)

***(b) Cash and cash equivalents-***

This caption includes cash and bank account balances in local currency. Cash and cash equivalents are accounted for as its nominal value.

***(c) Investment securities-***

Investment securities include shares issued by the 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.

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 the caption "Unrealized gain on securities". The cost of selling securities is calculated by the average method.

Transaction costs for the acquisition of securities are recognized in the statement of income at the acquisition date.

***(d) Accounts receivable-***

The amounts for services pending collection are evaluated by the Management Company's management, for doubtful accounts, an allowance for estimated losses inherent in its past due accounts receivable over 90 days (60 days if the balances are not identified) is created by a charge to administrative expenses 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 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 plan in place; plan contributions are recognized directly in the statement of income as expenses under the caption "Administrative expenses".

Additionally, a defined benefit plan is in place covering the seniority premiums and compensation to which employees are entitled in accordance with the Federal Labor Law and obligations related to the life insurance for retirees.

For both plans, irrevocable trusts have been created in which the plan assets are managed, except for compensations to which employees are titled in accordance with Federal Labor Law.

The net periodic cost and the accrued seniority premiums benefits and severance payments other than restructure costs are recognized in expenses each year, based on computations prepared by independent actuaries according with actuarial procedures and principles generally accepted, and in accordance with FRS D-3 "Employee benefits". The methodology to calculated the obligations is the projected unit credit method, considering the use of actuarial assumptions that reflect the present value, salaries increased and the probability of payment of such benefit.

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Unamortized items corresponding to past services are amortized in a maximum of five years (or within the average remaining useful lifes whichever is shorter). Unamortized termination benefit items are recorded directly in the statement of income.

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

***(h) Revenue recognition-***

Management Company's fee and commission income corresponds mainly to the commissions for services rendered to the funds, which are recorded in the statement of income when earned.

***(i) Expense recognition-***

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

***(j) 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.

***(k) Statement of income-***

The Management Company presents the statement of income in accordance with accounting criteria for fund management companies in Mexico. FRS requires the presentation of the statement of income reclassifying income, costs and expenses as ordinary and non-ordinary.

**(4) 2010 FRS Revisions -**

In December 2009, the CINIF issued the document referred to as "2010 FRS Revisions", which had no effect on the financial statements of the Management Company.

- **FRS B-1 "Accounting changes and error corrections"-** Disclosures are added to financial statements in case of an accounting change or an error correction.
- **FRS B-2 "Statement of Cash Flows"-** Unrealized accrued foreign exchange fluctuations and the effects of fair value recognition are excluded from the cash balance on the statement of cash flows.

(Continued)

(Mexican pesos in thousands)

- **FRS C-7 "Investments in associates and other permanent investments"-** Capital contributions by the holding company to the associate that increase its equity percentage are to be recognized based on the net fair value of identifiable assets and liabilities. For that purpose, the valuation must be in proportion to the increase. The increase in the percentage of participation that do not result from capital contributions by holding company should not be recognized by it.

## (5) Investment securities-

As of December 31, 2010 and 2009, investment securities classified as trading securities amount to $238,548 and $152,910 respectively, and consist of debt fund shares (see detail in the statement of securities portfolio valuation).

Net realized gain on trading securities for the years ended December 31, 2010 and 2009 amounted to $7,451 and $5,547, respectively. Unrealized gain of investment securities as of December 31, 2010 and 2009 amounted to $200 and $14, respectively. These amounts are included in the statement of income under the captions "Net realized gain on securities" and "Unrealized 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 fund, awarded to SCOTIAG a rating of AAA/2 who is outstanding in terms of security of the 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 "Low" in terms of sensibility to the market conditions.

## (6) *Accounts receivable, net-*

As of December 31, 2010 and 2009, accounts receivable's balances are as follows:

| | | 2010 | 2009 |
|---|---|---|---|
| Related parties | $ | 63,646 | 66 |
| Other accounts receivable | | 254 | 931 |
| Recoberable taxes | | 9,270 | 14,892 |
| | $ | 73,170 | 15,889 |

(Continued)

(Mexican pesos in thousands)

For the year ended December 31, 2010, there were not changes in current conditions of accounts receivable with related parties and other accounts receivable, therefore there were not items considered by management as uncollectable or doubtful and no allowance was needed for these accounts.

## (7) *Employee benefits-*

The Management Company established a defined contribution pension plan 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, 2010 and 2009, the Management Company's contributions to the defined contribution plan charged to operations amounted to $330 and $325, respectively.

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, 2010 and 2009.

The elements of the net periodic cost and the labor obligations for the years ended December 31, 2010 and 2009 are as follows:

| | | 2010 | | | |
|---|---|---|---|---|---|
| | | Seniority Premiums | | | Life |
| | | Retirement | Termination | Total | insurance |
| Service cost | $ | 1 | 1 | 2 | 1 |
| Financial cost | | 1 | 1 | 2 | 1 |
| Return on plan assets | | (1) | (1) | (2) | (1) |
| Amortization | | 1 | - | 1 | 1 |
| Net periodic cost | | 2 | 1 | 3 | 2 |
| Income recognition of actuarial gains generated in the year | | - | 9 | 9 | - |
| Total cost 2010 | $ | 2 | 10 | 12 | 2 |

(Continued)

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

Notes to Financial Statements

(Mexican pesos in thousands)

| | 2009 | | | |
|---|---|---|---|---|
| | Seniority Premiums | | | Life |
| | **Retirement** | **Termination** | **Total** | **insurance** |
| Service cost | $ - | 1 | 1 | 1 |
| Financial cost | - | 1 | 1 | 1 |
| Return on plan assets | - | (2) | (2) | (1) |
| Net periodic cost | - | - | - | 1 |
| Income recognition of actuarial gains generated in the year | - | 9 | 9 | - |
| Total cost 2009 | - | 9 | 9 | 1 |

The present value of benefit obligations of seniority premiums and life insurance for the years ended December 31, 2010 and 2009 are as follows:

| | Seniority Premiums | | | Life |
|---|---|---|---|---|
| **2010** | **Retirement** | **Termination** | **Total** | **insurance** |
| Projected benefit obligation (PBO) | $ (11) | (10) | (21) | (24) |
| Plan assets at market value | 3 | 7 | 10 | 10 |
| Financial situation of the fund | (8) | (3) | (11) | (14) |
| Past service for: | | | | |
| Plan modifications | - | - | - | 4 |
| Accumulated actuarial losses | 10 | - | 10 | 14 |
| Projected asset (liability), net | $ 2 | (3) | (1) | 4 |

| | 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 |
| Financial situation of the fund | (4) | 6 | 2 | (4) |
| Past service for: | | | | |
| Transition liability | - | 1 | 1 | - |
| Plan modifications | - | - | - | 4 |
| Accumulated actuarial losses | 6 | - | 6 | 4 |
| Projected asset, net | $ 2 | 7 | 9 | 4 |

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A reconciliation of the projected asset, net as of December 31, 2010 is as follows:

| | | Seniority Premiums | | | Life |
|---|---|---|---|---|---|
| | | Retirement | Termination | Total | insurance |
| Projected asset, net at December 31, 2009 | $ | 2 | 7 | 9 | 4 |
| Net periodic income 2010 | | (2) | - | (2) | (2) |
| Contributions to the fund during 2010 | | 2 | - | 2 | 2 |
| Income recognition of actuarial gains and losses in the year | | - | (10) | (10) | - |
| Projected asset (liability), net | $ | 2 | (3) | (1) | 4 |

The present value of the statutory severance benefit obligations as of December 31, 2010 and 2009 is as follows:

| | | 2010 | 2009 |
|---|---|---|---|
| ABO | $ | (586) | - |
| PBO | $ | (586) | (466) |
| Transition liability | | 149 | 223 |
| Projected liability, net | $ | (437) | (243) |

The net cost for several compensation for the years ended December 31, 2010 and 2009 amounted to $194 and $52, respectively.

The nominal rates used in the actuarial projections for the years ended December 31, 2010 and 2009 are:

| | 2010 | 2009 |
|---|---|---|
| Yield on plan assets | 9.00% | 9.90% |
| Discount rate | 8.75% | 9.00% |
| Rate of increase in compensation | 5.00% | 5.00% |
| Estimated inflation rate | 4.00% | 4.00% |

(Continued)

(Mexican pesos in thousands)

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, 2010, 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 | 1 years | 1 years | - | 2 years |
| Unrecognized items - plan modifications | - | - | 16.5 years | - |
| Actuarial (gain) or loss, net | 10.7 years | Immediately | 15.8 years | Immediately |

## (8) 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, 2010 and 2009, 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, 2010, 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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**(9) Income taxes (income tax (IT) and 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, not subject to recovery in subsequent years. 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 l7.5% for 2010 and 17% for 2009.

Because the Management Company estimates that the tax payable in future years will be IT, deferred tax effects as of December 31, 2010 and 2009 have been recorded on the IT basis.

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At December 31, 2010 and 2009, the deferred IT asset is analyzed below:

| | | 2010 | 2009 |
|---|---|---|---|
| Asset (liability): | | | |
| Accruals | $ | 1,209 | 1,233 |
| Employee Statutory Profit Sharing (ESPS) | | – | 2,975 |
| Furniture and equipment | | – | 1 |
| Prepaid expenses | | (21) | (30) |
| | | 1,188 | 4,179 |
| Rate | | 30% | 30% |
| Deferred IT | $ | 356 | 1,254 |

The net unfavorable effect in the statement of income of deferred IT and ESPS for the year ended December 31, 2010 and 2009 is analyzed below:

| | | 2010 | 2009 |
|---|---|---|---|
| ESPS | $ | (893) | (52) |
| Accruals | | (8) | (14) |
| Prepaid expenses and others | | 3 | 1 |
| Deferred IT and ESPS in the statement of income | $ | (898) | (65) |

For the years ended December 31, 2010 and 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, 2010 and 2009 differed from the amounts calculated by applying rate of 30% and 28% respectively, as a result of the items were as follows:

| | | IT | |
|---|---|---|---|
| | **Base** | **Tax at 30%** | **Effective rate** |
| **December 31, 2010** | | | |
| Income before IT | $ 133,899 | (40,169) | (30%) |
| *Allocation to current tax:* | | | |
| Inflationary adjustment | (8,755) | 2,627 | 2% |
| Accruals | (27) | 8 | – |
| Non-cumulative income | (3,115) | 934 | – |
| Non-deductible expenses | 812 | (244) | – |
| Others, net | 14 | (4) | – |
| Current tax | 122,828 | (36,848) | (28%) |
| *Allocation to deferred taxes: (30% rate)* | | | |
| Prepaid expenses | (14) | 3 | – |
| ESPS payable | 2,975 | (893) | – |
| Accruals | 27 | (8) | – |
| Furniture and equipment | 1 | – | – |
| Deferred tax | 2,989 | (898) | – |
| Income tax | $ 125,817 | (37,746) | (28%) |

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| | | IT | |
|---|---|---|---|
| | **Base** | **Tax at 28%** | **Effective rate** |
| **December 31, 2009** | | | |
| Income before IT | $ 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%) |

*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.

(Continued)

(Mexican pesos in thousands)

## (10) Related-party transactions and balances-

Transaction carried out with related parties for the years ended December 31, 2010 and 2009 are as follows:

| | | 2010 | 2009 |
|---|---|---|---|
| **Revenues:** | | | |
| Fee and Commission income | $ | 719,049 | 555,529 |
| **Expenses:** | | | |
| Fee and Commission expense | $ | 556,424 | 449,438 |
| Administrative expenses | | 17 | 43 |

Benefits granted by Company´s Directors for the years ended December 31, 2010 and 2009 amounted to $4,194 and $3,848, respectively.

Balances from related parties as of December 31, 2010 and 2009 are as follows:

| | | 2010 | 2009 |
|---|---|---|---|
| Cash and cash equivalent | $ | 1,577 | 10 |
| Investments securities | | 238,548 | 152,910 |
| Other accounts receivable | | 63,646 | 66 |
| **Accounts payable:** | | | |
| Other accounts payable | $ | 49,371 | - |

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## (11) Accounting standards-

The CNIF has issued the FRS and amendments listed below:

**FRS B-5 "Segment financial information"** - FRS B-5 is effective beginning January 1, 2011, with retrospective effects. The principal changes as compared to superseded Bulletin B-5 "Segment financial information" include: (i) the information to be disclosed by operating segment is that regularly used by top management and does not require segmentation into primary and secondary information or into segments identified, (ii) does not require that the entity's business areas be subject to different risks to qualify as operating segments and (iii) requires disclosing by segment and separately, interest income and expenses, as well as all other components of comprehensive financial results (CFR).

Management estimates that the adoption of this new FRS will have no important effects.

**FRS B-9 "Interim financial reporting"** - FRS B-9 is effective beginning January 1, 2011, with retrospective effects. The principal changes as compared to superseded Bulletin B-9 "Interim financial reporting", requires that the interim financial information, in addition to the balance sheet and income statement, include a comparative and condensed statement of stockholders' equity and statement of cash flows. Furthermore, provides that the financial information reported at the end of the interim period should be presented comparatively with the equivalent interim period of the immediately preceding year and, in the case of the balance sheet, compared also to such financial statement as of the date of the immediately preceding fiscal year-end.

Management estimates that the adoption of this new FRS will have no important effects.

**FRS C-5 "Prepayments"**- FRS C-5 is effective beginning January 1, 2011, with retrospective effects. Supersedes Bulletin C-5, and includes primarily disclosed in notes to financial statements: breakdown of prepayments, policies for accounting recognition and impairment losses, as well as relevant impairment reversal.

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Management estimates that the adoption of this new FRS will have no important effects.

**2011 FRS Revisions**

In December 2010, the CINIF issued the document referred to as “2011 FRS Revisions”, which contains precise amendments to some FRS. The amendments that bring about accounting changes are listed below:

- **Bulletin C-3 “Accounts receivable” –** Recognition of accrued interest income on accounts receivable is required, provided the relevant amount is reliably valued and likely to recover. Furthermore, it is provided that interest income on accounts receivable unlikely to recover must not be recognized. These revisions are effective beginning January 1, 2011 and are retrospectively applicable.

- **Bulletin D-5 “Leases” –** The discount rate to be used on capital leases is established, disclosures related to such leases are added, and the timing for recognition of the gain or loss on a sale and leaseback deal is revised. Application is on a prospective basis, except for the changes in disclosures, which must be retrospectively recognized and are effective beginning January 1, 2011.

## (12) Subsequent event-

**Acquisition of fund-**

On January 3, 2011, the Management Company made the payment to acquire the shares which represent 99.99% of the paid-in Capital of two funds specialized in debt securities, in accordance whit the corresponding share contract; on the same date the Management Company notified the Banking Commission the transaction and the shareholders book of the funds was updated.