SCOTIA CARIBBEAN INCOME FUND INC.
(formerly Scotia DBG Caribbean Income Fund Inc.)

Financial Statements

March 31, 2013

SCOTIA CARIBBEAN INCOME FUND INC.
(formerly Scotia DBG Caribbean Income Fund Inc.)

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KPMG
P.O. Box 493
Century Yard, Cricket Square
Grand Cayman KY1-1106
CAYMAN ISLANDS

Telephone +1 345 949 4800
Fax +1 345 949 7164
Internet www.kpmg.ky

Independent Auditors' Report to the Members of
SCOTIA CARIBBEAN INCOME FUND INC.

We have audited the accompanying financial statements of Scotia Caribbean Income Fund Inc. (the "Fund"), which comprise the statement of financial position as at March 31, 2013, the statements of comprehensive income, changes in net assets attributable to holders of investment shares and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Scotia Caribbean Income Fund Inc. as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

July 1, 2013

SCOTIA CARIBBEAN INCOME FUND INC.
(formerly Scotia DBG Caribbean Income Fund Inc.)

Statement of Financial Position

March 31, 2013

(Expressed in United States Dollars)

	Notes		2013	2012
Assets				
Cash and cash equivalents	4	$	2,359,610	8,283,130
Financial assets at fair value through profit or loss	5		58,163,521	38,846,097
Resale agreements	6		10,974,310	16,642,368
Other receivables	7		1,718,506	31,024
Total Assets			73,215,947	63,802,619
Liabilities				
Due to related parties	8		236,504	225,026
Accrued payables	9		116,617	138,321
Total Liabilities			353,121	363,347
Net Assets		$	72,862,826	63,439,272

Represented by:

Net assets attributable to holders of investment shares		$	72,861,826	63,438,272
Governance shares	10		1,000	1,000
		$	72,862,826	63,439,272

Approved by

_______________ **Director**

_______________ **Director**

The notes on pages 6 to 25 are an integral part of these financial statements.

SCOTIA CARIBBEAN INCOME FUND INC.
(formerly Scotia DBG Caribbean Income Fund Inc.)

Statement of Comprehensive Income

For the year ended March 31, 2013

(Expressed in United States Dollars)

	Notes		2013	2012
Interest income		$	3,359,474	2,935,433
Net realised gain on financial assets through profit or loss			63,226	347,383
Net change in fair value of financial assets at fair value through profit or loss			920,253	43,746
Net investment income			4,342,953	3,326,562
Investment management fees	8,11		(924,026)	(863,105)
Administrator fees	11		(373,377)	(359,279)
Custodian fees	11		(27,956)	(28,591)
Audit fees			(12,315)	(10,054)
Other expenses			(9,378)	(3,083)
Legal fees			-	(150)
Total operating expenses			(1,347,052)	(1,264,262)
Operating profit before finance costs			2,995,901	2,062,300
Dividends to holders of investment shares			(1,499,394)	(1,250,169)
Total finance costs			(1,499,394)	(1,250,169)
Comprehensive income before income tax			1,496,507	812,131
Income tax	12		-	-
Net comprehensive income for the year		$	1,496,507	812,131

The notes on pages 6 to 25 are an integral part of these financial statements.

SCOTIA CARIBBEAN INCOME FUND INC.

(formerly Scotia DBG Caribbean Income Fund Inc.)

Statement of Changes in Net Assets Attributable to Holders of Investment Shares
For the year ended March 31, 2013

(Expressed in United States Dollars)

		2013	2012
Balance as at April 1	$	63,438,272	51,687,727
Net comprehensive income for the year		1,496,507	812,131
Subscriptions		15,670,757	16,383,839
Reinvestment		1,350,425	1,101,940
Redemption		(9,094,135)	(6,547,365)
Balance as at March 31	$	72,861,826	63,438,272

The notes on pages 6 to 25 are an integral part of these financial statements.

SCOTIA CARIBBEAN INCOME FUND INC.
(formerly Scotia DBG Caribbean Income Fund Inc.)

Statement of Cash Flows

For the year ended March 31, 2013

(Expressed in United States Dollars)

	Note	2013	2012
Cash flows from operating activities			
Net comprehensive income for the year		$ 1,496,507	812,131
Adjustments for:			
Interest income		(3,359,474)	(2,935,433)
Dividends paid to holders of redeemable shares		1,499,394	1,250,169
Net realised gain on financial assets at fair value through profit or loss		(63,266)	(347,383)
Net change in financial assets at fair value through profit or loss		(920,253)	(43,746)
		(1,347,052)	(1,264,262)
Increase in prepaid expenses	7	9,385	(9,464)
Increase in balance due to related parties	8	11,478	57,570
(Decrease)/increase in accrued payables	9	(21,704)	74,659
Net cash used in operating activities		(1,347,893)	(1,141,497)
Cash flows from investing activities			
Interest received		3,573,433	3,179,498
Proceeds from sale of investments		105,087,065	159,518,429
Purchase of investments		(117,966,911)	(163,206,914)
Net cash used in investing activities		(9,306,413)	(508,987)
Cash flows from financing activities			
Proceeds from issued shares in the Fund		13,973,890	16,573,943
Proceeds from reinvested shares in the Fund		1,350,425	1,101,940
Redemption paid		(9,094,135)	(6,547,365)
Dividends paid to holders of redeemable shares		(1,499,394)	(1,250,169)
Net cash from financing activities		4,730,786	9,878,349
Net change in cash and cash equivalents		(5,923,520)	8,227,865
Cash and cash equivalents at beginning of year		8,283,130	55,265
Cash and cash equivalents at end of year		$ 2,359,610	8,283,130

The notes on pages 6 to 25 are an integral part of these financial statements.

1. Reporting Entity

Scotia Caribbean Income Fund Inc. (formerly Scotia DBG Caribbean Income Fund Inc.), (the "Fund") was incorporated on March 29, 2006 in Saint Lucia. The Fund is also licensed under the Saint Lucia International Mutual Fund Act as a public international mutual fund. On November 27, 2006 and on January 11, 2007; the Fund was registered under the Companies Act of Jamaica and Trinidad and Tobago, respectively. The Fund is registered under the Trinidad and Tobago Securities & Exchange Commission (SEC) as a reporting issuer. On September 7, 2009, the Fund registered under the Companies Law of the Cayman Islands and on September 17, 2009, the Fund registered under the Mutual Funds Law of the Cayman Islands.

The registered office of the Fund is located at 20 Micoud Street, Castries, Saint Lucia.

On March 22, 2011 the Fund changed its name to Scotia Caribbean Income Fund Inc.

The Fund's investment objective is to provide a regular stream of income and modest capital gains by investing primarily in US dollar denominated fixed income securities issued or guaranteed by governments or government sponsored agencies of a country in the Caribbean region, as well as money market and longer term fixed income securities issued by non government issuers in accordance with the Investment Policy below. The Fund may also invest in other income generating securities, which may include dividend paying shares.

The investment activities of the Fund are managed by Scotia Asset Management (St. Lucia) Inc. (formerly Scotia DBG Fund Managers Inc.) The custodian activities are performed by State Street Bank and Trust Company Ltd (the "Custodian"), which is an independent entity and is not a related party to the Fund Administrator or the Fund Manager. The Fund administrator is ADCO Inc. (the "Fund Administrator"), a company incorporated in Saint Lucia. The Fund Administrator has appointed State Street Cayman Trust Company Ltd., a trust company duly organised under the laws of the Cayman Islands as Fund Sub-Administrator. The Fund has no employees.

2. Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board.

The financial statements were authorised for issue by the directors on July 1st, 2013.

(b) Basis of measurement

The financial statements are prepared on a fair value basis in respect of financial assets and financial liabilities that are measured at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortised cost or redemption amount.

(c) Functional currency

The financial statements are presented in United States Dollar ("US$"), which is the functional currency of the Fund. All financial information presented in US$ has been rounded to the nearest dollar.

2. Basis of Preparation (Cont'd)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are readily apparent from other sources. Actual amounts could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant assumptions and judgements applied in these financial statements giving rise to a risk of material adjustment in the next financial year.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the Fund's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

(b) Financial assets and financial liabilities:

(i) Recognition and initial measurement

Financial assets and liabilities at fair value through profit or loss are recognized initially on the trade date at which the Fund becomes party to the contractual provisions of the instrument. Other financial assets and liabilities are recognized on the date they are originated.

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognized in the profit or loss. Financial assets and liabilities not at fair value through profit or loss are measured initially at fair value, plus transaction costs that are directly attributable to its acquisition or issue.

3. Significant Accounting Policies (Cont'd)

(b) Financial assets and financial liabilities (Cont'd)

(ii) Classification

The Fund has classified financial assets and liabilities into the following categories:

Financial assets at fair value through profit or loss:
- Designated as at fair value through profit or loss – bonds and other notes

Financial assets at amortised cost:
- Loans and receivables – cash, accounts receivable, due from Fund Manager and resale agreements.

Financial liabilities measured at cost:
- Other liabilities - due to Fund Manager and other payables.

(iii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the amount recognized and the maturity amount, minus any reduction for impairment.

(iv) Fair value measurement

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act.

When available, the Fund measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if the quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Fund establishes fair value using pricing models or discounted cash flow techniques or a generally accepted alternative method. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date and incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

3. Significant Accounting Policies (Cont'd)

(b) Financial assets and financial liabilities (Cont'd)

(iv) Fair value measurement (continued)

The fair values of cash, accounts receivable, due to Scotia Asset Management (St. Lucia) Inc. and accounts payable are assumed to approximate to their carrying values, due to their short-term nature. The fair value of resale agreements is assumed to approximate their carrying value as they are subject to repricing in the short-term at market rate. The fair value of Government of Jamaica securities is determined using an alternative pricing method.

All changes in fair value, other than interest income, are recognised in profit or loss.

(v) Identification and measurement of impairment

The carrying amounts of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

- Calculation of recoverable amount:

The recoverable amount of the Fund's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

- Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amounts can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

3. Significant Accounting Policies (Cont'd)

(b) Financial assets and financial liabilities (Cont'd)

(v) Identification and measurement of impairment (Cont'd)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

(vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39. The Fund uses the weighted average method to determine realised gains and losses on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(vii) Specific Instruments

Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments, other than cash collateral provided in respect of derivatives, securities sold and securities borrowing transactions.

Resale agreements

A resale agreement ["reverse repo"] is a short-term transaction whereby an entity buys securities and simultaneously agrees to resell the securities on a specified date and at a specified price. Title to the security is not actually transferred, unless the counterparty fails to comply with the terms of the contract.

Reverse repos are accounted for as short-term collateralised lending and are classified as loans and receivables and measured at amortised cost.

(c) Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3. Significant Accounting Policies (Cont'd)

(d) Interest income

Interest income is recognised in the statement of comprehensive income as it accrues using the effective interest method.

(e) Expenses

All expenses, including management fees and custodian fees, are recognised in the statement of comprehensive income on the accrual basis.

(f) Accrued payables

Accrued payables are stated at cost.

(g) Dividends

The Fund may distribute up to 100% of its net earned income (comprehensive income excluding the net change in fair value of financial assets at fair value through profit or loss and dividend income) during the calendar quarter for which the distribution will be made, by the last business day of each calendar quarter, subject to any relevant factors which may mitigate against that level of distribution being made.

Under the Caricom Tax Treaty, dividends paid by the Fund to shareholders who are resident in another Caricom member state which has incorporated the provisions of the Caricom Tax Treaty into its domestic law, will only be liable to income tax in the Caricom member state where the fund is resident (Saint Lucia), and such liability is at the rate of zero per cent (0%).

(h) Shares

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has two types of shares in issue: investment shares and governance shares. The rights and obligations of different shares are explained in note 6. All investment shares are redeemable shares issued by the Fund and provide the investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at the redemption date. In accordance with IAS 32 such instruments give rise to a financial liability for the present value of the redemption amount.

(i) Standards and amendments to existing standards effective January 1, 2012 that are adopted by the Fund.

There were no other standards, interpretations or amendments to existing standards that are effective, that would be expected to have a significant impact on the Fund.

3. Significant Accounting Policies (Cont'd)

(j) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2012 and not early adopted.

IFRS 9, 'Financial Instruments', effective for annual periods beginning on or after January 1, 2015, specifies how an entity should classify and measure financial assets and financial liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement'. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Fund's financial position or performance, as it is expected that the Fund will continue to classify its financial assets and financial liabilities (both long and short) as being at fair value through profit or loss.

IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after January 1, 2013, by elaborating on whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not expected to have any impact on the Fund's financial position or performance.

IFRS 12, 'Disclosures of interest in other entities', effective for annual periods beginning on or after January 1, 2013, includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard is not expected to have any impact on the Fund's financial position or performance.

Amendments to IFRS 10 for investment entities, effective for periods beginning on or after January 1, 2014, will result in many investment funds and similar entities being exempt from consolidating most of their subsidiaries. Instead, such entities will measure their 'subsidiaries' at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made to IFRS 12 to introduce disclosures that an investment entity needs to make. The new standard is not expected to have any impact on the Fund's current consolidation conclusions.

IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after January 1, 2013. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of

(Expressed in United States Dollars)

3. Significant Accounting Policies (Cont'd)

(j) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2012 and not early adopted (Cont'd).

mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. On adoption of the standard, the Company expects to change its valuation inputs for listed financial assets and liabilities to last traded prices for the calculation of its per share trading value for subscriptions and redemptions.

The IAS 32, 'Financial instruments: Presentation' amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. In connection therewith, IFRS 7, 'Financial instruments: Disclosures' amendments were also issued. These new IFRS 7 disclosures are intended to facilitate comparison between IFRS and US GAAP preparers. The converged offsetting disclosures in IFRS 7 are to be retrospectively applied, with an effective date of annual periods beginning on or after January 1, 2013. The IAS 32 changes are retrospectively applied, with an effective date of annual periods beginning on or after January 1, 2014. Master netting agreements where the legal right of offset is only enforceable on the occurrence of some future event, such as default of the counterparty, continue not to meet the offsetting requirements. The disclosures focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The new amendments are not expected to have any impact on the Fund's financial position or performance.

There were no other standards, interpretations or amendments to existing standards that are not effective for the financial year beginning January 1, 2012 that would be expected to have a significant impact on the Fund.

4. Cash and cash equivalents

		2013	2012
Cash at bank	$	354,379	32,546
Short-term investments		2,005,231	8,250,584
Total	$	2,359,610	8,283,130

During the year fund received interest amounting to $ 3,573,433 (2012 - $3,179,498).

(Expressed in United States Dollars)

5. Financial Assets at Fair Value Through Profit or Loss

The Fund's portfolio of investments at fair value is comprised of:

	Maturity date		2013	2012
Aeropuertos Dominicanos – 9.25%	2019	$	543,750	-
Air Jamaica Limited – 9.38% Amortised Notes	2015		-	2,316,470
Commonwealth of Bahamas – 6.95%	2029		1,799,270	1,702,615
Dominican Republic – 7.50%	2021		560,000	-
Dominican Republic – 9.04%	2018		606,602	-
Government of Aruba – 4.63%	2023		1,545,000	-
Government of Aruba – 6.55%	2018		575,000	-
Government of Aruba - 6.80%	2014		485,680	485,680
Government of Barbados – 6.75%	2014		430,500	700,000
Government of Barbados – 7.00%	2022		1,382,850	1,330,170
Government of Barbados – 7.25%	2021		3,127,610	3,372,845
Government of Barbados – 7.80%	2019		98,545	100,000
Government of Bermuda – 4.14%	2023		1,050,000	-
Government of Bermuda – 5.60%	2020		1,790,550	2,889,410
Government of Bolivia – 4.88%	2022		1,496,250	-
Government of Cayman Islands – 5.95%	2019		2,529,540	2,329,555
Government of Colombia – 8.38%	2027		2,043,520	1,506,750
Government of Colombia – 8.70%	2016		731,967	745,895
Government of Jamaica – 10.63% Corporate Bonds	2017		2,200,000	1,581,180
Government of Jamaica – 8.00%	2019		2,695,000	-
Government of Jamaica – 9.25%	2025		119,340	122,850
Government of Jamaica – 9.00% Global Bonds	2015		2,377,240	3,497,830
Jamaica Public Service – 11.00%	2021		3,286,500	3,187,373
National Road Operating and Construction Company – 9.38%	2024		1,696,260	1,696,260
Panama Bonos Del Tesoro – 5.63%	2022		2,271,000	-
Petroleos De Venezuela – 4.90%	2014		957,500	-
Petroleos De Venezuela – 8.00%	2013		1,004,000	-
Petroleos De Venezuela Unsecured – 8.00%	2013		1,332,660	-
Petroleum Company Trinidad and Tobago – 6%	2022		173,375	181,125
Petroleum Company Trinidad and Tobago – 9.75%	2019		3,695,425	3,423,497
Republic of Costa Rica – 10.00%	2020		2,466,000	1,074,000
Republic of Costa Rica – 4.25%	2023		1,011,000	-
Republic of El Salvador – 7.38%	2019		2,090,000	815,100
Republic of Guatemala – 5.75%	2022		1,101,500	-
Republic of Panama – 9.38%	2023		362,500	347,500
Republic of Paraguay – 4.63%	2023		1,005,000	-
Republic of Trinidad and Tobago – 9.75%	2020		4,416,480	4,324,470
Sagicor Finance Ltd – 7.5% Corporate Bonds	2016		628,500	309,000
Scotiabank Peru - Variable	2027		1,447,500	-
			57,133,414	38,039,575
Accrued interest			1,030,107	806,522
		$	58,163,521	38,846,097

(Expressed in United States Dollars)

6. Resale agreements

	2013	2012
Resale agreements	$ 10,875,000	16,613,000
Accrued interest	99,310	29,368
	$ 10,974,310	16,642,368

The fair value of underlying securities used to collateralize resale agreements is $12,578,047 (2012: $21,790,757).

At March 31, 2013 $5,889,671 (2012 - $11,642,368) of Resale Agreements are to be matured within 90 days and $ 5,084,639 (2012-$ 5,000,000) to be matured between 91 to 365 days.

7. Other receivables

Other receivables are stated at cost, less impairment losses. Other receivables include a receivable for fund shares sold in the amount of $1,718,427 (2012: $21,560).

8. Related Party Transactions

A party is related to the Fund, if:

(i) directly, or indirectly through one or more intermediaries, the party:

   (a) controls, is controlled by, or is under common control with, the Fund (this includes parents, subsidiaries and fellow subsidiaries);

   (b) has an interest in the entity that gives it significant influence over the Fund; or

   (c) has joint control over the Fund;

(ii) the party is an associate of the Fund;

(iii) the party is a joint venture in which the Fund is a venturer;

(iv) the party is a member of the key management personnel of the Fund or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Fund resides with, directly or indirectly, any individual referred to in (iv) or (v).

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

Due to related parties:

	2013	2012
Due to Fund Manager – Scotia Asset Management (St. Lucia) Inc.	$ 236,504	225,026

(Expressed in United States Dollars)

8. Related Party Transactions (Cont'd)

The Fund has appointed Scotia Asset Management (St. Lucia) Inc. (formerly Scotia DBG Fund Managers Inc.) ("Fund Manager"), a company registered in Saint Lucia as an International Business Company on April 21, 2009 and licensed as a Fund Manager in Saint Lucia, to provide investment advisory and fund management services. The Fund Manager appointed Scotia Asset Management (Jamaica) Limited, a company duly incorporated under the law of Jamaica and a dealer licensed by the Financial Services Commission in Jamaica, to implement the investment strategy and the administrative services. Investment management fees paid to the Fund Manager during the year was $924,026 (2012 - $863,105).

9. Accrued payables

Accrued payables are stated at amortised cost. Accrued payables include a payable for fund shares repurchased in the amount of $31,040 (2012: $25,431).

10. Share Capital

(a) Authorised and issued

		2013	2012
Authorised			
100,000,000 investment shares of no par value			
100 governance shares of no par value			
Issued			
Investment Shares			
Balance at April 1	$	17,723,831	14,668,116
Subscriptions		4,279,894	4,580,776
Reinvestment		370,944	309,345
Redemptions		(2,502,169)	(1,834,406)
Balance at March 31		19,872,500	17,723,831
100 Governance Shares	$	1,000	1,000

The rights and obligations of different shares are as follows:

The Investment Shares:

(i) rank pari passu as between and among themselves for all purposes;

(ii) together collectively comprise a 100% ownership participation;

(iii) are redeemable by the Fund; and

(iv) are non-voting and carry no voting rights on any matters, save and except that the investment shares shall carry one vote per investment share on any resolution for the following matters:

(Expressed in United States Dollars)

10. Share Capital (Cont'd)

(a) the appointment of an investment manager of the Fund which is not Scotia Investments Jamaica Limited. or a direct or indirect subsidiary of Scotia Investments Jamaica Limited, and;

(b) the appointment of any administrator or custodian of the Fund or the Fund's assets which is a related party to the investment manager of the Fund.

The Governance Shares:

(i) rank pari passu as between and among themselves;

(ii) have full voting rights, with one vote for each such share;

(iii) do not have any ownership participation; and

(iv) apart from their voting rights, have no economic rights or entitlements save for the right on a winding up to the repayment of the capital paid thereon after all the Investment Shares have been repaid in full.

(b) Reconciliation of net asset value of Fund to the net asset value per Investment Share:

		2013	2012
Net assets value of Fund	$	72,862,826	63,439,272
Less: Governance shares		(1,000)	(1,000)
	$	72,861,826	63,438,272
Investment shares in issue at March 31		19,872,500	17,723,831
Net asset value per investment share	$	3.67	3.58

11. Administration, Management and Custodian fees

The Fund Administrator shall be paid an annual fee of US$15,000 for services rendered in accordance with the terms of the Fund Administration Agreement, out of the assets of the Fund. The Fund Sub Administrator shall be paid a minimum annual fee of US$22,035 for services rendered in accordance with the terms of the Fund Sub Administration Agreement, out of the assets of the Fund. These fees accrue daily and are paid quarterly in arrears.

The Fund Manager is entitled to receive an annual fee of at an annual rate of 1.60% of the NAV of the Fund that is calculated and accrues daily and payable quarterly in arrears based on the daily NAV of the Fund. These amounts are payable out of the assets of the Fund.

The Fund Distributor(s) is/are entitled to receive an annual trailer fee of at an annual rate of 0.375% of the NAV of the Fund that is calculated and accrues daily and payable quarterly in arrears based on the daily average net assets under management. A-sub distributor may be paid by its distributor out of this trailer fee.

The Custodian shall be paid a fee of up to 0.60% per annum of the Net Asset Value of the Fund calculated in accordance with the Custodian Agreement. The Custodian is also entitled to be reimbursed by the Fund for all its out of pocket disbursements (excluding its normal overhead costs) wholly and exclusively incurred in the performance of its duties for the Fund. A fee for auditing services will also be payable out of the assets of the Fund.

(Expressed in United States Dollars)

12. Income Tax

(a) *Incidence of Taxation:*

The Fund is liable to income tax in Saint Lucia on its taxable income at the rate of 1%.

A substantial part of the assets of the Fund comprises interest-bearing securities issued by Caricom member states, which have exempted such interest from income tax in the issuing state. Under the Taxation Agreement among Member States of the Caribbean Community for the Avoidance of Double taxation (the “Caricom Tax Treaty”), interest paid by an issuer of debt in one member state to a debt-holder in another member state is only taxable in the state in which it arises, and therefore interest on those securities will not be subject to tax in Saint Lucia.

(b) *Income tax expense*

		2013	2012
Income tax expense	$	-	-
Reconciliation of applicable tax charge to effective tax charge:			
Profit before income tax expense	$	1,496,507	812,131
Income tax at domestic rate of 1% (2011 – 1%)	$	14,965	8,121
Less: Tax effect of exempt income		(23,440)	(23,473)
Unrealised fair value gains		(9,203)	(437)
Adjustment for current year tax losses		17,678	15,789
Income tax expense	$	-	-

At the end of the year, the Fund had income tax losses of $5,689,612 (2012 - $3,921,878) to carry forward against future tax liabilities. These losses, which have not been confirmed or agreed by the Inland Revenue Department, will expire as follows if not utilised:

		Losses arising	Losses available
2015	$	485,203	485,203
2016	$	568,792	1,053,995
2017	$	1,288,929	2,342,924
2018	$	1,578,954	3,921,878

(Expressed in United States Dollars)

13. Financial Risk Management

By their nature, the Fund's activities are principally related to the use of financial instruments. Therefore, this will involve analysis, evaluation and management of some degree of risk or combination of risks. Taking these risks is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Fund's aim is therefore to achieve an appropriate balance between risks and return and minimise potential adverse effects on the Fund's financial performance.

The Fund manages risk through a framework of risk principles, organisational structures and risk measurement and monitoring processes that are closely aligned with the activities of its business units. The Fund's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The Fund regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Centralised credit risk management and market and operational risk management departments execute the risk management functions, under the guidance of policies approved by the Board of Directors. The Committee has the responsibility of ensuring that risks are managed within the limits established by the Board of Directors. The Committee meets at least once a month to review risks, evaluate performance and provide strategic direction. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk faced by the Fund from its use of financial instruments are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate and other price risk.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally on the Fund's investment activities. The Fund structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

The Fund limits its exposure to credit risk by investing mainly in securities with counterparties that have high credit quality when considered in the context of the Caribbean region.

The Fund has documented investment policies; these facilitate the management of credit risk on investment securities and resale agreements. The Fund's exposure and the credit ratings of its counterparties are continually monitored.

The maximum exposure to credit risk before collateral held or other credit enhancements is as follows:

	2013	**2012**
S & P Rating		
AAA to A-	21.69%	26.36%
BBB+ to B-	50.88%	65.26%
CCC+ to C-	15.91%	-
Not rated	11.52%	8.38%
Total	100.00%	100.00%

(Expressed in United States Dollars)

13. Financial Risk Management (Cont'd)

(a) Credit risk (Cont'd)

		2013	2012
Investments			
Financial assets at fair value through profit or loss	$	58,163,521	38,846,097
Resale agreements		10,974,310	16,642,368
Total Investments	$	69,137,831	55,488,465

Most of the Fund's financial assets are concentrated in the Caribbean region as follows:

	Rating range	2013	Rating range	2012
Government of Jamaica	CCC+	$ 18,558,379	B-	$ 22,067,705
Government of Aruba	A-	2,627,996	A-	493,531
Government of Bermuda	AA-	2,867,871	AA-	2,917,666
Commonwealth of Bahamas	BBB	1,836,877	BBB	1,740,221
Government of Cayman Islands	Aa3	2,574,921	Aa3	2,374,936
Republic of Costa Rica	BB	3,522,332	BB+	1,087,327
Republic of Colombia	BBB	2,800,004	BBB-	2,271,811
Republic of El Salvador	BB-	2,133,267	BB-	833,783
Republic of Trinidad and Tobago	A	4,491,238	A	4,399,228
Republic of Panama	BBB	2,659,008	BBB-	352,383
Government of Barbados	BB+	5,121,765	BBB-	5,596,821
Government of Bolivia	BB-	1,527,125	-----	-
Dominican Republic	B+	1,191,038	-----	-
Republic of Guatemala	BB	1,119,868	-----	-
Republic of Paraguay	BB-	1,013,479	-----	-
Aeropuertos Dominicanos	BB-	561,479	-----	-
Petroleum Company Trinidad and Tobago – 6%	BBB	177,149	BBB	185,296
Petroleum Company Trinidad and Tobago – 9.75%	BBB	3,730,927	BBB	3,458,999
Scotiabank Peru - Variable	Baa3	1,467,750	-----	-
Sagicor Finance Ltd – 7.5% Corporate Bonds	BB-	645,875	BB+	317,688
Air Jamaica Limited – 9.38% Amortised Notes	CCC+	-	B-	2,365,081
National Road Operating and Construction Company – 9.38%	CCC+	1,757,323	B-	1,757,323
Petroleos De Venezuela – 8.00%	NR	2,406,042	-----	-
Petroleos De Venezuela – 4.90%	NR	978,325	-----	-
Jamaica Public Service – 11.00%	NR	3,367,793	NR	3,268,666
		$ 69,137,831		$ 55,488,465

13. Financial Risk Management (Cont'd)

(b) Liquidity risk:

Liquidity risk is the risk that the Fund is unable to meet its payment obligations associated with its financial liabilities when they fall due.

The Fund manages liquidity risk by ensuring, as far as possible, that it has adequate liquid assets to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the its reputation.

The residual contractual maturities of the Fund's financial liabilities are within one to three months.

(c) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Fund is exposed to market risk as the financial instruments subject to this risk represent a significant portion of its investments.

The Fund's strategy on the management of market risk is driven by the Fund's investment objective. The Fund's objective is to provide a regular stream of income and modest capital gains over time. The Fund's market risk is managed by the Investment Manager in accordance with policies and procedures approved by the Board.

(i) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund has no exposure to foreign currency risk as all financial assets and liabilities are in United States dollars.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Floating rate instruments expose the Fund to cash flow interest risk, whereas fixed interest rate instruments expose the Fund to fair value interest risk.

All financial liabilities are non-interest bearing.

The following table summarises the Fund's exposure to interest rate risk to earnings. It includes the Fund's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity date.

(Expressed in United States Dollars)

13. Financial Risk Management (Cont'd)

(c) Market risk (cont'd):

(ii) Interest rate risk (cont'd):

2013		**Less than 1 month**	**1-3 months**	**3 months - 1 year**	**Over 1 year**	**Total**
Assets						
Cash and cash equivalents	$	2,359,610	-	-	-	2,359,610
Financial assets at fair value through profit or loss		2,406,042	-	-	55,757,479	58,163,521
Resale agreements		5,889,671	-	5,084,639	-	10,974,310
Total assets	$	10,655,323	-	5,084,639	55,757,479	71,497,441

2012		**Less than 1 month**	**1-3 months**	**3 months - 1 year**	**Over 1 year**	**Total**
Assets						
Cash and cash equivalents	$	8,283,130	-	-	-	8,283,130
Financial assets at fair value through profit or loss		-	-	-	38,846,097	38,846,097
Resale agreements		9,737,368	1,905,000	5,000,000	-	16,642,368
Total assets	$	18,020,498	1,905,000	5,000,000	38,846,097	63,771,595

Sensitivity analysis

The Fund is susceptible to interest rate risk arising from the exposure to debt securities. As at March 31, 2013, should interest rates have lowered or risen by 100 basis points with all other variables remaining constant, the decrease or increase, respectively, in net assets attributable to the holder of redeemable shares for the year ended would amount to approximately $14,678 (2012: nil) arising from the decrease or increase, respectively, in interest receivable due to the Fund's exposure to debt securities. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

(iii) Other price risk:

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting instruments traded in the market. As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect profit or loss.

13. Financial Risk Management (Cont'd)

(c) Market risk (cont'd):

(iii) Other price risk (Cont'd)

The Fund's exposure to price risk is represented by the total carrying value of investments on the statement of financial position of US$69,137,831 (2012: US$55,488,465).

Sensitivity analysis

A 5% increase/decrease in prices at March 31, 2013, would have increased/decreased the surplus for the year and the net assets available to holders of fund units by US$2,834,789 (2012: US$1,938,307).

14. Fair Value Disclosure

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following tables analyse within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value:

(Expressed in United States Dollars)

14. Fair Value Disclosure (Cont'd)

At March 31, 2013

		Level 1	Level 2	Level 3	Total Balance
Financial assets at fair value through profit or loss					
Government Issues	$	-	43,070,858	-	43,070,858
Government Bonds		-	15,092,663	-	15,092,663
Repurchase Agreements		-	10,974,310	-	10,974,310
Total financial assets at fair value through profit or loss	$	-	69,137,831	-	69,137,831

At March 31, 2012

		Level 1	Level 2	Level 3	Total Balance
Financial assets at fair value through profit or loss					
Government Issues	$	-	27,493,044	-	27,493,044
Government Bonds		-	11,353,053	-	11,353,053
Repurchase Agreements		-	16,642,368	-	16,642,368
Total financial assets at fair value through profit or loss	$	-	55,488,465	-	55,488,465

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, would include active listed equities, most exchange traded derivatives, many US government bills and certain non-US sovereign obligations. The Fund does not adjust the quoted price for these instruments.

Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are classified as Level 2, unless the measurement of its fair value requires the use of significant unobservable input, in which case it is reclassified as Level 3. For the year ended March 31, 2013, there were no securities transferred between Level 1 or 2.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs would be classified within level 2. These include most investment-grade corporate bonds, investments in other funds where redemption is not restricted, certain non-US sovereign obligations, thinly traded listed equities and some over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

For the year ended March 31, 2013, the Fund did not have any Level 3 securities. There were no securities transferred in or out of Level 3.

15. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation.