SCOTIA CARIBBEAN INCOME FUND INC.

Financial Statements

March 31, 2014

SCOTIA CARIBBEAN INCOME FUND INC.

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INDEPENDENT AUDITORS' REPORT

To the Directors 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, 2014, and the statements of comprehensive income, changes in net assets attributable to holders of investment shares and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

June 30, 2014

SCOTIA CARIBBEAN INCOME FUND INC.

Statement of Financial Position

March 31, 2014

(Expressed in United States Dollars)

	Notes		2014	2013
Assets				
Cash and cash equivalents	4	$	12,243,021	2,359,610
Financial assets at fair value through profit or loss	5,14		57,970,160	58,163,521
Securities purchased under resale agreements	6,14		6,947,097	10,974,310
Other receivables	7		34,908	1,718,506
Total Assets			77,195,186	73,215,947
Equity				
Share capital	8		1,000	1,000
			1,000	1,000
Liabilities				
Due to related parties	9		269,822	236,504
Accrued payables	10		133,887	116,617
Total Liabilities (excluding net assets attributable to holders of investment shares)			403,709	353,121
Net assets attributable to holders of investment shares	11	$	76,790,477	72,861,826

Approved by

Director

Director

The notes on pages 6 to 28 are an integral part of these financial statements.

SCOTIA CARIBBEAN INCOME FUND INC.

Statement Comprehensive Income

For the year ended March 31, 2014

(Expressed in United States Dollars)

	Notes		2014	2013
Interest income		$	3,681,138	3,359,474
Net realised (loss)/gain on financial assets through profit or loss			(396,788)	63,226
Net change in unrealised (loss)/gain in financial assets at fair value through profit or loss			(1,704,796)	920,253
Total revenue			1,579,554	4,342,953
Investment management fees	9,12		(1,105,324)	(924,026)
Administrator fees	12		(417,815)	(373,377)
Custodian fees	12		(26,927)	(27,956)
Audit fees			(13,360)	(12,315)
Other expenses			(11,583)	(9,378)
Legal fees			(1,470)	-
Total operating expenses			(1,576,479)	(1,347,052)
Operating profit before finance costs			3,075	2,995,901
Dividends to holders of investment shares			(1,574,731)	(1,499,394)
Total finance costs			(1,574,731)	(1,499,394)
(Decrease)/increase in net assets attributable to holders of investments shares before income tax			(1,571,656)	1,496,507
Income tax expense	13		-	-
(Decrease)/increase in net assets attributable to holders of investments shares		$	(1,571,656)	1,496,507

The notes on pages 6 to 28 are an integral part of these financial statements.

SCOTIA CARIBBEAN INCOME FUND INC.

Statement of Changes in Net Assets Attributable to Holders of Investment Shares
For the year ended March 31, 2014

(Expressed in United States Dollars)

		2014	2013
Balance as at April 1	$	72,861,826	63,438,272
(Decrease)/increase in net assets attributable to holders of investments shares		(1,571,656)	1,496,507
		71,290,170	64,934,779
Subscriptions of investment shares		14,590,741	15,670,757
Reinvestment of investment shares		1,425,079	1,350,425
Redemption of investment shares		(10,515,513)	(9,094,135)
Total subscriptions, reinvestments and redemptions by holders of investment shares during the year		5,500,307	7,927,047
Balance as at March 31	$	76,790,477	72,861,826

The notes on pages 6 to 28 are an integral part of these financial statements.

SCOTIA CARIBBEAN INCOME FUND INC.

Statement of Cash Flows

For the year ended March 31, 2014

(Expressed in United States Dollars)

		2014	2013
Cash flows from operating activities			
(Decrease)/increase in net assets attributable to holders of investments shares before income tax	$	(1,571,656)	1,496,507
Adjustments for:			
Dividends paid to holders of investment shares		1,574,731	1,499,394
Net realised loss/(gain) on financial assets at fair value through profit or loss		396,788	(63,226)
Net change in unrealised loss/(gain) in financial assets at fair value through profit or loss		1,704,796	(920,253)
		2,104,659	2,012,422
Interest received, net		646,883	213,959
Proceeds from sale of investments		54,607,959	105,087,065
Purchase of investments		(53,135,852)	(117,966,911)
Decrease in other receivables		1,683,598	9,385
Increase in balance due to related parties		33,318	11,478
Increase/(decrease) in accrued payables		17,270	(21,704)
Net cash from/(used in) operating activities		5,957,835	(10,654,306)
Cash flows from financing activities			
Proceeds from issued shares in the Fund		14,590,741	13,973,890
Proceeds from reinvested shares in the Fund		1,425,079	1,350,425
Payments on redemption of investment shares		(10,515,513)	(9,094,135)
Dividends paid to holders of investment shares		(1,574,731)	(1,499,394)
Net cash from financing activities		3,925,576	4,730,786
Net change in cash and cash equivalents		9,883,411	(5,923,520)
Cash and cash equivalents at beginning of year		2,359,610	8,283,130
Cash and cash equivalents at end of year	$	12,243,021	2,359,610

The notes on pages 6 to 28 are an integral part of these financial statements.

1. Reporting Entity

Scotia 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 was registered under the Companies Law of the Cayman Islands and on September 17, 2009, the Fund was 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.

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. (the "Fund Manager"). 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 June 30, 2014.

(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 recognised initially on the trade date at which the Fund becomes party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised 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 recognised in 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 their 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 and cash equivalents, other receivables and securities purchased under resale agreements.

Financial liabilities measured at cost:
- Other liabilities - due to related parties and accrued 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 is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

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 (Cont'd)

The fair values of cash and cash equivalents, other receivables, due to related parties and accrued payables are assumed to approximate to their carrying values, due to their short-term nature. The fair value of securities purchased under 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 securities purchased under resale agreements is determined using an alternative pricing method.

All changes in fair value are recognised in profit or loss.

(v) Identification and measurement of impairment

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is 'impaired' if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of the amount due on terms that the Fund would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or adverse changes in the payment status of the borrowers.

- 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 rights to receive the concractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset. 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) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

(viii) 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.

3. Significant Accounting Policies (Cont'd)

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

(viii) Specific Instruments (Cont'd)

Securities purchased under 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.

Investment Shares

The investment shares are classified as financial liabilities and are measured at the present value of the redemption amounts.

(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.

(d) Interest income

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

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Interest received or receivable, and interest paid or payable, are recognised in the statement of comprehensive income as interest income and interest expense, respectively.

(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.

3. Significant Accounting Policies (Cont'd)

(g) Dividends to holders of investment shares

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%).

Dividends payable to holders of investment shares are recognized in the statement of comprehensive income as finance costs.

(h) Net gain from financial instruments at fair value through profit or loss

Net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest and dividend income.

(i) 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 8 and 11. 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.

(j) Changes in accounting policies

The Fund had adopted the following new standards and amendments to standards, including any consequential amendments to other standards with a date of initial application of April 1, 2013.

(i) IFRS 13 *Fair Value Measurement*; and
(ii) *Disclosures – Offsetting Financial Assets and Financial Liabilities* (amendments to IFRS 7) (2011)

3. Significant Accounting Policies (Cont'd)

(j) Changes in accounting policies (Cont'd)

(i) Fair value measurement

In accordance with the transitional provisions of IFRS 13, the Fund has applied the new definition of fair value prospectively.

As a result, the Fund has changed the valuation approach for financial assets and financial liabilities measured at fair value for which a quoted price in an active market is available. Management concluded that mid-market prices for such instruments are representative of fair value and generally to use mid-market prices for such instruments. In 2013, such financial assets were measured at bid price and such financial liabilities at asking price. The change in accounting policy did not have a significant impact on the measurement of the Fund's assets and liabilities.

The Fund has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Fund has provided the relevant comparative disclosures under those standards.

(ii) Offsetting financial assets and liabilities

As a result of the amendment to IFRS 7, the Fund has included disclosures about offsetting financial assets and financial liabilities (see Note 14(a)(ii)).

(k) New standards, amendments and interpretations issued but not effective for the financial year beginning April 1, 2013 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after April 1, 2013, and have not been applied in preparing these financial statements. Those that may be relevant to the Fund are set out below. The Fund does not plan to adopt these standards early.

- IFRS 9 *Financial Instruments (2013)*, IFRS 9 *Financial Instruments (2010)* and IFRS 9 *Financial Instruments (2009)* (together IFRS 9). IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets.

  The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

(Expressed in United States Dollars)

3. Significant Accounting Policies (Cont'd)

(k) New standards, amendments and interpretations issued but not effective for the financial year beginning April 1, 2013 and not early adopted (Cont'd)

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI. No amount recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI would be measured at fair value, with changes in fair value recognised in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management.

The mandatory effective date of IFRS 9 is for periods beginning on or after January 1, 2018. However, early application of IFRS 9 is permitted.

Based on the initial assessment, the standard is not expected to have a material impact on the Fund.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32). The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is considered to be equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Early application is permitted.

4. Cash and Cash Equivalents

		2014	**2013**
Cash at bank	$	337,826	354,379
Short-term investments		11,905,195	2,005,231
Total	$	12,243,021	2,359,610

During the year the Fund received interest amounting to $ 4,340,080 (2013: $3,573,433).

(Expressed in United States Dollars)

5. Financial Assets at Fair Value Through Profit or Loss

The Fund's portfolio of investments at fair value through profit or loss is comprised of:

	Maturity date	2014	2013
Aeropuertos Dominicanos – 9.25%	2019	$ -	543,750
Banco de Costa Rica – 5.25%	2018	507,200	-
Commonwealth of Bahamas – 6.95%	2029	-	1,799,270
Dominican Republic – 5.88%	2024	173,250	-
Dominican Republic – 6.60%	2024	512,500	-
Dominican Republic – 7.50%	2021	892,000	560,000
Dominican Republic – 9.04%	2018	480,910	606,602
Government of Aruba – 4.63%	2023	2,126,250	1,545,000
Government of Aruba – 6.55%	2018	530,000	575,000
Government of Aruba - 6.80%	2014	467,000	485,680
Government of Barbados – 6.75%	2014	140,000	430,500
Government of Barbados – 7.00%	2022	1,172,130	1,382,850
Government of Barbados – 7.80%	2019	851,321	98,545
Government of Barbados – 7.25%	2021	1,730,700	3,127,610
Government of Bermuda – 4.14%	2023	-	1,050,000
Government of Bermuda – 5.60%	2020	1,956,765	1,790,550
Government of Bolivia – 4.88%	2022	1,485,000	1,496,250
Government of Cayman Islands – 5.95%	2019	3,008,060	2,529,540
Government of Colombia – 8.38%	2027	-	2,043,520
Government of Costa Rica – 9.99%	2020	2,268,000	2,466,000
Government of Costa Rica – 4.25%	2023	-	1,011,000
Government of Jamaica – 10.63%	2017	3,696,000	2,200,000
Government of Jamaica – 8.00%	2019	5,092,500	2,695,000
Government of Jamaica – 9.25%	2025	124,020	119,340
Government of Jamaica – 9.00%	2015	2,400,320	2,377,240
Government of Mexico – 5.95%	2019	581,750	-
Government of Mexico – 8.00%	2022	64,000	-
Jamaica Public Service – 11.00%	2021	192,150	3,286,500
National Road Operating and Construction Company – 9.38%	2024	1,729,520	1,696,260
Panama Bonos Del Tesoro – 5.63%	2022	2,150,220	2,271,000
Petrobas Global Finance BV – 4.38%	2023	916,930	-
Petroleos De Venezuela – 4.90%	2014	3,151,500	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	149,104	173,375
Petroleum Company Trinidad and Tobago – 9.75%	2019	1,857,529	3,695,425
Republic of Brazil – 8.00%	2018	496,667	-
Republic of Chile – 2.25%	2022	458,250	-
Republic of Chile – 3.88%	2020	1,066,500	-
Republic of Colombia – 11.75%	2020	1,440,000	-
Balance carried forward		**43,868,046**	**45,349,967**

(Expressed in United States Dollars)

5. Financial Assets at Fair Value Through Profit or Loss (Cont'd)

The Fund's portfolio of investments at fair value through profit or loss is comprised of (Cont'd):

Balance brought forward		**43,868,046**	**45,349,967**
Republic of Colombia – 8.70%	2016	690,185	731,967
Republic of El Salvador – 7.38%	2019	2,953,200	2,090,000
Republic of Guatemala – 5.75%	2022	1,935,000	1,101,500
Republic of Panama – 9.38%	2023	332,500	362,500
Republic of Paraguay – 4.63%	2023	1,492,500	1,005,000
Republic of Trinidad and Tobago – 4.38%	2024	2,288,000	-
Republic of Trinidad and Tobago – 9.75%	2020	2,256,800	4,416,480
Sagicor Finance Ltd – 7.5% Corporate Bonds	2016	1,163,250	628,500
Scotiabank Peru - Variable	2027	-	1,447,500
		56,979,481	57,133,414
Accrued interest		990,679	1,030,107
		$ 57,970,160	58,163,521

6. Securities Purchased Under Resale Agreements

	2014	2013
Securities purchased under resale agreements	$ 6,848,000	10,875,000
Accrued interest	99,097	99,310
	$ 6,947,097	10,974,310

The fair value of underlying securities used to collateralize securities purchased under resale agreements is $7,117,000 (2013: $12,578,047).

At March 31, 2014 $1,963,510 (2013: $5,889,671) of securities purchased under resale agreements are to be matured within 90 days and $4,983,587 (2013: $5,084,639) 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 $34,908 (2013: $1,718,506).

(Expressed in United States Dollars)

8. Share Capital

Authorised, issued and fully paid

	2014	2013
Governance shares of no par value (units)	**100**	**100**

	2014	2013
100 Governance Shares	$ 1,000	1,000

The rights and obligations of governance shares are as follows:

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.

9. Related Party Transactions

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

A party is related to the Fund, if:

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (v) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(Expressed in United States Dollars)

9. Related Party Transactions (Cont'd)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Due to related parties:

		2014	**2013**
Due to Fund Manager – Scotia Asset Management (St. Lucia) Inc.	$	269,822	236,504

The Fund has appointed the 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 $1,105,324 (2013: $924,026).

At March 31, 2014, all governance shares in the Fund were held by Scotia Investments Jamaica Limited, a company related by common control.

10. Accrued Payables

Accrued payables are stated at amortised cost. Accrued payables include a payable for fund shares repurchased in the amount of $3,000 (2013: $31,040).

(Expressed in United States Dollars)

11. Net Assets Attributable to Holders of Investment Shares

(a) The analysis of movements in the number of investment shares and net assets attributable to holders of investment shares during the year was as follows:

		2014	2013
Authorised investment shares			
Investment shares of no par value (units)		**100,000,000**	**100,000,000**
Issued and fully paid			
Number of Investment Shares			
Balance at April 1		19,872,500	17,723,831
Subscriptions during the year		4,042,072	4,279,894
Reinvestment during the year		401,476	370,944
Redemptions during the year		(2,946,949)	(2,502,169)
Balance at March 31		21,369,099	19,872,500
Balance as at April 1	$	72,861,826	63,438,272
(Decrease)/increase in net assets attributable to holders of investments shares		(1,571,656)	1,496,507
Subscriptions of investment shares during the year		14,590,741	15,670,757
Reinvestment of investment shares during the year		1,425,079	1,350,425
Redemption of investment shares during the year		(10,515,513)	(9,094,135)
Balance as at March 31	$	76,790,477	72,861,826
Net asset value per investment share	$	3.59	3.67

The rights and obligations of investment 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:

(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.

(Expressed in United States Dollars)

11. Net Assets Attributable to Holders of Investment Shares (Cont'd)

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

		2014	**2013**
Net assets value of Fund	$	76,791,477	72,862,826
Less: Governance shares		(1,000)	(1,000)
	$	76,790,477	72,861,826
Investment shares in issue at March 31		21,369,099	19,872,500
Net asset value per investment share	$	3.59	3.67

12. Administration, Management and Custodian fees

The Fund Administrator shall be paid an annual fee of $15,000 for services rendered in accordance with the terms of the Fund Administration Agreement, out of the assets of the Fund, during the year the Fund Administrator was paid $417,815 (2013: $373,377). The Fund Sub Administrator shall be paid a minimum annual fee of $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, during the year the Custodian was paid a fee of $26,927 (2013: $27,956).

A fee for auditing services will also be payable out of the assets of the Fund.

13. Income Tax Expense

(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.

(Expressed in United States Dollars)

13. Income tax expense (Cont'd)

(b) Income tax expense

		2014	2013
Income tax expense	$	-	-
Reconciliation of applicable tax charge to effective tax charge:			
(Loss) Profit before income tax expense	$	(1,571,656)	1,496,507
Income tax at domestic rate of 1% (2013 – 1%)	$	(15,717)	14,965
Less: Tax effect of exempt income		(19,970)	(23,440)
Unrealised fair value gains		17,048	(9,203)
Adjustment for current year tax losses		18,639	17,678
Income tax expense	$	-	-

At the end of the year, the Fund had income tax losses of $7,553,478 (2013: $5,689,612) 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:

Income year	Expiry year	Losses arising	Incurred/ (utilised)	Losses available
		$	$	$
2009	2015	485,203	-	485,203
2010	2016	568,792	-	1,053,995
2011	2017	1,288,929	-	2,342,924
2012	2018	1,578,954	-	3,921,878
2013	2019	1,767,734	-	5,689,612
2014	2020	1,863,866	-	7,553,478

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The deferred tax asset has not been recognised since it is uncertain that taxable profits will be available against which the deferred tax asset can be utilised.

14. 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.

(Expressed in United States Dollars)

14. Financial Risk Management (Cont'd)

Risk Management Framework

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.

The fund has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market 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.

(i) <u>Analysis of credit quality</u>

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

	2014	**2013**
S & P Rating		
AAA to A-	19.36%	21.69%
BBB+ to B-	74.77%	50.88%
CCC+ to C-	0.00%	15.91%
Not rated	5.87%	11.52%
Total	100.00%	100.00%

(Expressed in United States Dollars)

14. Financial Risk Management (Cont'd)

(a) Credit risk (Cont'd)

		2014	2013
Investments			
Financial assets at fair value through profit or loss	$	57,970,160	58,163,521
Securities purchased under resale agreements		6,947,097	10,974,310
Total Investments	$	64,917,257	69,137,831

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

	Rating		2014	Rating		2013
Government of Jamaica	B-	$	18,536,446	CCC+	$	18,558,379
Government of Aruba	BBB+		3,147,204	A+		2,627,996
Government of Bermuda	AA-		1,976,512	AA-		2,867,871
Commonwealth of Bahamas	----		-	BBB		1,836,877
Government of Cayman Islands	Aa3		3,063,936	Aa3		2,574,921
Government of Mexico	BBB+		646,819	-----		-
Republic of Brazil	BBB-		504,173	-----		-
Republic of Chile	AA-		1,535,497	-----		-
Republic of Costa Rica	BB		2,297,985	BB		3,522,332
Republic of Colombia	BBB		2,148,816	BBB		2,800,004
Republic of El Salvador	BB-		3,021,050	BB-		2,133,267
Republic of Trinidad and Tobago	A		4,604,145	A		4,491,238
Republic of Panama	BBB		337,383	BBB		2,659,008
Government of Barbados	BB-		3,961,171	BB+		5,121,765
Government of Bolivia	BB		1,515,875	BB-		1,527,125
Dominican Republic	B+		2,100,722	B+		1,191,038
Republic of Guatemala	BB		1,968,063	BB		1,119,868
Republic of Paraguay	BB		1,505,219	BB-		1,013,479
Aeropuertos Dominicanos	-----		-	BB-		561,479
Banco de Costa Rica	Baa3		510,773	-----		-
Petroleum Company Trinidad and Tobago – 6%	BBB		152,481	BBB		177,149
Petroleum Company Trinidad and Tobago – 9.75%	BBB		1,876,481	BBB		3,730,927
Scotiabank Peru - Variable	-----		-	Baa3		1,467,750
Sagicor Finance Ltd – 7.5% Corporate Bonds	BB-		1,195,103	BB-		645,875
National Road Operating and Construction Company – 9.38%	B-		1,790,583	CCC+		1,757,323
Panama Bonos del Tesoro	BBB		2,170,845	-----		-
Petrobras Global Finance BV	BBB-		932,850	-----		-
Petroleos De Venezuela – 8.00%	----		-	NR		2,406,042
Petroleos De Venezuela – 4.90%	NR		3,220,222	NR		978,325
Jamaica Public Service – 11.00%	NR		196,903	NR		3,367,793
		$	64,917,257		$	69,137,831

14. Financial Risk Management (Cont'd)

(a) Credit risk (Cont'd)

(ii) Offsetting financial assets and financial liabilities

None of the financial assets and financial liabilities is offset in the statement of financial position. The disclosures set out in note 6 include financial assets that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments.

The similar agreements primarily include global master repurchase agreements. Similar financial instruments include sale and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing agreements.

The Fund gives collateral in the form of cash and marketable securities in respect of the following transactions:

- Securities purchased under resale agreements

(b) Liquidity risk:

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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.

(Expressed in United States Dollars)

14. Financial Risk Management (Cont'd)

(c) Market risk (Cont'd)

(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.

2014		Less than 1 month	1-3 months	3 months - 1 year	Over 1 year	Non-Rate Sensitive	Total
Assets							
Cash and cash equivalents	$	12,243,021	-	-	-	-	12,243,021
Financial assets at fair value through profit or loss		474,852	-	141,398	57,353,910	-	57,970,160
Securities purchased under resale agreements		1,963,510	-	4,983,587	-	-	6,947,097
Other receivables		-	-	-	-	34,908	34,908
Total assets	$	14,681,383	-	5,124,985	57,353,910	34,908	77,195,186

2013		Less than 1 month	1-3 months	3 months - 1 year	Over 1 year	Non-Rate Sensitive	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
Securities purchased under resale agreements		5,889,671	-	5,084,639	-	-	10,974,310
Other receivables		-	-	-	-	1,718,506	1,718,506
Total assets	$	10,655,323	-	5,084,639	55,757,479	1,718,506	73,215,947

Sensitivity analysis

The Fund is susceptible to interest rate risk arising from the exposure to debt securities. As at March 31, 2014, 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 an immaterial change 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.

14. Financial Risk Management (Cont'd)

(c) Market risk (cont'd):

(iii) <u>Other price risk</u>:

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.

The Fund's exposure to price risk is represented by the total carrying value of investments on the statement of financial position of $57,970,160 (2013: $58,163,521).

Sensitivity analysis

A 5% increase/decrease in prices at March 31, 2014, would have increased/decreased the surplus for the year and the net assets available to holders of fund units by $2,898,508 (2013: $2,834,789).

15. 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). This category includes instruments valued using quoted market prices in active markets for similar instrument; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data (level 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.

(Expressed in United States Dollars)

15. Fair Value Disclosure (Cont'd)

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:

Financial instruments measured at fair value

At March 31, 2014

		Level 1	Level 2	Level 3	Total Balance
Financial assets at fair value through profit or loss					
Government Issues	$	-	48,094,762	-	48,094,762
Government Bonds		-	9,875,398	-	9,875,398
Total financial assets at fair value through profit or loss	$	-	57,970,160	-	57,910,160

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
Total financial assets at fair value through profit or loss	$	-	58,163,521	-	58,163,521

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, 2014, there were no securities transferred between Level 1 or 2.

15. Fair Value Disclosure (Cont'd)

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, 2014, the Fund did not have any Level 3 securities. There were no securities transferred in or out of Level 3.

Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short term financial assets and financial liabilities whose carrying amounts approximate fair value. These financial instruments are classified within Level 2 of the fair value hierarchy.

16. Comparative Figures

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