

SCOTIA CARIBBEAN INCOME FUND INC.
UNAUDITED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31ST DECEMBER, 2018

SCOTIA CARIBBEAN INCOME FUND INC.
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SCOTIA CARIBBEAN INCOME FUND INC.

UNAUDITED STATEMENT OF FINANCIAL POSITION

AS OF 31ST DECEMBER, 2018

(expressed in United States dollars)

<u>Assets</u>	<u>31-Dec-18</u>	<u>30-Sep-18</u>	<u>31-Dec-17</u>
Cash and cash equivalents	\$ 543,178	\$ 4,382,330	\$ 4,507,775
Financial assets at fair value through profit or loss	130,534,127	124,756,853	117,634,302
Securities purchased under resale agreements	22,915,189	29,561,210	26,848,417
Receivable for investments sold	2,013,500	-	-
Other receivables	14,699	61,780	130,521
Total assets	<u>\$ 156,020,693</u>	<u>\$ 158,762,173</u>	<u>\$ 149,121,015</u>
<u>Equity</u>			
Share Capital	\$ 1,000	\$ 1,000	\$ 1,000
<u>Liabilities</u>			
Balance due to broker	\$ 2,011,318	\$ 2,000,000	\$ -
Due to related parties	620,460	628,566	597,022
Accrued expenses	88,967	73,609	88,863
Redemptions payable	82,849	846,150	-
Withholding taxes payable	16,294	3,502	-
Total Liabilities (excluding net assets attributable to holders of investment shares)	<u>\$ 2,819,888</u>	<u>\$ 3,551,827</u>	<u>\$ 685,885</u>
Net assets attributable to holders of investment shares	<u>\$ 153,199,805</u>	<u>\$ 155,209,346</u>	<u>\$ 148,434,130</u>
Value per investment share based on number of shares			
Class A shares issued and outstanding as at December 31, 2018 42,520,048 (September 2018: 42,851,973; December 2017: 39,719,235)	<u>\$ 3.6029</u>	<u>\$ 3.6218</u>	<u>\$ 3.7369</u>
Class I shares issued and outstanding as at December 31, 2018 1,273 (September 2018: 1,258; December 2017: 1,217)	<u>\$ 4.9330</u>	<u>\$ 4.9588</u>	<u>\$ 5.1184</u>

Issuance approved on behalf of Scotia Caribbean Income Fund's Board of Directors by:

Lissant Mitchell
Lissant Mitchell
Director

Rhory Mcnamara
Rhory Mcnamara
Director

Date : February 11, 2019

SCOTIA CARIBBEAN INCOME FUND INC.
UNAUDITED STATEMENT OF COMPREHENSIVE LOSS
FOR THE QUARTER ENDED 31ST DECEMBER, 2018
(expressed in United States dollars)

<u>Investment income</u>	<u>31-Dec-18</u>	<u>30-Sep-18</u>	<u>31-Dec-17</u>
Interest income	\$ 1,842,039	\$ 1,790,838	\$ 1,778,534
Other income	219	1,220	3,287
Net realised (loss) gain on financial assets through profit or loss	(389,482)	155,706	(125,870)
Net change in unrealised loss in financial assets at fair value through profit or loss	<u>(417,180)</u>	<u>(838,413)</u>	<u>(444,615)</u>
Net investment income	<u>\$ 1,035,596</u>	<u>\$ 1,109,351</u>	<u>\$ 1,211,336</u>
<u>Expenses</u>			
Management fees	\$ (620,460)	\$ (628,566)	\$ (597,022)
Trailer fees	(145,421)	(147,320)	(139,927)
Custodian & Administrator fees	(50,807)	(48,897)	(52,950)
Professional fees	(5,245)	(5,952)	(4,647)
Other expenses	<u>(14,828)</u>	<u>(480)</u>	<u>14,353</u>
Total operating expenses	<u>\$ (836,761)</u>	<u>\$ (831,215)</u>	<u>\$ (780,193)</u>
Operating profit before finance costs	<u>\$ 198,835</u>	<u>\$ 278,136</u>	<u>\$ 431,143</u>
Finance costs			
Dividends to holders of investment shares	<u>\$ (1,005,122)</u>	<u>\$ (949,803)</u>	<u>\$ (999,871)</u>
Total finance costs	<u>\$ (1,005,122)</u>	<u>\$ (949,803)</u>	<u>\$ (999,871)</u>
Net comprehensive loss for the period	<u><u>\$ (806,287)</u></u>	<u><u>\$ (671,667)</u></u>	<u><u>\$ (568,728)</u></u>

SCOTIA CARIBBEAN INCOME FUND INC.
UNAUDITED STATEMENT OF CHANGES IN NET ASSETS
FOR THE QUARTER ENDED 31ST DECEMBER, 2018
(expressed in United States dollars)

	<u>31-Dec-18</u>	<u>30-Sep-18</u>	<u>31-Dec-17</u>
Beginning Balance	\$ 155,209,346	\$ 155,340,802	\$ 146,348,734
Net comprehensive loss for the period	(806,287)	(671,667)	(568,728)
Subscriptions	1,392,821	4,132,383	6,441,853
Reinvestments	861,906	811,627	853,838
Redemptions	<u>(3,457,981)</u>	<u>(4,403,799)</u>	<u>(4,641,567)</u>
Ending Balance	<u>\$ 153,199,805</u>	<u>\$ 155,209,346</u>	<u>\$ 148,434,130</u>

SCOTIA CARIBBEAN INCOME FUND INC.
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31ST DECEMBER, 2018
(expressed in United States dollars)

	<u>31-Dec-18</u>	<u>30-Sep-18</u>	<u>31-Dec-17</u>
Cash flows from operating activities			
Decrease in net assets attributable to holders of investment shares after income tax	\$ (806,287)	\$ (671,667)	\$ (568,728)
Adjustments for:			
Dividends paid to holders of investment shares	1,005,122	949,803	999,871
Net realized loss/(gain) on financial assets at fair value through profit or loss	389,482	(155,706)	125,870
Net change in unrealized loss on financial assets at fair value through profit or loss	417,180	838,413	444,615
	<u>1,005,497</u>	<u>960,843</u>	<u>1,001,628</u>
Interest received	1,245,043	2,876,139	1,579,292
Interest paid	(1,842,258)	(1,792,058)	(1,781,821)
Proceeds from sale of investments	16,204,594	6,931,866	5,647,969
Purchase of investments	(22,214,151)	(9,052,168)	(1,439,772)
Net non-interest payments for purchase and resale agreements	6,668,857	528,927	(7,607,944)
(Increase) in receivable for investments sold	(2,013,500)	-	-
Decrease/(increase) in other receivables	47,081	(37,880)	100,713
Increase in balance due to brokers	11,318	2,000,000	-
(Decrease)/increase in due to related parties	(8,106)	4,975	20,881
Increase/(decrease) in accrued payables	15,358	(8,461)	(8,228)
Increase/(decrease) in withholding taxes payable	12,792	(1,895)	-
Net cash (used in) provided by operating activities	<u>(867,475)</u>	<u>2,410,288</u>	<u>(2,487,282)</u>
Cash flows from financing activities			
Proceeds from issue of investment shares	1,392,821	4,132,383	6,441,853
Proceeds from reinvested investment shares	861,906	811,627	853,838
Payments on redemption of investment shares	(4,221,282)	(3,616,153)	(4,641,567)
Dividends paid to holders of investment shares	(1,005,122)	(949,803)	(999,871)
Net cash (used in)/provided by financing activities	<u>(2,971,677)</u>	<u>378,054</u>	<u>1,654,253</u>
Net (decrease)/increase in cash and cash equivalents	(3,839,152)	2,788,342	(833,029)
Cash and cash equivalents at beginning of period	<u>4,382,330</u>	<u>1,593,988</u>	<u>5,340,804</u>
Cash and cash equivalents at end of period	<u>\$ 543,178</u>	<u>\$ 4,382,330</u>	<u>\$ 4,507,775</u>

SCOTIA CARIBBEAN INCOME FUND INC.
UNAUDITED NOTES TO FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31ST DECEMBER, 2018

1. General

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. Significant accounting policies

These statements are prepared using the International Accounting Standards. Security transactions are accounted for on a trade date basis. Realized gains and losses on the sales of portfolio securities are calculated on an average cost basis. Interest is recorded on an accrual basis and dividend income is recognized on the ex-dividend date.