

VENEZUELAN DOMESTIC DEBT FUND LTD.
Curaçao, Netherlands Antilles

Financial statements

September 30, 2008

With independent auditors' report thereon

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The Board of Directors
Venezuelan Domestic Debt Fund Ltd.

Curaçao

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Venezuelan Domestic Debt Fund Ltd., which comprise the statement of assets and liabilities and the schedule of investments as at September 30, 2008, and the statements of income, changes in net assets attributable to holders of redeemable 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 relevant 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

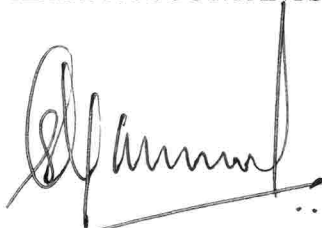
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Venezuelan Domestic Debt Fund Ltd. as at September 30, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Curaçao, Netherlands Antilles,
August 28, 2009

KPMG ACCOUNTANTS B.V.



Sanjay Agarwal, FCA

Financial Statements

Statement of assets and liabilities

September 30, 2008

	Note	2008	2007
<i>(in VEF)</i>			
Assets			
Investments, at fair value (cost: 2008: 51,467,467; 2007: 25,067,116)		64,897,974	27,650,680
Due from brokers		1,929,389	185,983
Cash at banks		5,148	236
Interest receivable		-	503
Other assets		10,715	-
Total assets		66,843,226	27,837,402
Equity			
Non-redeemable voting non-profit sharing share	3	1	1
Liabilities			
Management fees payable	4	117,821	31,110
Directors fees payable		26,720	17,150
Administration fees payable	5	59,400	66,150
Professional fees payable		70,659	58,800
Other payables and accrued expenses		19,504	51,005
Total liabilities (excluding net assets attributable to holders of redeemable shares)		294,104	224,215
Net assets attributable to holders of redeemable shares		66,549,121	27,613,186
Net asset value per redeemable share:			
(201,874.96 shares outstanding; 2007: 76,961.00)	3	329.66	358.79

Schedule of investments September 30, 2008

Nominal value		Maturity	Cost	Fair value
<i>(in USD)</i>			<i>(in VEF)</i>	<i>(in VEF)</i>
Investments in debt instruments				
12,983,000	US Treasury Strip 0%	08/2009	41,927,189	56,354,010
1,950,000	US Treasury Strip 0%	02/2009	9,540,278	8,543,964
Total investments in debt instruments			51,467,467	64,897,974

Statement of income

Year ended September 30, 2008

	Note	2008	2007
<i>(in VEF)</i>			
Net realized gain (loss) on investments		(13,087,819)	2,350,700
Net realized gain (loss) on foreign currency exchange		(2,647,912)	31,493
Change in unrealized appreciation on investments		10,846,943	2,583,564
Change in unrealized loss on foreign currency exchange		(690,586)	(117,137)
Interest income		106,739	2,400
Other income		1,500	-
Investment income		(5,471,135)	4,851,020
Expenses			
Management fee	4	500,534	76,551
Directors fee	4	30,211	11,696
Administration fee	5	251,037	183,295
Audit fees		75,745	40,676
Other expenses		92,619	15,494
Operating expenses		950,146	327,712
Net investment income (loss)		(6,421,281)	4,523,308
Changes in net assets from operations attributable to holders of redeemable shares		(6,421,281)	4,523,308

**Statement of changes in net assets attributable to holders of
redeemable shares
Year ended September 30, 2008**

	2008	2007
<i>(in VEF)</i>		
Net assets, beginning of year	27,613,186	-
Changes in net assets from operations attributable to redeemable shares	(6,421,281)	4,523,308
Issue of redeemable shares during the year	73,872,287	36,670,688
Redemption of redeemable shares during the year	(28,515,071)	(13,580,810)
Net assets, end of year	66,549,121	27,613,186

Statement of cash flows

Year ended September 30, 2008

	2008	2007
<i>(in VEF)</i>		
Cash flows from operating activities		
Changes in net assets from operations attributable to holders of redeemable shares	(6,421,281)	4,523,308
Adjustments to reconcile changes in net assets from operations to net cash used in operating activities:		
Purchases of investments	(78,231,943)	(59,334,531)
Proceeds from sale of investments	38,743,773	36,618,116
Net realized (gain) loss on investments	13,087,819	(2,350,700)
Change in unrealized appreciation on investments	(10,846,943)	(2,583,564)
Increase in interest receivable and other assets	(10,212)	(502)
Increase (decrease) in management fees payable	86,710	(53,451)
Increase in directors fees payable	9,570	17,150
Increase (decrease) in administration fees payable	(6,750)	66,150
Increase in professional fees payable	11,859	58,800
Increase (decrease) in other payables and accrued expenses	(31,500)	1,000
Net cash used in operating activities	(43,608,898)	(23,038,224)
Cash flows from financing activities		
Proceeds from issue of redeemable shares	73,872,287	36,670,688
Payments on redemption of redeemable shares	(28,515,071)	(13,580,810)
Net cash from financing activities	45,357,216	23,089,878
Net increase in cash and cash equivalents	1,748,318	51,654
Cash and cash equivalents at beginning of year	186,219	134,565
Cash and cash equivalents at end of year	1,934,537	186,219
Supplemental cash flows information:		
Interest received	107,242	1,897
Cash and cash equivalents consist of the following:		
Due from brokers	1,929,389	185,983
Cash at banks	5,148	236

Notes to financial statements

September 30, 2008

(1) Description of business and summary of significant accounting policies

Venezuelan Domestic Debt Fund Ltd. (the "Fund") is a collective investment company incorporated with limited liability in Curaçao, Netherlands Antilles, on September 16, 2005. The Fund commenced operations on January 1, 2006.

The Fund has been formed to provide professional investors with a vehicle that allows direct exposure to debt securities issued by the Bolivarian Republic of Venezuela denominated in Venezuelan Bolivar Fuerte and/or to purchase public obligations of the U.S. Treasury, thereby allowing investors to obtain market exposure to either of those securities in an easily tradable form as shares listed on an international stock exchange.

In order to achieve its investment objective the Fund will seek to hold a portfolio of transferable debt securities issued by the Bolivarian Republic of Venezuela denominated in Venezuelan Bolivar Fuerte and/or to purchase public obligations of the U.S. Treasury.

The Fund's shares are listed on the Bermuda Stock Exchange.

The financial statements were authorized for issue by the directors on August 28, 2009.

Statement of compliance

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

Basis of preparation

The financial statements are presented in Venezuelan Bolivar Fuerte ("VEF") and rounded to the nearest VEF. They are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortized cost or redemption amount (redeemable shares).

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been applied consistently by the Fund.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Foreign currency translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to VEF at the foreign currency closing exchange rate ruling at the balance sheet date. Foreign currency exchange differences arising on translation and realized gains and losses on disposals or settlement of monetary assets and liabilities are recognized in the statement of income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to VEF at the foreign currency exchange rate ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gain or loss on investments.

At September 30, 2008, the currency exchange rate used in these financial statements is VEF4.4 against United States Dollar (USD) 1. The exchange rates fluctuated during the year ranging from VEF3.12 to VEF6.65. The exchange rate used is the Parallel Rate of Exchange for the VEF. Although it is not an official rate of exchange, it constitutes a Legal Rate of Exchange, as it derives from security transactions which, in management's opinion, are expressly exonerated from Venezuela's Law against Exchange Crimes.

At September 30, 2007, the financial statements were presented in Venezuelan Bolivars. On the introduction of the VEF in January 2008, the Fund changed its presentation currency to the VEF.

Financial instruments

Classification

Investments are classified at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These are investments in debt securities.

Financial assets that are classified as receivables include balances due from brokers and other assets.

Financial liabilities that are not at fair value through profit or loss include payables for management fees, directors fees, administration fees, professional fees, other payables and accrued expenses and financial liabilities arising on redeemable shares.

Recognition

The Fund recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognized using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognized unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of IAS 39.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortized.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in the fair value recognized in the statement of income.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective interest rate. Financial liabilities arising from the redeemable shares issued by the Fund are carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

The carrying amounts of the Fund's financial assets and financial liabilities at the date of the statement of assets and liabilities approximated their fair values.

Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expires or it transfers the financial assets and the transfer qualifies for derecognition in accordance with IAS 39.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Interest income

Interest income and expense is recognized in the statement of income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date.

Interest income includes the amortization of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income on debt instruments at fair value through profit or loss is accrued using the original effective interest rate and classified to the interest income line item within the statement of income. Interest income is recognized on a gross basis, including withholding tax, if any.

Cash and cash equivalents

Cash comprises current deposits with banks and brokers. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Fund did not have any cash equivalents at the balance sheet date.

Redeemable shares

All redeemable shares issued by the Fund provide the investors with the right to require redemption for cash at the 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.

New standards and amendments to standards not yet adopted

A number of new standards, amendments to standards and interpretations that are relevant to the Fund are not yet effective for the year ended September 30, 2008, and have not been applied in preparing these financial statements. The most relevant new standards are:

- IAS 1 (revised), Presentation of financial statements. The revised standard requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non owner changes in equity ("total comprehensive income"), which may be presented in either a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income (effective from January 1, 2009).
- IFRS 8, Operating Segments. The revised standard introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Fund's 2009 financial statements, will require a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by management in order to assess each segment's performance and to allocate resources to them. Currently, the Fund presents segment information in respect of its industry and geographical segments (effective from January 1, 2009).
- Amendments to IAS 32, Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation. The amendments require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity, provided the financial instruments have particular features and meet specific conditions (effective from January 1, 2009).

The amendments, which become mandatory for the entity's 2009 financial statements, are not expected to have any significant impact on the financial statements.

(2) Netherlands Antilles profit tax

Under the current system of taxation in the Netherlands Antilles, the Fund is currently exempt from paying taxes on income, profits or capital gains. The Fund has received an undertaking from the Inspector of Taxes of the Netherlands Antilles to be exempt from paying taxes under certain conditions.

(3) Share capital

The share capital of the Fund is divided into an unlimited number of redeemable Non-Voting, Profit Sharing Shares and one Non-Redeemable Voting Non-Profit Sharing Share. At September 30, 2008, the Voting Share is issued and held by Sequoian Financial Group Ltd. which is affiliated with the Investment Manager.

The redeemable share capital of the Fund shall at all times equal the Net Asset Value. For the period of five years from the date of incorporation, that Managing Directors are empowered to issue shares of VEF1 par value in the Fund. The minimum initial subscription is the equivalent in VEF of USD 50,000. The Managing Directors are entitled in their absolute discretion from time to time to accept or reject any applications for shares.

Transactions in shares for the years ended September 30, 2008 and 2007 are as follows:

	2008	2007
<i>(number of shares)</i>		
Shares outstanding at beginning of the year	76,961.00	-
Shares subscribed during the year	223,875.32	120,300.28
Shares redeemed during the year	(98,961.36)	(43,339.28)
Shares outstanding at ending of year	201,874.96	76,961.00

(4) Related party transactions

Investment management agreement

Pursuant to an investment management agreement dated December 8, 2005, Sequoian Asset Management LLC (the "Investment Manager"), furnishes investment management services to the Fund. For its services the Fund pays the Investment Manager a monthly fee at an annual rate of one percent (1%) per annum, multiplied by the net asset value of the Fund as of the last business day immediately preceding the payment date. For the year ended September 30, 2008, the management fees amounted to VEF500,534 (2007: VEF76,551).

Sequoian Asset Management LLC, the Investment Manager of the Fund, is also the Managing Director of the Fund.

Directors

Until March 3, 2008 the Board of Directors of the Fund consisted of the following members: Mr. Angelo Tyrol, Mr. Oswaldo Larete and Ms. Marisabel Marcano. Mr. J. Robert M. Ellis was appointed as the sole Executive Director of the Fund as from March 3, 2008. The remuneration shall not exceed the aggregate amount of USD10,000 per annum for providing services as director(s) to the Fund. For the year ended September 30, 2008, the director(s) fees amounted to VEF30,211 (2007: VEF11,696).

(5) Administrative agreement

Pursuant to an agreement, the administrator of the Fund, SS&C Fund Services N.V. (the "Administrator") receives an administrative fee based on the net assets. The administrator shall also be reimbursed for all out-of-pocket expenses. For the year ended September 30, 2008, administrative fees amounted to VEF251,037 (2007: VEF183,295).

(6) Financial assets and liabilities at fair value through profit and loss

For the year ended September 30, 2008, financial assets at fair value through profit and loss consisted of investments of VEF64,897,974 which represented 98% of net assets (2007: VEF27,650,680 which represented 100% of net assets).

For the year ended September 30, 2008, the Fund incurred a net loss of VEF2,240,876 (2007: net gain of VEF4,934,264) from investments.

(7) Financial instruments and associated risks

The Fund maintains positions in non-derivative financial instruments as dictated by its investment management strategy. The Fund's investment portfolio consists of investments in debt securities.

The Fund's investment activities expose it to various types of risk, both on and off balance sheet, which are associated with the financial instruments and markets in which it invests. These financial instruments expose the Fund, in varying degrees, to elements of market risk, credit risk and liquidity risk.

Asset allocation is determined by the Investment Manager who manages the distribution of the assets to achieve the investment objective. Divergence from target asset allocations and the composition of the portfolio is monitored by the Investment Manager.

The nature and extent of the risks associated with the financial instruments outstanding at the balance sheet date are discussed below. The following summary is not intended to be a comprehensive summary of all risks and investors should refer to the offering memorandum for a more detailed discussion of the risks inherent in investing in the Fund.

Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest risk and price risk.

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The Fund's market risk is managed by the Investment Manager in accordance with policies and procedures in place as described in the offering memorandum. The Fund's overall market positions are monitored on an ongoing basis by the board of directors.

Details of the Fund's investment portfolio at the date of the statement of assets and liabilities are disclosed in the schedule of investments on page 5.

Currency risk

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the VEF.

The Fund's total net exposure to fluctuations in foreign currency exchange rates at the date of the statement of assets and liabilities were as follows:

	Monetary assets	Monetary liabilities	Net exposure
<i>(in VEF)</i>			
December 31, 2008			
USD	66,827,363	(176,283)	66,651,080
December 31, 2007			
USD	27,836,663	(193,105)	27,643,558

Sensitivity analysis

At September 30, 2008, had the VEF strengthened by 5% in relation to the USD, with all other variables held constant, net assets attributable to holders of redeemable shares per the statement of income would have decreased by VEF3,332,554 (2007: VEF1,382,178).

A 5% weakening of the VEF against the USD would have resulted in an equal but opposite effect on the above financial statement amounts to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Fund invests in interest-bearing instruments. Interest-bearing financial assets mature or reprice in the short-term, no longer than twelve months. As a result, the Fund is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Sensitivity analysis

The sensitivity analysis below has been determined based on the Fund's exposure to interest rates for interest bearing assets at the date of the statement of assets and liabilities. As per September 30, 2008, the interest bearing assets consisted of cash and cash equivalents and investments in debt instruments which amounted to VEF66,832,510 (2007: VEF27,836,900). The analysis assumes that the stipulated change takes place at the beginning of the financial year and is held constant throughout the reporting period in the case of instruments that have floating rates. A 100 basis point increase or decrease is used when reporting interest rate risk internally and represents management's assessment of the possible change in interest rates.

For the year ended September 30, 2008, an increase of 100 basis points in annualized effective interest rates, applied to the amounts outstanding at the date of statement of assets and liabilities would have increased the net assets attributable to the holders of redeemable shares by VEF668,325 or 100 basis points (2007: VEF278,369 or 101 basis points). A decrease of 100 basis points would have had an equal but opposite effect.

Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognized in the income statement, all changes in market conditions will directly affect net operating results.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The exposure to credit risk is monitored on an ongoing basis by the Investment Manager.

At September 30, 2008, the following financial assets were exposed to credit risk: investments, due from brokers and cash. The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortized cost, as they have a short-term to maturity. Total carrying amount of financial assets exposed to credit risk amounted to VEF66.8 million (2007: VEF27.8 million).

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved.

Liquidity risk

The Fund's constitution provides for the creation and cancellation of shares on a weekly basis and it is therefore exposed to the liquidity risk of meeting shareholder redemptions at any time.

The Fund's liquidity risk is managed on an ongoing basis by the Investment Manager in accordance with policies and procedures in place. The Fund's overall liquidity risks are monitored on a monthly basis by the board of directors.

The contractual maturities of financial liabilities are one year or less.

(8) Segment information

The Fund is organized into one main business segment which allows direct exposure to debt securities issued by the Bolivarian Republic of Venezuela and/or to purchase public obligations of the U.S. Treasury. The Fund's secondary reporting format is geographical segments based on location of the investments.

The Fund operates in one main geographical area.

	2008	2007
<i>(in VEF)</i>		
Interest income		
- US	106,739	2,400

	2008	2007
<i>(in VEF)</i>		
Total investments		
- US	64,897,974	27,650,680

To determine the geographical segment for financial instruments the following rules have been applied:

- Listed non-monetary financial instruments (excluding derivatives) – place of primary listing;
- Unlisted non-monetary financial instruments (excluding derivatives) – place of incorporation of the issuer;
- Derivatives – place of registration of the counterparty or if traded on an active market, place of stock exchange; and
- Monetary financial instruments – place of incorporation of the debtor.

(9) Personnel

The Fund had no direct employees during the years ended September 30, 2008 and 2007.

(10) Subsequent events

As of January 1, 2009, Amicorp Fund Services N.V. is appointed as the Administrator of the Fund.

Mr. Robert Ellis, sole executive director of the Fund, is an employee of Amicorp Fund Services N.V.