

VENEZUELAN DOMESTIC DEBT FUND LTD.
Curaçao

Financial statements

September 30, 2009

With independent auditors' report thereon

Venezuelan Domestic Debt Fund Ltd.

Table of contents

Independent Auditors' Report	2 - 3
Financial statements	
Balance Sheet	4
Schedule of Investments	5
Statement of Income	6
Statement of Changes in Net Assets attributable to holders of Redeemable Shares	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 15



KPMG Accountants B.V.
Emancipatie Boulevard 18
P.O. Box 3082
Willemstad
Curaçao

Telephone +599-9 732 5100
Telefax +599-9 737 5588
Internet www.kpmg.an

Our ref 09/11-137

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 balance sheet and the schedule of investments as at September 30, 2009, and the statement of income, changes in net assets attributable to holders of redeemable shares and cash flows for the year then ended, and notes, comprising 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 misstatements, 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 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, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Curaçao,
December 5, 2011

KPMG ACCOUNTANTS B.V.

A handwritten signature in dark ink, appearing to be "André Delger", written over a horizontal line.
André Delger RA

Financial Statements

Venezuelan Domestic Debt Fund Ltd.

Balance Sheet
As at September 30, 2009

	Notes	2009	2008
<i>(in VEF)</i>			
Assets			
Investments, at fair value (cost: 2009: VEF19,604,508, 2008: VEF51,467,467)		19,068,588	64,897,974
Cash and cash equivalents		2,532,113	1,934,537
Interest Receivable		77,423	-
Other Assets		16,909	10,715
Total assets		21,695,033	66,843,226
Equity			
Non redeemable voting non profit sharing share	3	1	1
Liabilities			
Management fees payable	4	240,094	117,821
Directors fees payable		13,845	26,720
Administrative fees payable	5	14,310	59,400
Professional fees payable		81,000	70,659
Other payables and accrued expenses		152,896	19,504
Total liabilities (excluding net assets attributable to holders of redeemable shares)		502,145	294,104
Net assets attributable to holders of redeemable shares		21,192,887	66,549,121
Net asset value per redeemable share			
[53,576.86 shares outstanding (2008 : 201,874.96)]	3	395.56	329.66

Venezuelan Domestic Debt Fund Ltd.

Schedule of investments
As at September 30,2009

Nominal Value		Maturity	Cost	Fair Value
			(in VEF)	(in VEF)
Investment in debt instruments				
1,500,000	US Treasury N/B 11/15/2011 - 1.75%	11/2011	8,452,477	8,222,148
2,000,000	US Treasury N/B 12/31/2010 - 0.875%	12/2010	11,152,031	10,846,440
Total Investments in debt instruments			19,604,508	19,068,588

As at September 30,2008

Nominal Value		Maturity	Cost	Fair Value
			(in VEF)	(in VEF)
Investment in debt instruments				
12,983,000	US Treasury N/B 11/15/2011 - 1.75%	08/2009	41,927,189	56,354,010
1,950,000	US Treasury N/B 12/31/2010 - 0.875%	02/2009	9,540,278	8,543,964
Total Investments in debt instruments			51,467,467	64,897,974

Venezuelan Domestic Debt Fund Ltd.

Statement of Income
Year ended September 30, 2009

	Note	2009	2008
<i>(in VEF)</i>			
Net realized gain (loss) on investments		31,988,422	(13,087,819)
Net realized gain (loss) on foreign currency exchange		225,902	(2,647,912)
Change in unrealized appreciation/ (depreciation) on investments		(13,966,427)	10,846,943
Change in unrealized loss on foreign currency exchange		(2,808,272)	(690,586)
Interest income		38,433	106,739
Other income		7	1,500
Investment income (loss)		15,478,065	(5,471,135)
Expenses			
Management fee	4	302,905	500,534
Directors fee	4	13,844	30,211
Administration fee	5	229,666	251,037
Audit fee		90,399	75,745
Other expenses		142,051	92,619
Operating expenses		778,865	950,146
Net investment income (loss)		14,699,200	(6,421,281)
Changes in net assets from operations attributable to holders of redeemable shares		14,699,200	(6,421,281)

Venezuelan Domestic Debt Fund Ltd.

Statement of changes in net assets attributable to holders of redeemable shares
Year ended September 30, 2009

	2009	2008
<i>(in VEF)</i>		
Balance at the beginning of the year	66,549,121	27,613,186
Changes in net assets from operations attributable to holders of redeemable shares	14,699,200	(6,421,281)
Issue of redeemable shares during the year	42,437,693	73,872,287
Redemption of redeemable shares during the year	(102,493,127)	(28,515,071)
Net assets attributable to holders of redeemable shares at end of year	21,192,887	66,549,121

Venezuelan Domestic Debt Fund Ltd.

Statement of cash flows
Year ended September 30, 2009

	2009	2008
(in VEF)		
Cash flows from operating activities		
Changes in net assets from operations attributable to holders of redeemable shares	14,699,200	(6,421,281)
Adjustments to reconcile changes in net assets from operations attributable to holders of redeemable shares		
cash from (used in) operating activities:		
Purchases of investments	(36,984,343)	(78,231,943)
Proceeds from sale of investments	100,835,724	38,743,773
Net realized (gain) loss on investments	(31,988,422)	13,087,819
Change in unrealized appreciation/depreciation on investments	13,966,427	(10,846,943)
Increase in interest receivable	(77,423)	-
Increase in other assets	(6,194)	(10,212)
Increase in professional fee payable	10,341	11,859
(Decrease) increase in directors fee payable	(12,875)	9,570
Increase in management fee payable	122,273	86,710
Decrease in administration fee payable	(45,090)	(6,750)
Increase (decrease) in other payables and accrued expenses	133,392	(31,500)
Net cash from (used in) operating activities	60,653,010	(43,608,898)
Cash flows from financing activities		
Proceeds from issue of redeemable shares	42,437,693	73,872,287
Payments on redemption of redeemable shares	(102,493,127)	(28,515,071)
Net cash from (used in) financing activities	(60,055,434)	45,357,216
Net increase in cash and cash equivalents	597,576	1,748,318
Cash and cash equivalents at beginning of the year	1,934,537	186,219
Cash and cash equivalents at the end of year	2,532,113	1,934,537
Supplemental cash flows information:		
Interest received	38,433	107,242
Cash and cash equivalent consist of the following:		
Cash at brokers	2,527,146	1,929,389
Cash at bank	4,967	5,148

Notes to the financial statements September 30, 2009

(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 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 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 Funds financial statements were authorized for issue by the directors on December 5, 2011.

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 judgements, 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 judgements 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 revision affects only that period or future period if the revision affects both current and future period.

The accounting policies have been applied consistently by the Fund.

Segment Reporting

A business segment is 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 engaged in providing products or a service within a particular economic environment that are subject to risks and returns that are different from those 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.

Venezuelan Domestic Debt Fund Ltd.

At September 30, 2009, the currency exchange rate used in these financial statements is VEF 5.4 against United State Dollar (USD) 1. The Exchange rates fluctuated during the year ranging from VEF 3.28 to VEF 6.85. The exchange rate used is the Parallel Rate 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 receivable include balances due from brokers and interest receivable.

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 share.

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 values 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 losses 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

Fair values of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling cost. Financial Assets are priced at current bid price, while financial liabilities are priced at current asking prices.

The carrying amount of the Fund's financial assets and financial liabilities at the balance sheet date 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.

Venezuelan Domestic Debt Fund Ltd.

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's cash and cash equivalents represent cash at bank amounting VEF4,967 and balance with broker amounting VEF2,527,147.

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 investors 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 redemption amount.

Interest income

Interest income and expense are recognized in the statement of income as they accrue, 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.

New standards and amendments to standards not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2009, 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 transaction with owners in their capacity as owners to be presented separately from non owner changes in equity, 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 became a mandatory for the Fund's 2009 financial statements, will require a change in presentation and disclosure of segment information based on the internal report 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 to 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 a 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).
- Amendments to IFRS 7, Improving Disclosures pertaining to fair values and liquidity risk for financial instruments. The amendments require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments (effective January 1, 2009).

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorized as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between the different levels of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons for such changes are required to be disclosed for each class of financial instruments. Further, the definition of liquidity risk has been amended and it is now defined as the

Venezuelan Domestic Debt Fund Ltd.

risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows.

- IFRS 9 (2009) deals with classification and measurement of financial assets and its 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: at amortized cost and fair value. A financial asset would be measured at amortized 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 (effective January 1, 2013).

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 other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss. However, dividends on such investments are recognized in profit or loss, rather than other comprehensive income 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 other comprehensive income would be measured at fair value with changes in fair value recognized in profit or loss.

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

The amendments, which become mandatory for the entity's 2010 financial statements, are not expected to have any significant impact on the financial statements.

(2) Netherlands Antilles profit tax

Under 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, 2009, the Voting Share is issued and held by Sequoia 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 USD50,000. The Managing Directors are entitled in their absolute discretion from time to time accept or reject any applications for shares.

Transactions in Shares for the years ended September 2009 and 2008 are as follows:

	2009	2008
<i>(Number of shares)</i>		
Shares outstanding at the beginning of the year	201,874.96	76,961.00
Shares subscribed during the year	100,104.66	223,875.32
Shares Redeemed during the Year	(248,402.76)	(98,961.36)
Shares outstanding at the ending of year	53,576.86	201,874.96

(4) Related party transactions

Investment management agreement

Pursuant to an investment management agreement, dated September 8, 2005, Sequoia 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, 2009, the management fees amounted to VEF302,904.77 (2008: VEF500,534)

The Investment Manager of the Fund is also the Managing Director of the Fund.

Directors

The Board of Directors of the Fund consisted of the following members: Mr. Oswaldo J. Lairet and Mr. J. Robert M. Ellis. Mr. Angelo G.M Tyrol and Mr. Marisabel Marcano have resigned on March 3, 2008 as directors of the Fund. The remuneration shall not exceed the aggregate amount of USD10,000 per annum for providing service as director(s) to the Fund. For the year ended September 30, 2009, the director(s) fees amounted to VEF13,844 (2008: VEF30,211)

(5) Administrative Agreement

Up to December 31, 2008, the Fund was administered by SS&C Fund Services N.V and from January 1, 2009, Amicorp Fund Services N.V is the administrator for the Fund (collectively, the "Administrators"). Pursuant to an agreement, the administrators of the Fund receive an administrative fee based on the net assets. The administrators shall also be reimbursed for all out of pocket expenses. For the year ended September 30, 2009, administrative expenses amounted to VEF229,666 (2008: VEF251,037)

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

For the year ended September 30, 2009, financial assets at fair value through profit and loss consisted of investment of VEF19,068,588 which represented 89.98% of net assets (2008: VEF64,897,974 which represented 98% of net assets). For the year ended September 30, 2009, the Fund earned a net gain of VEF 18,021,995 (2008: net loss of VEF2,240,876) from investments.

(7) Financial instruments and associated risks

The Fund maintains positions in a variety of derivative and 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 rate 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 procedure 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.

Venezuelan Domestic Debt Fund Ltd.

Details of the Fund's investment portfolio at the date of the balance sheet are disclosed in the schedule of investment 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 effect 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 balance sheet were as follows:

	Monetary assets	Monetary liabilities	Net exposure
(in VEF)			
<u>December 31, 2009</u>			
USD	21,673,158	(262,051)	21,411,107
<u>December 31, 2008</u>			
USD	66,827,363	(176,283)	66,651,080

Sensitivity analysis

At September 30, 2009, 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 VEF1,070,555 (2008: VEF3,332,554)

A 5% weakening of the VEF against the USD would have resulted in an equal but opposite effects on the above financial statements 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 results, the Fund is subject to limited exposure to fair value interest rate risks due to fluctuations in the prevailing levels of market interest rate.

Sensitivity analysis

The sensitivity analysis below has been determined based on the Funds exposure to variable interest rate for interest bearing assets and liabilities at the balance sheet date. As per September 30, 2009, the interest bearing assets and liabilities consisted of cash and cash equivalents and investments in debt instruments which amounted to VEF21,600,701 (2008: VEF66,832,511). 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 rate. 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 the interest rates.

For the year ended september 30, 2009, 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 VEF216,007 or 102 basis points (2008: VEF668,325 or 100 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 the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Investment Manager monitors the exposure to credit risk on an ongoing basis.

Venezuelan Domestic Debt Fund Ltd.

At September 30, 2009, the following financial assets were exposed to credit risk: investments, cash and cash equivalent. 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 VEF21.70 million (2008: VEF66.84 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.

	2009	2008
(in VEF)		
Interest income		
- USD	38,433	106,739
	2009	2008
(in VEF)		
Total investments		
- USD	19,068,588	64,897,974

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 year ended September 30, 2009 and 2008.

(10) Subsequent Events

The capital subscription and redemption from the Fund amounted to VEF611,834,561 and VEF541,789,456 respectively, for the period from October 1, 2009 till December 5, 2011. As of December 5, 2011, the Fund does not hold any security positions.