

45<sup>th</sup>



ANNIVERSARY

CARIBBEAN FINANCE COMPANY LTD.

Providing Efficient Service Since 1971



ANNUAL REPORT 2016

## ASPIRATION STATEMENT

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Caribbean Finance Company Limited aims to be the leader in the non-bank financial sector of Trinidad & Tobago, by offering quality financial facilities to its clients through personalised and efficient service at all levels in our institution.



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## CHAIRMAN'S REPORT

It is with great pride that I report on the performance of CFC for the year ending 2016.

Our total net income rose to \$48M which resulted in an after tax profit of \$24.2M which was on par with our 2015 results. Our loan receivables increased by \$20M to \$477M. This is an exceptional performance by the team as we must appreciate the conditions of our core business, motor vehicle financing. In 2016, we saw an increase in taxes for vehicles over 2000cc and by year end, motor vehicles sales drop by 13%. The consistent issues at licence office and the strong competition from all banks and finance houses make the results even more noteworthy.

This performance was accomplished by a solid loan application process and collateral demands with an emphasis on customer service. Our continuous improvements in IT and strengthening of procedures, have led to full compliance and to operate with a high level of efficiency.

These indicators not only show continued growth by Caribbean Finance Co. Ltd. but more importantly the confidence by the depositors and our valued customers.

I wish to make special mention of the contribution of Mr. Brian Sheppard who has been with the Company from inception and our Managing Director for the past 42 years, he retired from this position in June 2016. The knowledge and experience he has passed on to the staff is invaluable and his leadership has developed the Company into a strong and efficient organisation. We wish him the very best in the future. We also recognize Mrs. Sherrine Gordon who in July 2016, took over the reins as she was appointed CEO with over 25 years of experience with CFC.

The overall economy of Trinidad and Tobago in 2017 will be very challenging. We are cognisant of the concerns regarding foreign exchange availability and the possibility of a further reduction in the new vehicle market. Given that the economy is in stagnation and the expected job losses, we will focus on customer contact and ensuring any loan losses are properly managed.

In closing, I will like to express my appreciation to the Management and staff for their invaluable contribution to our growth in 2016 and our valued customers for their continued support and loyalty.



Reyaz Aahamad  
Chairman



# DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and the Financial Statements for the year ended 31 December 2016.

<b>Financial Results</b>	<b>\$</b>
Profit before taxation	32,432,555
Less: Taxation	<u>8,225,317</u>
Profit after taxation	24,207,238
Retained earnings at beginning of year	153,631,637
Dividends	<u>(7,200,000)</u>
Retained earnings at end of year	<u><u>170,638,875</u></u>

## Auditors

PricewaterhouseCoopers retire and being eligible, offer themselves for re-appointment.

By Order of the Board



Aegis Business Solutions Limited  
Secretary

# CORPORATE INFORMATION

## REGISTERED OFFICE

22 Kew Place, Port of Spain

## HEAD OFFICE

17-19 Tragarete Road, Port of Spain

## BRANCH

27-31 Cipero Road, San Fernando

## DIRECTORS

**Reyaz Ahamad**

**Chairman**

22 Kew Place, Port of Spain

**Brian Sheppard**

17-19 Tragarete Road, Port of Spain

**Russell Martineau**

50 Pembroke Street, Port of Spain

**Anthony Agostini**

18 Victoria Avenue, Port of Spain

**Steve Mathura**

29 Alberto Street, Woodbrook

**Gillian Pollidore**

5 Fitt Street, Woodbrook

## CLASSES OF BUSINESS

1 Finance House/Finance Company

2 Mortgage Institution

3 Confirming House or Acceptance House

4 Leasing Corporation

## SECRETARY

Aegis Business Solutions Limited

18 Scott Bushe Street

Port of Spain

## BANKERS

Scotiabank Trinidad and Tobago Limited

56-58 Richmond Street

Port of Spain

## ATTORNEY AT LAW

MG Daly & Partners

115A Abercromby Street

Port of Spain

## AUDITORS

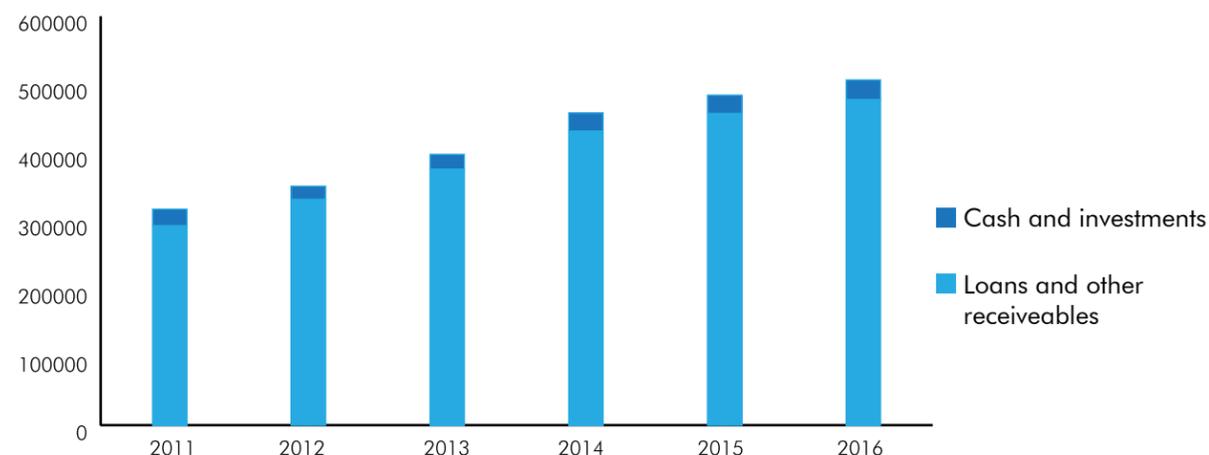
PricewaterhouseCoopers

11-13 Victoria Avenue

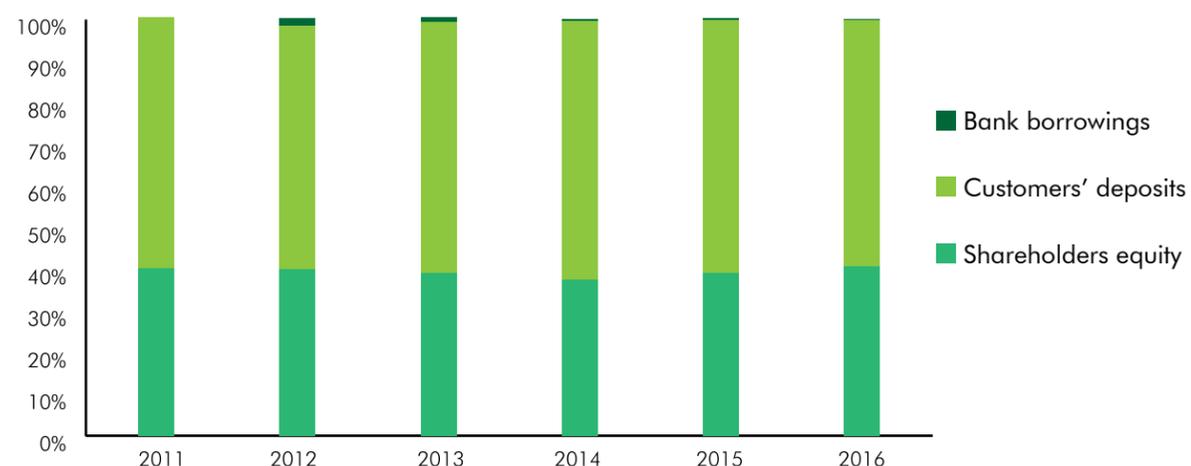
Port of Spain

# FINANCIAL HIGHLIGHTS

	December 2011 \$'000	December 2012 \$'000	December 2013 \$'000	December 2014 \$'000	December 2015 \$'000	December 2016 \$'000
Loans and other receivables	292,544	331,345	375,498	431,315	457,185	477,688
Cash and investments	24,854	19,707	22,269	26,855	27,369	29,140

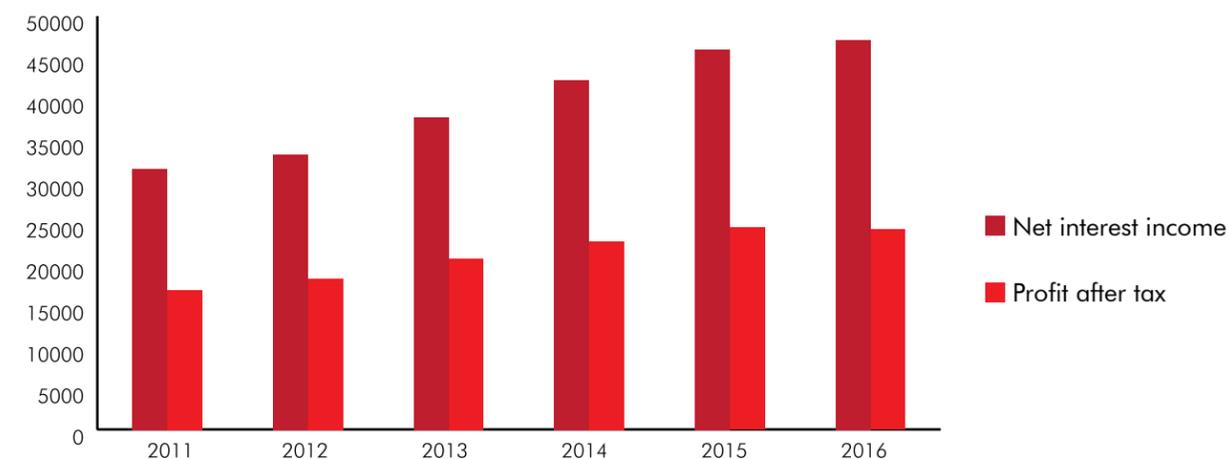


	December 2011 \$'000	December 2012 \$'000	December 2013 \$'000	December 2014 \$'000	December 2015 \$'000	December 2016 \$'000
Shareholders' equity	125,342	138,140	152,835	168,927	186,127	203,236
Customers' deposits	188,121	201,016	235,334	281,127	289,963	296,819
Bank borrowings	--	7,084	4,174	2,973	2,455	939



# FINANCIAL HIGHLIGHTS *(continued)*

	December 2011 \$'000	December 2012 \$'000	December 2013 \$'000	December 2014 \$'000	December 2015 \$'000	December 2016 \$'000
Net interest income	31,500	33,249	37,758	42,283	45,947	47,073
Profit after tax	16,900	18,258	20,729	22,786	24,441	24,207



Ratios	2016 %	2015 %	
Profit Margin	78.99	79.06	Measures the Company's Total Expense Management
Efficiency Ratio	33.13	30.27	Indicates Non-Interest Expense Management
Return on Assets	4.86	5.16	Measures the Profitable use of Assets
Return on Equity	12.43	13.77	Is the Profitable use of Owner's Equity
Capital Adequacy	42.28	40.51	The Company's capital to its risk adjusted Assets

# BOARD OF DIRECTORS

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Russell Martineau

Steve Mathura

Brian Sheppard

Reyaz Ahamad  
Chairman

Anthony Agostini

Gillian Pollidore

Sherrine Gordon  
Chief Executive Officer



# STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Caribbean Finance Company Limited (the Company), which comprise the statement of financial position as at 31 December 2016, the income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Financial Institutions Act 2008; and
- Using reasonable and prudent judgement in the determination of estimates.

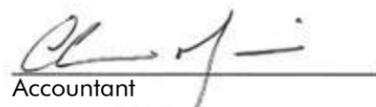
In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



Chief Executive Officer  
9 March 2017



Accountant  
9 March 2017

# INDEPENDENT AUDITOR'S REPORT

To the shareholders of  
Caribbean Finance Company Limited

## Report on the audit of the financial statements

### Our opinion

In our opinion, the financial statements present fairly, in all material respect the financial position of Caribbean Finance Company Limited (the Company) as at 31 December 2016, and financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited the Company's financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of Comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## INDEPENDENT AUDITOR'S REPORT *(Continued)*

### Other information

Management is responsible for the other information. The other information comprises the Directors' report, corporate information and financial highlights but does not include the financial statements and our auditor's report thereon.

**Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.**

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## INDEPENDENT AUDITOR'S REPORT *(Continued)*

### Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



PricewaterhouseCoopers  
15 March 2017  
Port of Spain  
Trinidad, West Indies

# Caribbean Finance Company Limited

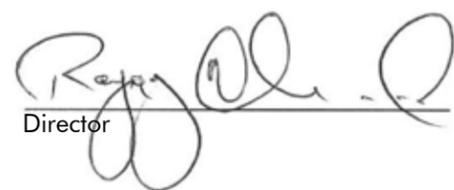
## Statement of Financial Position

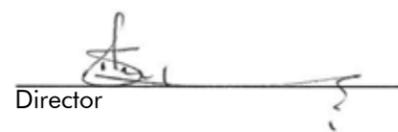
(Expressed in Trinidad and Tobago dollars)

	Notes	31 December	
		2016 \$	2015 \$
<b>Assets</b>			
Cash and cash equivalents	4	481,140	352,352
Statutory deposit with Central Bank	5	27,718,111	26,199,271
Investments available-for-sale	6	940,584	817,780
Loans and other receivables	7	477,688,395	457,185,414
Property and equipment	8	2,206,449	2,039,934
Other assets		165,426	255,829
Taxation recoverable		150,583	--
Deferred tax asset	9	12,559	84,466
<b>Total assets</b>		<u>509,363,247</u>	<u>486,935,046</u>
<b>Liabilities</b>			
Customers' deposits	10	296,818,877	289,963,021
Bank overdraft	11	938,765	2,455,325
Other liabilities		1,169,541	1,110,284
Taxation payable		--	79,881
Dividends		7,200,000	7,200,000
<b>Total liabilities</b>		<u>306,127,183</u>	<u>300,808,511</u>
<b>Shareholders' equity</b>			
Share capital	12	15,000,000	15,000,000
Statutory reserve	13	15,000,000	15,000,000
General banking reserve	13	2,500,000	2,500,000
Retained earnings		170,638,875	153,631,637
Accumulated other comprehensive income/(loss)		97,189	(5,102)
<b>Total shareholders' equity</b>		<u>203,236,064</u>	<u>186,126,535</u>
<b>Total liabilities and equity</b>		<u>509,363,247</u>	<u>486,935,046</u>

The notes on pages 20 to 48 are an integral part of these financial statements.

On 9 March 2017, the Board of Directors of Caribbean Finance Company Limited authorised these financial statements for issue.

  
Director

  
Director

# Caribbean Finance Company Limited

## Statement of Profit or Loss and Other Comprehensive Income

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 31 December	
		2016 \$	2015 \$
Interest income	14	59,596,555	58,114,107
Interest expense	15	(12,523,968)	(12,167,354)
<b>Net interest income</b>		47,072,587	45,946,753
Other income	16	1,426,994	1,025,348
<b>Total net income</b>		<u>48,499,581</u>	<u>46,972,101</u>
Impairment expense on loans and other financing, net of recoveries	7 c.	(2,729,212)	(2,797,110)
Operating expenses	17	(13,337,814)	(11,420,400)
<b>Total non-interest expenses</b>		<u>(16,067,026)</u>	<u>(14,217,510)</u>
<b>Profit before taxation</b>		32,432,555	32,754,591
Taxation	18	(8,225,317)	(8,313,703)
<b>Profit after taxation</b>		<u>24,207,238</u>	<u>24,440,888</u>
<b>Other comprehensive income:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Fair value gains/(losses) on investments available-for-sale	6 b.	102,291	(41,643)
<b>Other comprehensive income/(loss) for the year</b>		<u>102,291</u>	<u>(41,643)</u>
<b>Total profit and comprehensive income for the year</b>		<u>24,309,529</u>	<u>24,399,245</u>
<b>Earnings per share</b>	19	<u>1.61</u>	<u>1.63</u>

The notes on pages 20 to 48 are an integral part of these financial statements.

# Caribbean Finance Company Limited

## Statement of Changes in Equity

(Expressed in Trinidad and Tobago dollars)

	Note	Share capital \$	Statutory reserve \$	General banking reserve \$	Retained earnings \$	Accumulated other comprehensive income/(loss) \$	Total shareholders' equity \$
<b>Year ended 31 December 2016</b>							
Balance at 1 January 2016		15,000,000	15,000,000	2,500,000	153,631,637	(5,102)	186,126,535
Profit after taxation		--	--	--	24,207,238	--	24,207,238
Other comprehensive profit for the year		--	--	--	--	102,291	102,291
Dividends	20	--	--	--	(7,200,000)	--	(7,200,000)
Balance at 31 December 2016		<u>15,000,000</u>	<u>15,000,000</u>	<u>2,500,000</u>	<u>170,638,875</u>	<u>97,189</u>	<u>203,236,064</u>
<b>Year ended 31 December 2015</b>							
Balance at 1 January 2015		15,000,000	15,000,000	2,500,000	136,390,749	36,541	168,927,290
Profit after taxation		--	--	--	24,440,888	--	24,440,888
Other comprehensive loss for the year		--	--	--	--	(41,643)	(41,643)
Dividends	20	--	--	--	(7,200,000)	--	(7,200,000)
Balance at 31 December 2015		<u>15,000,000</u>	<u>15,000,000</u>	<u>2,500,000</u>	<u>153,631,637</u>	<u>(5,102)</u>	<u>186,126,535</u>

The notes on pages 20 to 48 are an integral part of these financial statements.

# Caribbean Finance Company Limited

## Statement of Cash Flows

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 31 December	
		2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Profit before taxation		32,432,555	32,754,591
Adjustments for			
Impairment losses on loans		2,729,212	2,797,110
Depreciation	8	443,341	468,380
Loss/(gain) on disposal of fixed assets		21,340	(3,834)
(Increase)/decrease in operating assets			
Loans and other receivables		(23,232,192)	(28,667,868)
Central Bank Reserve Account		(1,518,840)	(1,394,550)
Other assets		90,403	(102,546)
Increase/(decrease) in operating liabilities			
Customers' deposits		6,855,856	8,836,067
Other liabilities		59,257	(66,184)
Cash used in operating activities		17,880,932	15,824,411
Corporation tax paid		(8,383,874)	(8,063,281)
Corporation tax refund		--	115,545
<b>Net cash generated from operating activities</b>		<u>9,497,058</u>	<u>6,673,430</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		(667,085)	(352,510)
Proceeds from sale of fixed assets		35,888	57,565
Net (additions)/disposals of investments available-for-sale		(20,513)	(16,999)
<b>Net cash used in investing activities</b>		<u>(651,710)</u>	<u>(311,943)</u>
<b>Financing activities</b>			
Dividends paid		(7,200,000)	(6,700,000)
Repayment on short-term financing		--	(2,008,014)
<b>Net cash used in financing activities</b>		<u>(7,200,000)</u>	<u>(8,708,014)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,645,348	(2,346,527)
<b>Cash and cash equivalents at beginning of year</b>		<u>(2,102,973)</u>	<u>243,554</u>
<b>Cash and cash equivalents at end of year</b>		<u>(457,625)</u>	<u>(2,102,973)</u>
<b>Represented by:</b>			
Cash resources	4	481,140	352,352
Bank overdraft		(938,765)	(2,455,325)
		<u>(457,625)</u>	<u>(2,102,973)</u>

The notes on pages 20 to 48 are an integral part of these financial statements.

# Caribbean Finance Company Limited

## Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

### 1 Incorporation and activities

Caribbean Finance Company Limited is a limited liability company incorporated in the Republic of Trinidad and Tobago on 17 June 1971. It is licensed under the Financial Institutions Act, 2008.

The Company is a subsidiary of Universal Investments Limited a company incorporated in the Republic of Trinidad and Tobago. Its ultimate parent company is The Southern Company Limited a company incorporated in the Republic of Trinidad and Tobago.

The principal activities of the Company are lending through hire purchase agreements and mortgage bills of sale on motor vehicles and the acceptance of deposits for fixed terms. The Company also provides credit through trade financing, mortgage loans and leasing.

The address of its registered office is 22 Kew Place, Port of Spain.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a. Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, except for the investments available-for-sale which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

#### (i) New standards, amendments and interpretations adopted by the Company

- Amendment to IAS 1 – Presentation of Financial Statements (effective 1 January 2016). The amendment addresses the issue of perceived impediments to preparers exercising judgement in presenting financial reports. The amendment clarifies that, materiality requirements apply to all parts of the financial statements and information should not be obscured by aggregating or by providing immaterial information. The amendment also gives entities the flexibility as to the order in which the notes to the financial statements are presented. Adoption of this amendment had no impact on the Company's financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2016 are not material to the Company.

# Caribbean Finance Company Limited

## Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

### 2 Summary of significant accounting policies (continued)

#### a. Basis of preparation (continued)

#### (ii) New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2016 and not early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2017 or later periods, but the Company has not early adopted them:

- IFRS 15 – Revenues from Contracts with Customers: The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. Mandatory adoption is expected for fiscal year beginning 1 January 2018.
- IFRS 9 – Financial Instruments: IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting.  
  
In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses. Mandatory adoption is expected for fiscal year beginning 1 January 2018.
- Amendments to IAS 7 – These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. Effective Annual periods beginning on or after 1 January 2017.
- Amendments to IAS 12 – 'Income taxes' on Recognition of deferred tax assets for unrealised losses (effective 1 January 2017). These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The Company has not yet assessed how these amendments and new standards would be affected by the new rules listed above.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

#### b. Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Trinidad and Tobago dollars which is the Company's functional and presentation currency.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 2 Summary of significant accounting policies (continued)

### b. Foreign currency translation (continued)

#### (ii) Transactions and balances

Foreign currency transactions are translated into the reporting currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in other comprehensive income.

### c. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash balances on hand, deposits with other banks and short-term highly liquid investments with original maturities of three months or less when purchased, net of bank overdraft.

### d. Financial assets

The Company classifies its financial assets as “investments available-for-sale” and “loans and other receivables”. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

#### (i) Investments available-for-sale

Investments available-for-sale are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates.

All purchases and sales of investments available-for-sale are recognised on the trade date, which is the date on which the Company commits to purchase or sell the investment. Investments available-for-sale are derecognised when the rights to receive cash flows from the investment have expired or the Company has transferred substantially all risks and rewards of ownership.

Investments available-for-sale are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, investments available-for-sale are carried at fair value. Gains and losses arising from changes in the fair value of investments available-for-sale are recognised directly in other comprehensive income until the investment is derecognised, sold or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for an investment, the Company establishes fair value using valuation techniques. These include the use of recent arm’s length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

#### (ii) Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market, other than:

- (a) those the entity intends to sell immediately or in the short-term, which are classified as held for trading, and those that the entity upon initial recognition designates at fair value through the profit or loss;

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 2 Summary of significant accounting policies (continued)

### d. Financial assets (continued)

#### (ii) Loans and other receivables (continued)

- (b) those that the entity upon initial recognition designates as available-for-sale; or

- (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and other receivables are carried at amortised cost using the effective interest method. Interest on loans is included in profit or loss and is reported as ‘Interest income’. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in profit or loss as ‘Impairment expense on loans and other financing, net of recoveries’.

### e. Impairment of financial assets

#### (i) Financial assets carried at fair value

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

#### (ii) Financial assets carried at amortised cost

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- (a) significant financial difficulty of the issuer or debtor;
- (b) a breach of contract, such as default or delinquency in payments;
- (c) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- (d) the disappearance of an active market for that financial asset because of financial difficulties;

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 2 Summary of significant accounting policies (continued)

### e. Impairment of financial assets (continued)

#### (ii) Financial assets carried at amortised cost (continued)

- (a) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of individual assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of issuers or debtors in the Group; or
  - national or local economic conditions that correlate with defaults on assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

When a loan is uncollectible, it is written off against the related allowance for impairment losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

### f. Leases

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable and included under loans and other financing. The difference between the gross receivable and the present value of the receivable is recognised as unearned interest.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

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## 2 Summary of significant accounting policies (continued)

### g. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on assets is computed using the following methods to allocate their cost to their residual values over their estimated useful lives, as follows:

#### Reducing balance basis

Leasehold improvements	–	10%
Furniture and fittings	–	10%
Motor vehicles	–	25%
Office and computer equipment	–	12% – 20%
Computer software	–	12% – 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

### h. Short-term financing

Short-term financing is recognised initially at fair value net of transaction costs incurred. Short-term financing is subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### i. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 2 Summary of significant accounting policies (continued)

### j. Income tax

#### (i) Current income tax

Income tax is calculated on the basis of the applicable tax law in Trinidad and Tobago and is recognised in profit or loss for the period.

#### (ii) Deferred income tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of the assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantially enacted at the statement of financial position date are used to determine deferred tax.

The principal temporary differences arise from accelerated tax depreciation and revaluation of investments available-for-sale.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is recognised in profit or loss for the period except to the extent that it relates to taxable items that are charged or credited in other comprehensive income. In these circumstances, the associated deferred tax is charged or credited to other comprehensive income (for example, in the case of a taxable available-for-sale investment).

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

### k. Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

### l. Revenue recognition

#### (i) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transactions costs, and all other premiums and discounts.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 2 Summary of significant accounting policies (continued)

### l. Revenue recognition (continued)

#### (ii) Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred and recognised as an adjustment to the effective interest rate on the loan. Commissions and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, are recognised on completion of the underlying transaction.

### m. Defined contribution plan

The Company has a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are charged to profit or loss on the accrual basis.

### n. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's directors.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### a. Impairment losses on loans

The Company reviews its underlying portfolios to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the underlying portfolios. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on financial assets in the group. Management uses estimates based on historical loss experience for financial assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The following is a sensitivity analysis of the key assumptions used in developing this estimate:

- In arriving at the specific provision for impairment losses for collateralised financial assets, the Company estimated cash flows from foreclosure less costs for obtaining and selling the collateral. Had collateral values been 5% lower/higher in aggregate, the specific provision for impairment losses would have been \$821,312 higher/lower.
- In arriving at the portfolio provision for impairment losses, the Company estimated loss percentages for the portfolio by considering industry, economic and other factors by sector. Had the loss percentages been 0.1% higher/lower, the portfolio provision for impairment losses would have been \$ 457,288 higher/lower.

### b. Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 4 Cash and cash equivalents

	2016	2015
	\$	\$
Cash on hand and in bank	323,164	196,024
Money market mutual funds	<u>157,976</u>	<u>156,328</u>
Included in cash and cash equivalents	<u>481,140</u>	<u>352,352</u>

Cash at bank and money market mutual funds were neither past due nor impaired as of the statement of financial position dates. These are held with local financial institutions which have not defaulted in the past and are considered to be credit worthy.

## 5 Statutory deposit with Central Bank

	<u>27,718,111</u>	<u>26,199,271</u>
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The Financial Institutions Act, 2008 (the Act) requires that every non-banking financial institution licensed under the Act in the Republic of Trinidad and Tobago hold a non-interest bearing deposit account with the Central Bank of Trinidad and Tobago equivalent to 9% of the total deposit liabilities of that institution. As at 31 December 2016, the Company was in compliance with this requirement.

## 6 Investments available-for-sale

Trinidad and Tobago Unit Trust Corporation		
– First Unit Scheme (Note 6 a.)	33,823	33,823
Roytrin Mutual Funds	<u>906,761</u>	<u>783,957</u>
	<u>940,584</u>	<u>817,780</u>
Balance at beginning of year	817,780	842,424
Net additions of investments available-for-sale	20,513	16,999
Net fair value gains/(losses) recognised in other comprehensive income	<u>102,291</u>	<u>(41,643)</u>
Balance at end of year	<u>940,584</u>	<u>817,780</u>

a. This represents an investment in the initial capital of the Trinidad and Tobago Unit Trust Corporation.

b. Net fair value gains/(losses) were recognised in other comprehensive income as follows:

Net fair value gains/(losses) on investments		
Available-for-sale	<u>102,291</u>	<u>(41,643)</u>
Amount recognised in other comprehensive income	<u>102,291</u>	<u>(41,643)</u>

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

7 Loans and other receivables	2016	2015
	\$	\$
Instalment loans	475,103,411	450,221,432
Finance leases (Note 7 d.)	553,893	781,254
Trade financing	3,993,504	7,031,634
Mortgage loans	3,458,607	4,454,845
	<u>483,109,415</u>	<u>462,489,165</u>
Provision for impaired loans and other receivables	(5,421,020)	(5,303,751)
	<u>477,688,395</u>	<u>457,185,414</u>
Non-current portion	454,008,721	433,104,866
Current portion	29,100,694	29,384,299
	<u>483,109,415</u>	<u>462,489,165</u>
a. Analysis of loans and other receivables		
Current	397,250,768	387,185,888
Past due but not impaired	64,030,759	55,896,516
Impaired	21,827,888	19,406,761
	<u>483,109,415</u>	<u>462,489,165</u>
b. Reconciliation of provision for impaired loans and other receivables		
Balance at start of year	5,303,751	4,812,955
Reversal of impairment	(9,723,179)	(8,012,640)
Increase in impairment	9,840,448	8,503,436
Balance at end of year	<u>5,421,020</u>	<u>5,303,751</u>
Specific provision	3,915,390	3,795,608
Portfolio provision	1,505,630	1,508,143
	<u>5,421,020</u>	<u>5,303,751</u>
c. Impairment expense on loans and other financing, net of recoveries		
Increase in impairment	9,840,448	8,503,436
Amounts written off during the year as uncollectible	2,089,706	1,752,059
Income received on claims previously written off net of expenses	522,237	554,255
Reversal of impairment	(9,723,179)	(8,012,640)
	<u>2,729,212</u>	<u>2,797,110</u>
d. Finance leases		
Gross investment in finance leases	618,915	920,209
Unearned finance charges	(65,022)	(138,955)
Net investment in finance leases	<u>553,893</u>	<u>781,253</u>
Gross investment in finance leases		
Later than 1 year and not later than 5 years	618,915	920,209
	<u>618,915</u>	<u>920,209</u>

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

8 Property and equipment	Leasehold Improvements \$	Furniture and fittings \$	Motor Vehicles \$	Office and computer equipment \$	Computer software \$	Total \$
<b>Year ended 31 December 2016</b>						
Opening net book value	266,858	128,057	719,330	651,482	274,208	2,039,934
Additions	17,500	32,424	319,353	101,238	196,570	667,085
Disposals	--	--	(57,228)	--	--	(57,228)
Depreciation charge	(32,582)	(16,476)	(206,056)	(116,976)	(71,251)	(443,341)
Closing net book value	<u>251,776</u>	<u>144,004</u>	<u>775,398</u>	<u>635,744</u>	<u>399,527</u>	<u>2,206,449</u>
<b>At 31 December 2016</b>						
Cost	489,069	365,705	1,405,380	1,557,406	1,153,261	4,970,821
Accumulated depreciation	(237,293)	(221,701)	(629,982)	(921,662)	(753,734)	(2,764,372)
Net book value	<u>251,776</u>	<u>144,004</u>	<u>775,398</u>	<u>635,744</u>	<u>399,527</u>	<u>2,206,449</u>
<b>Year ended 31 December 2015</b>						
Opening net book value	302,700	127,172	764,109	683,284	332,270	2,209,535
Additions	--	16,132	236,739	89,652	9,986	352,510
Disposals	--	--	(52,844)	(887)	--	(53,731)
Depreciation charge	(35,842)	(15,247)	(228,674)	(120,568)	(68,049)	(468,380)
Closing net book value	<u>266,858</u>	<u>128,057</u>	<u>719,330</u>	<u>651,482</u>	<u>274,208</u>	<u>2,039,934</u>
<b>At 31 December 2015</b>						
Cost	471,569	333,281	1,179,940	1,456,168	956,691	4,397,649
Accumulated depreciation	(204,711)	(205,224)	(460,611)	(804,686)	(682,484)	(2,357,716)
Net book value	<u>266,858</u>	<u>128,057</u>	<u>719,330</u>	<u>651,482</u>	<u>274,208</u>	<u>2,039,934</u>
<b>At 31 December 2014</b>						
Cost	471,570	317,149	1,188,566	1,367,965	946,705	4,291,955
Accumulated depreciation	(168,870)	(189,977)	(424,457)	(684,681)	(614,435)	(2,082,420)
Net book value	<u>302,700</u>	<u>127,172</u>	<u>764,109</u>	<u>683,284</u>	<u>332,270</u>	<u>2,209,535</u>

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 9 Deferred tax asset

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25%.

The movement in the net deferred income tax asset is as follows:

	2016 \$	2015 \$
At beginning of year	84,466	238,546
Amount recognised in profit or loss (Note 18):		
– Current year	(60,674)	(59,108)
Adjustment to prior year's estimates	<u>(11,233)</u>	<u>(94,972)</u>
At end of year	<u><u>12,559</u></u>	<u><u>84,466</u></u>

The net deferred tax asset is attributable to:

Accelerated depreciation on leased assets, property and equipment	<u>12,559</u>	<u>84,466</u>
Net deferred tax asset	<u><u>12,559</u></u>	<u><u>84,466</u></u>

## 10 Customers deposits

Deposit balances	292,869,553	286,569,582
Accrued interest	<u>3,949,324</u>	<u>3,393,439</u>
	<u><u>296,818,877</u></u>	<u><u>289,963,021</u></u>
Current portion	264,570,628	266,271,971
Non-current portion	<u>32,248,249</u>	<u>23,691,050</u>
	<u><u>296,818,877</u></u>	<u><u>289,963,021</u></u>

a. Sectoral analysis	2016		2015	
	\$	%	\$	%
Consumers	243,612,718	82	249,259,366	86
Commercial	<u>53,206,159</u>	<u>18</u>	<u>40,703,655</u>	<u>14</u>
	<u><u>296,818,877</u></u>	<u><u>100</u></u>	<u><u>289,963,021</u></u>	<u><u>100</u></u>

All deposits have fixed interest rates.

## 11 Bank overdraft

The Company maintains an overdraft facility which bears interest at 8.50% per annum (2015 – 8.50%). This overdraft facility together with the short-term financing through bankers' acceptances, totals \$20 million, committed and a further \$10 million un-committed, all of which is secured by a debenture over the assets of the Company.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 12 Share capital

Authorised

An unlimited number of shares of no par value

Issued and fully paid

15,000,000 ordinary shares of no par value

	2016 \$	2015 \$
	<u><u>15,000,000</u></u>	<u><u>15,000,000</u></u>

## 13 Reserves

Statutory reserve

The Financial Institutions Act, 2008 requires financial institutions to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is equal to the paid up capital of the institution.

General banking reserve

In keeping with the Financial Institutions (Prudential Criteria) Regulations, 1994, the Company has set aside a reserve out of retained earnings to provide against unforeseen losses on the loan portfolio.

## 14 Interest income

Loans and other receivables

Cash resources and investments available-for-sale

	2016 \$	2015 \$
Loans and other receivables	59,569,913	58,093,307
Cash resources and investments available-for-sale	<u>26,642</u>	<u>20,800</u>
	<u><u>59,596,555</u></u>	<u><u>58,114,107</u></u>

## 15 Interest expense

Customers' deposits

Bank overdraft and short-term financing

Customers' deposits	11,936,114	11,517,236
Bank overdraft and short-term financing	<u>587,854</u>	<u>650,118</u>
	<u><u>12,523,968</u></u>	<u><u>12,167,354</u></u>

## 16 Other income

Fees and commissions

Profit on disposal of assets under finance leases

Fees and commissions	1,426,993	1,025,348
Profit on disposal of assets under finance leases	<u>1</u>	<u>--</u>
	<u><u>1,426,994</u></u>	<u><u>1,025,348</u></u>

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

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17 Operating expenses	2016 \$	2015 \$
Staff costs (Note 17 a.)	6,900,694	5,895,037
Administrative and other expenses	3,904,009	3,246,337
Depreciation	443,341	468,380
Directors' fees	180,000	180,000
Deposit insurance premium*	577,244	516,760
Office rent	655,986	655,986
Professional fees	474,040	400,925
Green Fund Levy	181,160	60,809
(Profit)/loss on disposal of property and equipment	21,340	(3,834)
	<u>13,337,814</u>	<u>11,420,400</u>

\*Statutory regulations governing the operations of banks and other financial institutions in the Republic of Trinidad and Tobago stipulate that an annual premium be paid to the Deposit Insurance Corporation amounting to 0.2% of average deposit liabilities outstanding at the end of each quarter of the preceding year.

a. Staff costs

Salaries	6,160,710	5,280,924
National Insurance	277,030	249,815
Pension contributions	185,620	165,568
Other long term benefits	277,334	198,730
	<u>6,900,694</u>	<u>5,895,037</u>

## 18 Taxation

Corporation tax		
– Current year	8,150,299	8,180,763
– Adjustments to prior year's estimates	3,111	(21,140)
Deferred tax (credit)/charge (see Note 9)		
– Current year	60,674	59,108
– Adjustments to prior year's estimates	11,233	94,972
	<u>8,225,317</u>	<u>8,313,703</u>

The tax on the operating profit differs from the theoretical amount that would arise using the statutory rate of 25% as follows:

Profit before taxation	<u>32,432,555</u>	<u>32,754,591</u>
Corporation tax calculated at a tax rate of 25%	8,108,139	8,188,648
Expenses not deductible for tax purposes	108,932	55,929
Income not assessable for tax	(6,098)	(4,706)
Adjustments to prior year's estimates	14,344	73,832
	<u>8,225,317</u>	<u>8,313,703</u>

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

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19 Earnings per share	2016 \$	2015 \$
Profit after taxation	<u>24,207,238</u>	<u>24,440,888</u>
Number of ordinary shares in issue	<u>15,000,000</u>	<u>15,000,000</u>
Earnings per share	<u>\$1.61</u>	<u>\$1.63</u>

## 20 Dividends

Declared – \$0.48 per share (2015: \$0.48)	<u>7,200,000</u>	<u>7,200,000</u>
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## 21 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

A number of transactions are entered into with related parties in the normal course of business. These include loans and deposits. These transactions were carried out on commercial terms and conditions. The outstanding balances at the year-end are as follows:

a. Outstanding balances at year-end arising from related party transactions and related income and expense for the year are as follows:

Loans and other receivables	<u>675,505</u>	<u>751,480</u>
Customers' deposits		
Directors and key management personnel	<u>42,759,880</u>	<u>38,446,622</u>
Interest income	<u>78,768</u>	<u>112,281</u>
Interest expense		
Directors and key management personnel	<u>862,897</u>	<u>810,044</u>
Key management compensation		
Salaries and other short-term benefits	<u>2,901,625</u>	<u>2,024,914</u>

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

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## 22 Financial risk management

### a. Financial risk factors

The Company's activities expose it to a number of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risks is core to the financial business and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects in the Company's financial performance.

The Company's risk management system serves to identify the various risks specific to the activities and operations of the Company and to document policies and procedures to address these risks. These risk management policies set appropriate risk limits and controls and monitor the risks and adherence to limits by means of reliable and up to date management systems.

The Board of Directors is responsible for the overall risk management approach and for approving risk strategies and principles. The Board of Directors discharges its responsibilities through the Asset/Liability/Credit Committee (ALCCO) which has overall responsibility to oversee the implementation of policies for identifying, evaluating and monitoring significant risks to which the Company is exposed. The main types of risks the Company is exposed to are credit risk, liquidity risk, interest rate risk and operational risk.

The Audit Committee oversees how management monitors compliance with the Company's policies and procedures. The Audit Committee is assisted in its oversight role by the Internal Auditors. The Internal Auditors undertake regular reviews of management's controls and procedures, the results of which are reported to the Audit Committee.

### (i) Credit risk

#### (a) Definition

The Company takes on credit risk which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation.

#### (b) Management of risk

Credit risk is the most important risk for the Company's business which principally arises in lending activities that lead to loans and other receivables. In order to effectively manage credit risk, the following is considered:

- (i) Proper judgement of the creditworthiness of the borrower when analysing the loan application;
- (ii) Adequate collateral held as security for funds advanced;
- (iii) Maintenance of a strict and aggressive collection policy;
- (iv) Monthly review of the risk ratios for the measurement of credit risk;
- (v) Maintenance of a prudent loan provisioning policy;
- (vi) Monitor exposures against limits to any one borrower or borrower group;
- (vii) The Asset/Liability/Credit Committee to be informed of any large exposures to any one borrower or borrower group in default;
- (viii) The information technology system for reporting, monitoring and controlling risks is properly maintained and updated;
- (ix) Regular reporting to the Board of Directors on the performance of the loan portfolio.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 22 Financial risk management (continued)

### a. Financial risk factors (continued)

#### (i) Credit risk (continued)

#### (c) Maximum exposure to credit risk before collateral held or other credit enhancements

	2016 \$	2015 \$
Instalment loans	475,103,411	450,221,432
Finance leases	553,893	781,254
Trade financing	3,993,504	7,031,634
Mortgage loans	<u>3,458,607</u>	<u>4,454,845</u>
	483,109,415	462,489,165
Less provision for impaired loans and other receivables	<u>(5,421,020)</u>	<u>(5,303,751)</u>
	477,688,395	457,185,414
Cash and cash equivalents	481,140	352,352
Statutory deposit with Central Bank	<u>27,718,111</u>	<u>26,199,271</u>
	<u>505,887,646</u>	<u>483,737,037</u>

The above table represents a worst case scenario of credit risk exposure to the Company as at 31 December 2016 and 2015 without taking into account any collateral held.

#### (d) Loan grading system

Grades are assigned ranging from A to E and are dependent on the following criteria:

- The state of the Arrears
- The number of Reminder/Arrears Notices sent
- The number of Repossessions issued
- If the collateral was repossessed

The Company's Credit Classification System is outlined in a grading system as follows:

Loan rating	Rating	Rating criteria
A	Excellent	<ul style="list-style-type: none"> <li>• Arrears ranging between 0-30 days and</li> <li>• No second notices or repossessions issued</li> </ul>
B	Good	<ul style="list-style-type: none"> <li>• Arrears ranging between 31-60 days and</li> <li>• No repossession orders issued</li> <li>• The total number of 2nd Notices is measured against the months passed over the loan term. The ratio should not exceed 20%</li> </ul>
C	Fair	<ul style="list-style-type: none"> <li>• Loans that are in arrears between 61-90 days and/or</li> <li>• 1-2 repossession documents served</li> </ul>
D	Poor	<ul style="list-style-type: none"> <li>• Loans that are in arrears over 90 days and/or</li> <li>• 3 or more repossession documents served</li> </ul>
E	Poor	<ul style="list-style-type: none"> <li>• Collateral repossessed</li> </ul>

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 22 Financial risk management (continued)

a. Financial risk factors (continued)

(i) Credit risk (continued)

(d) Loan grading system (continued)

	Neither past due not impaired				Total \$
	Instalment \$	Leases \$	Real estate \$	Trade financing \$	
<b>At 31 December 2016</b>					
Grade A	264,166,065	--	2,826,079	3,993,504	270,985,648
Grade B	106,252,919	--	632,528	--	106,885,447
Grade C	15,211,972	--	--	--	15,211,972
Grade D	4,167,701	--	--	--	4,167,701
Grade E	--	--	--	--	--
	<u>389,798,657</u>	<u>--</u>	<u>3,458,607</u>	<u>3,993,504</u>	<u>397,250,768</u>

	Neither past due not impaired				Total \$
	Instalment \$	Leases \$	Real estate \$	Trade financing \$	
<b>At 31 December 2015</b>					
Grade A	259,429,543	--	2,980,059	7,031,634	269,441,236
Grade B	95,942,952	236,357	1,474,785	--	97,654,095
Grade C	17,226,743	--	--	--	17,226,743
Grade D	2,863,814	--	--	--	2,863,814
Grade E	--	--	--	--	--
	<u>375,463,052</u>	<u>236,357</u>	<u>4,454,845</u>	<u>7,031,634</u>	<u>387,185,888</u>

There will be loans in the neither past due not impaired status that are graded C, D, or E due to the nature of the customer's history on account.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 22 Financial risk management (continued)

a. Financial risk factors (continued)

(i) Credit risk (continued)

(e) Analysis of financial assets

	Past due but not impaired				Impaired \$	Total \$
	Current \$	1 – 30 days \$	31- 90 days \$	> 90 days \$		
<b>At 31 December 2016</b>						
Cash and cash equivalents	481,140	--	--	--	--	481,140
Statutory deposit with Central Bank	27,718,111	--	--	--	--	27,718,111
<u>Loans and other receivables:</u>						
- Instalment loans	389,798,657	60,944,599	2,118,275	413,992	21,827,888	475,103,411
- Finance leases	--	553,893	--	--	--	553,893
- Trade financing	3,993,504	--	--	--	--	3,993,504
- Mortgages	3,458,607	--	--	--	--	3,458,607
	<u>397,250,768</u>	<u>61,498,492</u>	<u>2,118,275</u>	<u>413,992</u>	<u>21,827,888</u>	<u>483,109,415</u>
	<u>425,450,019</u>	<u>61,498,492</u>	<u>2,118,275</u>	<u>413,992</u>	<u>21,827,888</u>	<u>511,308,666</u>
<b>At 31 December 2015</b>						
Cash and cash equivalents	352,352	--	--	--	--	352,352
Statutory deposit with Central Bank	26,199,271	--	--	--	--	26,199,271
<u>Loans and other receivables:</u>						
- Instalment loans	375,463,052	53,711,806	790,444	849,369	19,406,761	450,221,432
- Finance leases	236,357	544,896	--	--	--	781,253
- Trade financing	7,031,634	--	--	--	--	7,031,634
- Mortgages	4,454,845	--	--	--	--	4,454,845
	<u>387,185,888</u>	<u>54,256,703</u>	<u>790,444</u>	<u>849,369</u>	<u>19,406,761</u>	<u>462,489,164</u>
	<u>413,737,511</u>	<u>54,256,703</u>	<u>790,444</u>	<u>849,369</u>	<u>19,406,761</u>	<u>489,040,787</u>

(f) Loans and other receivables past due but not impaired – credit quality

These relate to loans which have exceeded the contractual payment period. Loans within this category are continuously monitored by the Company's management to ensure all collection options are exercised to bring these accounts up to date.

(g) Loans and other receivables past due and/or impaired – description of collateral held

Collateral on these loans comprise mortgages over real estate, hire purchase agreements and chattel mortgages over equipment and vehicles.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 22 Financial risk management (continued)

### a. Financial risk factors (continued)

#### (i) Credit risk (continued)

##### (h) Loans and other receivables individually impaired – fair value of collateral held

	Carrying value (before provisions) 2016 \$	Fair value of collateral 2016 \$	Carrying value (before provisions) 2015 \$	Fair value of collateral 2015 \$
Instalment loans	21,827,888	17,912,497	19,406,761	15,611,153
Finance leases	--	--	--	--
Mortgage loans	--	--	--	--
	<u>21,827,888</u>	<u>17,912,497</u>	<u>19,406,761</u>	<u>15,611,153</u>

##### (i) Repossessed collateral

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. As at the statement of financial position date, there were no repossessed properties.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 22 Financial risk management (continued)

### a. Financial risk factors (continued)

#### (i) Credit risk (continued)

##### (i) Allowance for impairment losses on loans and other receivables

	Instalment loans \$	Finance leases \$	Mortgage loans \$	Total \$
<b>At 31 December 2016</b>				
Balance at beginning of year	5,287,205	4,453	12,093	5,303,751
Reversal of impairment	(9,716,877)	(1,850)	(4,452)	(9,723,179)
Increase in impairment	<u>9,840,448</u>	--	--	<u>9,840,448</u>
Balance at end of year	<u>5,410,776</u>	<u>2,603</u>	<u>7,641</u>	<u>5,421,020</u>
Increase in impairment	9,840,448	--	--	9,840,448
Amounts written off during the year as uncollectible	2,089,706	--	--	2,089,706
Reversal of impairment	(9,716,877)	(1,850)	(4,452)	(9,723,179)
Income received on claims previously written off net of expenses	<u>522,237</u>	--	--	<u>522,237</u>
Impairment losses	<u>2,735,514</u>	<u>(1,850)</u>	<u>(4,452)</u>	<u>2,729,212</u>
<b>At 31 December 2015</b>				
Balance at beginning of year	4,806,671	4,538	1,746	4,812,955
Reversal of impairment	(8,012,555)	(85)	--	(8,012,640)
Increase in impairment	<u>8,493,089</u>	--	<u>10,347</u>	<u>8,503,436</u>
Balance at end of year	<u>5,287,205</u>	<u>4,453</u>	<u>12,093</u>	<u>5,303,751</u>
Increase in impairment	8,493,089	--	10,347	8,503,436
Amounts written off during the year as uncollectible	1,752,059	--	--	1,752,059
Reversal of impairment	(8,012,555)	(85)	--	(8,012,640)
Income received on claims previously written off net of expenses	<u>554,255</u>	--	--	<u>554,255</u>
Impairment losses	<u>2,786,848</u>	<u>(85)</u>	<u>10,347</u>	<u>2,797,110</u>

These amounts comprise specific and portfolio allowances.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 22 Financial risk management (continued)

### a. Financial risk factors (continued)

#### (i) Credit risk (continued)

#### (k) Concentration risks of loans and other receivables

	Instalment loans \$	Finance leases \$	Trade financing \$	Mortgage loans \$	Total \$
<b>At 31 December 2016</b>					
Consumer	130,258,979	--	--	1,018,327	131,277,306
Manufacturing	24,275,596	--	--	--	24,275,596
Communications	52,828,063	--	--	--	52,828,063
Real estate	1,724,103	--	--	1,768,110	3,492,213
Hotel and restaurant	10,665,746	--	--	--	10,665,746
Energy	4,985,706	--	--	--	4,985,706
Distribution	24,815,487	--	3,993,504	--	28,808,991
Construction	63,513,994	--	--	--	63,513,994
Private sector	8,589,819	--	--	--	8,589,819
Agriculture	19,318,215	--	--	--	19,318,215
Utilities	1,050,488	--	--	--	1,050,488
Other	68,608,640	553,893	--	--	69,162,533
Car rentals	19,935,697	--	--	--	19,935,697
Security services	12,967,588	--	--	--	12,967,588
Hardware	6,633,650	--	--	--	6,633,650
Air/con, maint, environ	8,889,404	--	--	--	8,889,404
Equipment rentals	6,041,810	--	--	672,170	6,713,979
Safety equipment	10,000,428	--	--	--	10,000,428
	<u>475,103,411</u>	<u>553,893</u>	<u>3,993,504</u>	<u>3,458,607</u>	<u>483,109,415</u>

#### At 31 December 2015

Consumer	123,513,511	--	--	1,875,292	125,388,803
Manufacturing	28,754,659	--	--	--	28,754,659
Communications	44,292,077	--	--	--	44,292,077
Real estate	1,816,772	--	--	1,802,134	3,618,906
Hotel and restaurant	11,711,026	--	--	--	11,711,026
Energy	8,029,410	--	--	--	8,029,410
Distribution	26,033,172	--	7,031,634	--	33,064,806
Construction	63,568,239	--	--	--	63,568,239
Private sector	6,379,319	--	--	--	6,379,319
Agriculture	20,093,277	--	--	--	20,093,277
Utilities	853,091	--	--	--	853,091
Other	50,617,437	781,255	--	--	51,398,691
Car rentals	22,664,060	--	--	--	22,664,060
Security services	14,364,251	--	--	--	14,364,251
Hardware	4,982,655	--	--	--	4,982,655
Air/con, maint, environ	10,048,792	--	--	--	10,048,792
Equipment rentals	4,877,270	--	--	777,419	5,654,690
Safety equipment	7,622,413	--	--	--	7,622,413
	<u>450,221,432</u>	<u>781,255</u>	<u>7,031,634</u>	<u>4,454,845</u>	<u>462,489,165</u>

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 22 Financial risk management (continued)

### a. Financial risk factors (continued)

#### (ii) Liquidity risk

#### (a) Definition

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

#### (b) Management of risk

Liquidity risk arises when the Company is unable to meet its payment obligations associated with its financial liabilities, repay its depositors and its ability to lend is affected. In order to effectively manage this risk, the following is considered:

- (i) Daily monitoring of the cash flows;
- (ii) Review projections to ensure that the daily requirements can be met;
- (iii) Customers' deposit maturities are monitored to ensure the availability of funding to repay depositors;
- (iv) Scheduling of loans and other financing and customers' deposits maturities to ensure an even spread in the disbursement of funds;
- (v) Standby lines of credit established;
- (vi) The Company maintains an overdraft facility which bears interest at 8.50% per annum (2015 – 8.50%). This overdraft facility totals \$20 million, all of which is secured by a debenture over the assets of the Company.

#### (c) Maturity analysis of financial instruments

The table below presents the cash flows payable by the Company under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount \$	Undiscounted cash flows			Total \$
		Within one year \$	One to five years \$	Over five years \$	
<b>As at 31 December 2016</b>					
<i>Financial assets</i>					
Cash and cash equivalents	481,140	481,140	--	--	481,140
Statutory deposit	27,718,111	--	27,718,111	--	27,718,111
Loans and other receivables	477,688,394	27,448,890	408,233,840	157,784,589	593,467,319
	<u>505,887,645</u>	<u>27,930,030</u>	<u>435,951,951</u>	<u>157,784,589</u>	<u>621,666,570</u>
<i>Financial liabilities</i>					
Short-term financing	--	--	--	--	--
Customers' deposits	296,818,877	271,051,034	32,758,747	--	303,809,781
Bank overdraft	938,765	938,765	--	--	938,765
Other liabilities	1,169,541	1,169,541	--	--	1,169,541
	<u>298,927,183</u>	<u>273,159,340</u>	<u>32,758,747</u>	<u>--</u>	<u>305,918,087</u>
Net liquidity gap	<u>206,960,462</u>	<u>(245,229,310)</u>	<u>403,193,204</u>	<u>157,784,589</u>	<u>315,748,483</u>

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 22 Financial risk management (continued)

### a. Financial risk factors (continued)

#### (ii) Liquidity risk

##### (c) Maturity analysis of financial instruments (continued)

	Undiscounted cash flows				Total \$
	Carrying amount \$	Within one year \$	One to five years \$	Over five years \$	
<b>As at 31 December 2015</b>					
<i>Financial assets</i>					
Cash and cash equivalents	352,352	352,352	--	--	352,352
Statutory deposit	26,199,271	--	26,199,271	--	26,199,271
Loans and other receivables	457,185,414	28,969,189	435,293,941	101,733,434	565,996,564
	<u>483,737,037</u>	<u>29,321,541</u>	<u>461,493,212</u>	<u>101,733,434</u>	<u>592,548,187</u>
<i>Financial liabilities</i>					
Short-term financing	--	--	--	--	--
Customers' deposits	289,963,021	272,780,700	23,912,278	--	296,692,978
Bank overdraft	2,455,325	2,455,325	--	--	2,455,325
Other liabilities	1,110,284	1,110,284	--	--	1,110,284
	<u>293,528,630</u>	<u>276,346,309</u>	<u>23,912,278</u>	<u>--</u>	<u>300,258,587</u>
Net liquidity gap	<u>190,208,407</u>	<u>(247,024,768)</u>	<u>437,580,934</u>	<u>101,733,434</u>	<u>292,289,600</u>

#### (iii) Market risk

The Company is inherently exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk can be subdivided into three categories namely interest rate risk, currency risk and other price risk.

##### (a) Interest rate risk

###### • Overview

Interest rate risk can be further subdivided into two types: cash flow interest rate risk and fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company carries all of its assets at amortised cost and as such is only exposed to cash flow interest rate risk. Financial liabilities, because of their short-term nature, tend to re-price at a faster rate than the longer term financial assets thereby creating a short-term interest rate mismatch.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 22 Financial risk management (continued)

### a. Financial risk factors (continued)

#### (iii) Market risk (continued)

##### (a) Interest rate risk (continued)

###### • Management of risk

The Company's interest rate risk management process includes the following:

- Monitoring of current and anticipated movements in lending and deposit rates in the market utilising market intelligence, Central Bank data, emerging trends and other relevant data sources;
- Monitoring of competitors' rates;
- Ensuring an appropriate balance between risk and return is achieved during the pricing process;
- Ensuring adherence to policies over approval of interest rates;
- Ensuring that stand by facilities at the lowest short-term interest rates are available to meet short-term demands for funds;
- Monitoring volatility in the market to achieve optimal balance between bank borrowings and fixed deposits.

###### • Sensitivity analysis

For the purposes of illustrating its exposure to interest rate risk, the Company has prepared a sensitivity analysis showing what the profit before tax would have been had interest rates been 50 basis points higher or lower. In preparing this calculation, the Company assumed that the change in interest rate would have affected interest income on loans and other receivables, interest income on cash and cash equivalents and interest expense on new/renewed deposits in the respective financial year. Similar assumptions were used for both reporting periods.

As at 31 December 2016, had interest rates been 50 basis points higher/lower, profit before taxation would have been lower/higher by \$835,650. (2015: \$755,283). This has no impact on other components of equity.

##### (b) Currency risk

The Company has no significant exposure to currency risk.

##### (c) Other price risk

The Company has very limited exposure to other price risk as it does not hold any significant investments in equities and commodities.

### b. Capital risk

The Company's objectives when managing capital are as follows:

- (i) To comply with the capital requirements set out by the Central Bank of Trinidad and Tobago (CBTT);
- (ii) To safeguard the Company's ability to continue as a going concern so it can continue to provide returns to shareholders and benefits for other stakeholders;
- (iii) To maintain a strong capital base to support the development of its business.

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 22 Financial risk management (continued)

### b. Capital risk (continued)

The Company meets its objectives for managing capital and ensures adherence to the requirements of regulatory authorities by continuous monitoring of the regulations and by ensuring that the relevant procedures and controls are in place within the Company's systems.

The Company holds a license under the Financial Institutions Act 2008 to carry on business of a financial nature and as such has to comply with the following capital requirements.

- (i) The Company is required to have a minimum paid up share capital of TT\$15,000,000.
- (ii) The Company must transfer a minimum of 10% of its profit after taxation to the statutory reserve until the balance on the Reserve is not less than the paid up capital of the Company.
- (iii) The Company is required to have qualifying capital of not less than 8% of its risk adjusted assets.

The table below summarises the composition of regulatory capital and the capital adequacy ratios of the Company.

	2016 \$'000	2015 \$'000
Qualifying capital	203,236	186,127
Risk adjusted assets	480,657	459,448
Capital adequacy ratio	42.28%	40.51%

During the two years ended 2016 and 2015, the Company complied with the externally imposed capital requirements to which they are subject.

### c. Fair value estimation

The carrying amount of financial assets and liabilities comprising cash and cash equivalents, statutory deposit with Central Bank, current loans and other receivables, short-term financing, current customer deposits and other liabilities are a reasonable estimate of their fair values because of the short maturity of these instruments.

For the majority of the non-current loans and receivables the fair values are not significantly different from the carrying values. The fair values are calculated using the discounted cash flows at the current borrowing rate.

## 23 Fair values of financial assets and liabilities

The Company adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 23 Fair values of financial assets and liabilities (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. Instruments included in level 1 relates to Roytrin Mutual Funds where the value the fund is made publicly available on a daily basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments included in level 2 relates to non-current loans and receivables and non-current deposits fair valued based on the cash flows discounted by the relevant interest rates for each customer loan and deposit.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the company's assets and liabilities that are measured at fair value at 31 December 2016.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Available for sale financial assets				
– Mutual Funds	940,584	--	--	940,584
<b>Total Assets</b>	<u>940,584</u>	<u>--</u>	<u>--</u>	<u>940,584</u>

### December 2015

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Available for sale financial assets				
– Mutual Funds	817,780	--	--	817,780
<b>Total Assets</b>	<u>817,780</u>	<u>--</u>	<u>--</u>	<u>817,780</u>

# Caribbean Finance Company Limited

Notes to the Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago dollars)

## 24 Contingent liabilities and commitments

### a. Loan commitments

At the statement of financial position date, there were loan commitments amounting to \$1,152,533 (2015: \$913,012) related to approved facilities not yet disbursed.

### b. Capital commitments

There was no capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements (2015: Nil).

## 25 Subsequent events

There were no events after the reporting period which were material to the financial statements and should have resulted in adjustments to the financial statements or disclosures when the financial statements were authorised for issue.

# Sherrine Gordon CEO

On July 1, 2016 Mrs. Sherrine Gordon assumed the role of Chief Executive Officer and successor to Mr. Brian Sheppard who passed on the mantle of leadership after 42 years.

Mrs. Gordon, an ACCA member, has been employed with CFC for the past 24 years and served as a member of the management team for the past seven years.

Over the years she demonstrated her versatility and competence in various capacities having risen through the organisation from Assistant Accountant to Accountant, to Operations Manager, Chief Operations Officer and now to the post of Chief Executive Officer.

Her knowledge and understanding of the organisation and its strategic goals are evident in her commitment and dedication to the Company's success.





**CARIBBEAN FINANCE COMPANY LTD.**  
— Providing Efficient Service Since 1971 —

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