Celebrating **40 years** of Excellent Service

CARIBBEAN FINANCE COMPANY LIMITED

40 YEARS OF EXCELLENCE

1971-2011

CFC

CARIBBEAN FINANCE COMPANY LIMITED

2011 ANNUAL REPORT

Aspiration Statement

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 personalized and efficient service at all levels in our institution.

Contents

Chairman's Report

It is with great pleasure that I report excellent financial results for yet another year ended December 31, 2011. Four decades in business is an accomplishment worth highlighting, as Caribbean Finance Company Limited celebrated its 40th year of operation. Our company continues to be a viable and successful entity despite the many challenges that have presented themselves over the years.

Established in June 17, 1971 by the late Nazir Ahamad, our loan portfolio has grown from $13 million in 1980 to $162 million in 2000, and now at the end of 2011 with acute Management, is at $349 million. Consumer confidence in CFC has also shown a similar trend with deposits at $1.3 million in 1980, after 20 years we had increased to $74 million, and at the end of December 2011 fixed deposits are valued at $188 million.

In this milestone year Profit before tax, rose to $21.8M, an increase of 16% over 2010 and earnings per share improved from $0.96 to $1.13 as at December 31, 2011.

These results are a testament to the leadership of our Managing Director, Brian Sheppard, the Management Team and the long service and dedication of staff. Our willingness to work closely with our customers, providing care and attention has led to considerable repeat business.

As the financial business landscape continues to change, and given the uncertainty of the economy, coupled with new Anti-money laundering legislation and increasing oversight by regulators, greater demands are being placed on the company. However, improvements in our policies and procedures, enhanced IT systems and greater loan reviews will enable us to face the challenges of next year, and project a successful 2012.

On behalf of the Board of Directors I wish to thank our customers and depositors for their loyalty and confidence placed in the company for the past 40 years.

Reyaz Ahamad
Chairman

Director's Report

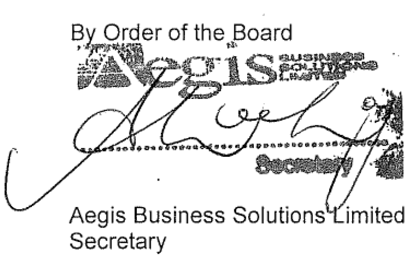
The Directors have pleasure in submitting their Report and the Financial Statements for the year ended 31 December 2011.

Financial Results	**$**
Profit before taxation	21,809,630
Less: Taxation	(4,909,649)
Profit after taxation	16,899,981
Retained earnings at beginning of year	80,773,103
Adjustment to general banking reserve	44,260
	97,717,344
Dividends	(4,900,000)
Retained earnings at end of year	92,817,344

Auditors

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

By Order of the Board



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

Classes of Business
1. Finance House/Finance Company
2. Mortgage Institution
3. Confirming House or Acceptance House
4. Leasing Corporation

Directors

Reyaz Ahamad
Chairman
22 Kew Place, Port of Spain

Brian Sheppard
Managing Director
17-19 Tragarete Road, Port of Spain

Russell Martineau S.C.
50 Pembroke Street, Port of Spain

Anthony Agostini
4 Nelson Street, Port of Spain

Steve Mathura
29 Alberto Street, Woodbrook

Gillian Pollidore
5 Fitt Street, Woodbrook

Joseph Franklin
22 Kew Place, Port of Spain

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

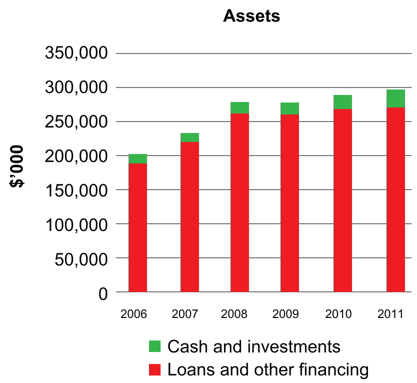
Attorney at Law

MG Daly & Partners
115A Abercromby Street
Port of Spain

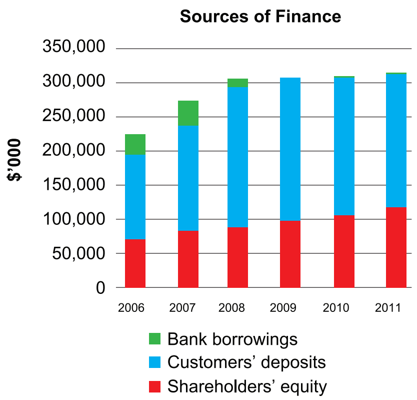
Auditors

PricewaterhouseCoopers
11-13 Victoria Avenue
Port of Spain

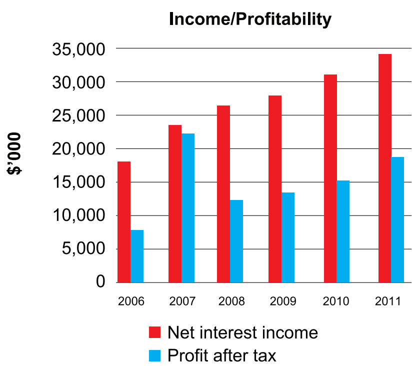
Financial Highlights



As at 31 December	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000
Loans and other receivables	217,936	259,406	288,300	279,330	282,340	292,544
Cash and investments	11,718	15,085	18,225	21,757	26,211	24,854



Year ended 31 December	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000
Shareholders' equity	68,437	85,764	94,810	103,425	113,353	125,342
Customers' deposits	125,859	157,521	194,888	193,718	190,779	188,121
Bank borrowings	32,694	26,077	12,266	0	0	0



Year ended 31 December	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000
Net interest income	17,751	22,646	25,473	26,717	29,936	31,500
Profit after tax	8,524	21,577	12,846	12,615	14,392	16,900

RATIOS	2011 %	2010 %	
Profit Margin	78.08%	72.07%	Measures the Company's Total Expense Management
Efficiency Ratio	32.31%	38.22%	Indicates Non-Interest Expense Management
Return on Assets	5.36%	4.70%	Measures the Profitable use of Assets
Return on Equity	14.15%	13.31%	Is the Profitable use of Owner's Equity
Capital Adequacy	42.43%	39.66%	The Company's capital to its risk adjusted Assets

Independent Auditor's Report

To the shareholders of
Caribbean Finance Company Limited

Report on the financial statements

We have audited the accompanying financial statements of Caribbean Finance Company Limited, which comprise the statement of financial position as at 31 December 2011, and the 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, as set out on pages 7 to 37.

Management's responsibility for the financial statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Caribbean Finance Company Limited as at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
15 March 2012
Port of Spain,
Trinidad, West Indies

CB Wharfe (Senior Partner), F Aziz Mohammed, WK Daniel, A Gopaulsingh, BA Hackett, H Mohammed, F Parsotan, S Ragobar, SW Ramirez, A West

PricewaterhouseCoopers, PO Box 550, 11-13 Victoria Avenue, Port of Spain, Trinidad, West Indies
T: (868) 299 0700, F: (868) 623 6025, www.pwc.com/tt

Board of Director's







From left to right top row:

Reyaz Ahamad (Chairman); Brian Sheppard (Managing Director); Russell Martineau, S.C., Gillian Pollidore

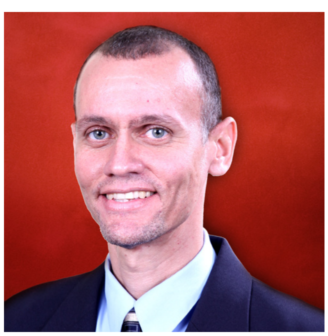
From left to right second row:

Anthony Agostini, Steve Mathura and Joseph Franklin

Management Team







From left to right:

Mr. Brian Sheppard (Managing Director), Mrs. Sherrine Gordon (Operations Manager), Mrs. Seeta Nancy Sobrian (I.T. Manager)

From left to right second row: Parbatee Ramsamooj (Accountant) and Julian Henry (Business Development Manager)

Financial Highlights

Statement Of Financial Position
(Expressed in Trinidad and Tobago Dollars)

	Notes	31 December 2011 $	31 December 2010 $
Assets			
Cash resources	4	5,650,746	7,003,922
Statutory deposit with Central Bank	5	18,434,216	18,434,216
Investments available-for-sale	6	768,963	772,672
Loans and other receivables	7	292,543,943	282,339,676
Property and equipment	8	1,635,663	1,652,361
Other assets		119,283	255,108
Deferred tax asset	9	373,745	--
Total Assets		319,526,559	310,457,955
Liabilities			
Customers' deposits	10	188,121,448	190,779,122
Other liabilities		725,485	1,007,075
Taxation payable		438,003	656,755
Deferred tax liabilities	9	--	161,999
Dividends		4,900,000	4,500,000
Total Liabilities		194,184,936	197,104,951
Shareholders' Equity			
Share capital	11	15,000,000	15,000,000
Statutory reserve	12	15,000,000	15,000,000
General banking reserve	12	2,500,000	2,544,260
Retained earnings		92,817,344	80,773,103
Investment revaluation reserve		24,279	35,641
Total Shareholders' Equity		125,341,623	113,353,004
Total Liabilities And Equity		319,526,559	310,457,955

The notes on pages 11 to 37 form an integral part of these financial statements.

On 15 March 2012, the Board of Directors of Caribbean Finance Company Limited authorised these financial statements for issue.

Director

Director

Financial Highlights

Statement Of Comprehensive Income
(Expressed in Trinidad and Tobago Dollars)

	Notes	Year Ended 31 December 2011 $	2010 $
Interest income	13	40,345,408	41,538,047
Interest expense	14	(8,845,146)	(11,602,146)
Net Interest Income		31,500,262	29,935,901
Other income	15	718,663	490,939
Total Net Income		32,218,925	30,426,840
Impairment expense on loans and other financing, net of recoveries	7.3	(1,100,175)	(3,929,997)
Operating expenses	16	(9,309,120)	(7,699,178)
Total Non-Interest Expenses		(10,409,295)	(11,629,175)
Profit Before Taxation		21,809,630	18,797,665
Taxation	17	(4,909,649)	(4,405,461)
Profit After Taxation		16,899,981	14,392,204
Other Comprehensive Income			
Fair value (losses)/gains on investments available-for-sale	6.2	(11,362)	35,641
Other Comprehensive (Loss)/Income For The year		(11,362)	35,641
Total Comprehensive Income For The year		16,888,619	14,427,845
Earnings Per Share	18	$ 1.13	$ 0.96

The notes on pages 11 to 37 form an integral part of these financial statements.

Statement Of Changes In Equity
(Expressed in Trinidad and Tobago Dollars)

	Notes	Share Capital $	Statutory Reserve $	General Banking Reserve $	Retained Earnings $	Investment Revaluation Reserve $	Total Shareholders' Equity $
Year ended 31 December 2011							
Balance at 1 January 2011		15,000,000	15,000,000	2,544,260	80,773,103	35,641	113,353,004
Profit after taxation		--	--	--	16,899,981	--	16,899,981
Other comprehensive loss for the year		--	--	--	--	(11,362)	(11,362)
Adjustment to general banking reserve	12	--	--	(44,260)	44,260	--	--
Dividends	19	--	--	--	(4,900,000)	--	(4,900,000)
Balance at 31 December 2010		15,000,000	15,000,000	2,500,000	92,817,344	24,279	125,341,623
Year ended 31 December 2010							
Balance at 1 January 2010		15,000,000	13,573,220	2,584,645	72,267,294	—	103,425,159
Profit after taxation		—	—	—	14,392,204	—	14,392,204
Other comprehensive income for the year		—	—	—	—	35,641	35,641
Transfer to statutory reserve	12	—	1,426,780	—	(1,426,780)	—	—
Adjustment to general banking reserve	12	—	—	(40,385)	40,385	—	—
Dividends	19	—	—	—	(4,500,000)	—	(4,500,000)
Balance at 31 December 2010		15,000,000	15,000,000	2,544,260	80,773,103	35,641	113,353,004

The notes on pages 11 to 37 form an integral part of these financial statements.

Statement Of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year Ended 31 December 2011 $	2010 $
Cash Flows From Operating Activities			
Profit before taxation		21,809,630	18,797,665
Adjustments for			
Impairment losses on loans		1,100,175	3,929,997
Depreciation	8	351,528	373,437
Loss on disposal of fixed assets		25,731	35,762
Profit Before Changes In Operating Assets and Liabilities		23,287,064	23,136,861
(Increase)/decrease in operating assets			
Loans and other receivables		(11,304,442)	(6,939,450)
Other assets		135,825	233,507
(Decrease)/increase in operating liabilities			
Customers' deposits		(2,657,674)	(2,939,009)
Other liabilities		(281,590)	(55,541)
Cash generated from operating activities		9,179,183	13,436,368
Corporation tax paid		(5,607,968)	(4,400,000)
Green fund levy paid		(44,297)	(43,902)
Net Cash Generated From Operating Activities		3,526,918	8,992,466
Cash Flows From Investing Activities			
Purchase of fixed assets		(403,170)	(585,712)
Proceeds from sale of fixed assets		42,609	---
Net additions/disposals of investments available-for-sale		(19,533)	(18,838)
Net Cash Used In Investing Activities		(380,094)	(604,550)
Financing Activities			
Dividends paid		(4,500,000)	(4,000,000)
Net Cash Used In Financing Activities		(4,500,000)	(4,000,000)
Net (Decrease)/Increase In Cash And Cash Equivalents		(1,353,176)	4,387,916
Cash And Cash Equivalents At Beginning Of Year		7,003,922	2,616,006
Cash And Cash Equivalents At End Of Year		5,650,746	7,003,922
Represented By:			
Cash resources	4	5,650,746	7,003,922

The notes on pages 11 to 37 form an integral part of these financial statements.

Notes to the Financial Statements
31 December 2011

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.

2.1 Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention as modified by the revaluation of investments available-for-sale.

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.

(a) New and amended standards adopted by the Company

The standards, amendments and interpretations that were effective from 1 January 2011 did not have a significant impact on the Company's financial statements. These included the following:

- Annual improvements to IFRSs 2010 (effective 1 January 2011). This set of amendments includes changes to six standards and one IFRIC:
  - IFRS 1, 'First time adoption'
  - IFRS 3, 'Business combinations'
  - IFRS 7, 'Financial instruments: Disclosures'
  - IAS 1, 'Presentation of financial statements'
  - IAS 27, 'Separate financial statements'
  - IAS 34, 'Interim financial reporting'
  - IFRIC 13, 'Customer loyalty programmes'

- IAS 24, 'Related party disclosures' (revised 2009). This amends the definition of a related party and modifies certain related-party disclosure requirements for government-related entities and it clarifies and simplifies the definition of a related party.

Notes to the Financial Statements
31 December 2011

2 Summary Of Significant Accounting Policies (Continued)

2.1 Basis of preparation (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted by the Company

- IAS 1 (amendment), 'Financial statement presentation' regarding other comprehensive income. This amendment requires entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). This standard is not applicable until 1 July 2012 but is available for early adoption. The standard is not expected to have a material impact on the Company's financial statements.

- IFRS 9, 'Financial instruments'. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. This standard is not applicable until 1 January 2015 but is available for early adoption. The standard is not expected to have a material impact on the Company's financial statements.

- IFRS 13, 'Fair value measurement'. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not applicable until 1 January 2013 but is available for early adoption. The standard is not expected to have a material impact on the Company's financial statements.

Notes to the Financial Statements
31 December 2011

2 Significant Accounting Policies (Continued)

2.2 Foreign currency translation

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.

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.

2.3 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, balances with banks and short term funds net of bank overdraft. Short term funds are short-term highly liquid investments with original purchased maturities of 90 days or less.

2.4 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.

a) 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.

Notes to the Financial Statements
31 December 2011

2 Summary Of Significant Accounting Policies (Continued)

2.4 Financial assets (continued)

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.

b) 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:

(i) 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;

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

(iii) 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'.

2.5 Impairment of financial assets

a) *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.

b) *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.

Notes to the Financial Statements
31 December 2011

2 Summary Of Significant Accounting Policies (Continued)

2.5 Impairment of financial assets (continued)

b) *Financial assets carried at amortised cost (continued)*

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:

(i) significant financial difficulty of the issuer or debtor;
(ii) a breach of contract, such as default or delinquency in payments;
(iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
(iv) the disappearance of an active market for that financial asset because of financial difficulties;
(v) 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.

Notes to the Financial Statements
31 December 2011

2 Summary Of Significant Accounting Policies (Continued)

2.6 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.

2.7 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%

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.

Notes to the Financial Statements
31 December 2011

2 Summary Of Significant Accounting Policies (Continued)

2.8 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.

2.9 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.

2.10 Income tax

(a) *Current income tax*
Income tax payable (receivable) is calculated on the basis of the applicable tax law in Trinidad and Tobago and is recognised in profit or loss for the period.

(b) *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).

Notes to the Financial Statements
31 December 2011

2 Summary Of Significant Accounting Policies (Continued)

2.11 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.

2.12 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.

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.

2.13 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.

2.14 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 shareholders.

Notes to the Financial Statements
31 December 2011

3 Critical Accounting Estimates And Judgements

Estimates and judgments 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 judgments 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 $177,968 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 0.5% higher/lower, the portfolio provision for impairment losses would have been $1,352,063 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.

Notes to the Financial Statements
31 December 2011

4 Cash Resources

	2011 $	2010 $
Cash on hand and in bank	4,517,922	5,888,425
Money market mutual funds	1,132,824	1,115,497
Included in cash and cash equivalents	5,650,746	7,003,922

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

The Financial Institutions Act, 2008 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 2011, the Company was in compliance with this requirement.

6 Investments Available-for-sale

Trinidad and Tobago Unit Trust Corporation		
- First Unit Scheme (Note 6.1)	33,823	33,823
Roytrin Mutual Funds	735,140	738,849
	768,963	772,672
Balance at beginning of year	772,672	706,313
Net additions/disposals of investments available-for-sale	19,533	18,838
Net fair value (losses)/gains recognised in other comprehensive income (Note 6.2)	(23,242)	47,521
Balance at end of year	768,963	772,672

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

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

Net fair value (losses)/gains on investments available-for-sale	(23,242)	47,521
Tax on fair value adjustments:		
- Current year	--	(11,880)
- Adjustment to prior year's estimates	11,880	--
Amount recognised in other comprehensive income	(11,362)	35,641

Notes to the Financial Statements
31 December 2011

7 Loans And Other Receivables

	2011 $	2010 $
Installment loans	283,174,749	264,789,299
Finance leases (Note 7.4)	2,767,664	5,059,301
Trade financing	6,546,146	11,941,370
Mortgage loans	5,671,519	6,096,321
	298,160,078	287,886,291
Provision for impaired loans and other receivables	(5,616,135)	(5,546,615)
	292,543,943	282,339,676
Non-current portion	272,736,892	255,812,077
Current portion	25,423,186	32,074,214
	298,160,078	287,886,291

7.1 Analysis of loans and other receivables

	2011 $	2010 $
Current	244,011,276	229,096,902
Past due but not impaired	32,947,555	38,794,281
Impaired	21,201,247	19,995,108
	298,160,078	287,886,291

7.2 Reconciliation of provision for impaired loans and other receivables

	2011 $	2010 $
Balance at start of year	5,546,615	4,444,243
Loans written off, net of recoveries	(1,340,155)	(1,781,894)
Charge for the year	1,409,675	2,884,266
Balance at end of year	5,616,135	5,546,615
Specific provision	3,559,351	5,546,615
Portfolio provision	2,056,784	--
	5,616,135	5,546,615

7.3 Impairment expense on loans and other receivables

	2011 $	2010 $
Charge for the year	1,409,675	2,884,266
Amounts not previously provided for now written off, net of recoveries	(309,500)	1,045,731
	1,100,175	3,929,997

Notes to the Financial Statements
31 December 2011

7 Loans And Other Receivables

7.4 Finance leases

	2011 $	2010 $
Gross investment in finance leases	3,067,858	5,779,019
Unearned finance charges	(300,194)	(719,718)
Net investment in finance leases	2,767,664	5,059,301
Gross investment in finance leases		
Not later than 1 year	417,256	906,834
Later than 1 year and not later than 5 years	2,650,602	4,872,185
	3,067,858	5,779,019

Notes to the Financial Statements
31 December 2011

8 Property And Equipment

	Leasehold Improvements $	Furniture and Fittings $	Motor Vehicles $	Office and Computer Equipment $	Total $
Year ended 31 December 2011					
Opening net book value	162,868	141,650	496,988	850,855	1,652,361
Additions	1,150	24,679	110,000	267,341	403,170
Disposals	--	--	(42,483)	(25,857)	(68,340)
Depreciation charge	(17,325)	(16,769)	(137,436)	(179,998)	(351,528)
Closing net book value	146,693	149,560	427,069	912,341	1,635,663
At 31 December 2011					
Cost	235,775	326,198	954,819	1,886,286	3,403,078
Accumulated depreciation	(89,082)	(176,638)	(527,750)	(973,945)	(1,767,415)
Net book value	146,693	149,560	427,069	912,341	1,635,663
Year ended 31 December 2010					
Opening net book value	160,803	144,283	421,751	749,011	1,475,848
Additions	20,971	13,435	249,403	301,903	585,712
Disposals	--	--	(8,503)	(27,259)	(35,762)
Depreciation charge	(18,906)	(16,068)	(165,663)	(172,800)	(373,437)
Closing net book value	162,868	141,650	496,988	850,855	1,652,361
At 31 December 2010					
Cost	234,625	301,519	1,012,747	1,726,358	3,275,249
Accumulated depreciation	(71,757)	(159,869)	(515,759)	(875,503)	(1,622,888)
Net book value	162,868	141,650	496,988	850,855	1,652,361
At 31 December 2009					
Cost	213,654	288,048	803,345	1,554,240	2,859,287
Accumulated depreciation	(52,851)	(143,765)	(381,594)	(805,229)	(1,383,439)
Net book value	160,803	144,283	421,751	749,011	1,475,848

Notes to the Financial Statements
31 December 2011

9 Deferred Tax Asset/(Liability)

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/(liability) is as follows:

	2011 $	2010 $
At beginning of year	(161,999)	(857,243)
Amount recognised in profit or loss (Note 17):		
- Current year	(45,316)	635,035
- Adjustment to prior year's estimates	569,180	72,089
Amount recognised in other comprehensive income:		
- Current year	--	(11,880)
- Adjustment to prior year's estimates	11,880	--
At end of year	373,745	(161,999)

The net deferred tax asset/(liability) is attributable to:

Accelerated depreciation on leased assets, property and equipment	373,745	(150,119)
Fair value gains on investments available-for-sale	--	(11,880)
Net deferred tax asset/(liability)	373,745	(161,999)

10 Customers' Deposits

Deposit balances	185,412,272	187,497,537
Accrued interest	2,709,176	3,281,585
	188,121,448	190,779,122
Current portion	179,937,795	183,250,123
Non-current portion	8,183,653	7,528,999
	188,121,448	190,779,122

10.1 Sectoral analysis

	2011		2010	
	$	%	$	%
Consumers	176,290,945	95.1	175,802,909	93.8
Commercial	9,121,327	4.9	11,694,628	6.2
	185,412,272	100	187,497,537	100

All deposits have fixed interest rates.

Notes to the Financial Statements
31 December 2011

11 Share Capital

	2011 $	2010 $
Authorised		
An unlimited number of shares of no par value		
Issued and fully paid		
15,000,000 ordinary shares of no par value	15,000,000	15,000,000

12 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.

13 Interest Income

	2011 $	2010 $
Loans and other receivables	40,304,614	41,502,094
Cash resources and investments available-for-sale	40,794	35,953
	40,345,408	41,538,047

14 Interest Expense

	2011 $	2010 $
Customers' deposits	8,496,213	11,352,763
Bank overdraft	348,933	249,383
	8,845,146	11,602,146

15 Other Income

	2011 $	2010 $
Fees and commissions	556,209	490,939
Profit on disposal of assets under finance leases	162,454	--
	718,663	490,939

Notes to the Financial Statements
31 December 2011

16 Operating Expenses

	2011 $	2010 $
Staff costs (Note 16.1)	3,929,237	3,567,348
Administrative and other expenses	3,472,989	2,271,328
Depreciation	351,528	373,437
Directors' fees	210,000	112,500
Deposit insurance premium*	375,076	391,443
Office rent	642,005	600,060
Professional fees	302,554	347,300
Loss on disposal of property and equipment	25,731	35,762
	9,309,120	7,699,178

*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.

16.1 Staff Costs

	2011 $	2010 $
Salaries	3,498,399	3,168,560
National insurance	143,716	134,589
Pension contributions	108,354	98,075
Other long term benefits	178,768	166,124
	3,929,237	3,567,348
Average number of employees during the year	27	24

17 Taxation

	2011 $	2010 $
Corporation tax		
- Current year	5,626,153	5,124,905
- Adjustments to prior year's estimates	(236,937)	(56,222)
Deferred tax (credit)/charge (see Note 9)		
- Current year	45,316	(635,035)
- Adjustments to prior year's estimates	(569,180)	(72,089)
Green fund levy		
- Current year	44,297	43,882
- Adjustments to prior year's estimates	--	20
	4,909,649	4,405,461

Notes to the Financial Statements
31 December 2011

17 Taxation (Continued)

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

	2011 $	2010 $
Profit before taxation	21,809,630	18,797,665
Corporation tax calculated at a tax rate of 25%	5,452,408	4,699,416
Expenses not deductible for tax purposes	228,479	16,079
Income not assessable for tax	(9,418)	(7,913)
Non reversing adjustment for finance leases	--	(217,712)
Adjustments to prior year's estimates	(806,117)	(128,311)
Green fund levy	44,297	43,902
	4,909,649	4,405,461

18 Earnings Per Share

	2011 $	2010 $
Profit after taxation	16,899,981	14,392,204
Number of ordinary shares in issue	15,000,000	15,000,000
Earnings per share	$1.13	$0.96

19 Dividends

	2011 $	2010 $
Proposed and declared- $0.33 per share (2010 – $0.30)	4,900,000	4,500,000

20 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 substantially carried out on commercial terms and conditions and at market rates. 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:**

	2011 $	2010 $
Loans and other receivables		
Affiliated companies	813,992	344,198
Customers' deposits		
Directors and key management personnel	34,491,023	33,149,867
Interest income		
Affiliated companies	101,770	66,518
Interest expense		
Directors and key management personnel	744,872	925,853

(b) **Key management compensation**

	2011 $	2010 $
Salaries and other short term benefits	1,314,031	1,189,960

Notes to the Financial Statements
31 December 2011

21 Financial Risk Management

21.1 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.

21.1.1 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 judgment 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.

Notes to the Financial Statements
31 December 2011

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.1 Credit Risk (Continued)

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

	2011 $	2010 $
Instalment loans	283,174,749	264,789,299
Finance leases	2,767,664	5,059,301
Trade financing	6,546,146	11,941,370
Mortgage loans	5,671,519	6,096,321
	298,160,078	287,886,291
Less provision for impaired loans and other receivables	(5,616,135)	(5,546,615)
	292,543,943	282,339,676
Cash resources	5,650,746	7,003,922
Statutory deposit with Central Bank	18,434,216	18,434,216
	316,628,905	307,777,814

The above table represents a worst case scenario of credit risk exposure to the Company as at 31 December 2011 and 2010 without taking into account any collateral held.

Notes to the Financial Statements
31 December 2011

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.1 Credit Risk (Continued)

d) Analysis of financial assets

		Past due but not impaired				
	Current	**1-30 days**	**31-90 days**	**> 90 days**	**Impaired**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
As at 31 December 2011						
Cash resources	5,650,746	--	--	--	--	5,650,746
Statutory deposit with						
Central Bank	18,434,216	--	--	--	--	18,434,216
Loans and other receivables:						
- Instalment loans	231,219,376	29,015,053	1,210,711	1,209,105	20,520,504	283,174,749
- Finance leases	1,296,023	673,872	117,026	--	680,743	2,767,664
- Trade financing	6,546,146	--	--	--	--	6,546,146
- Mortgages	4,949,731	721,788	--	--	--	5,671,519
	244,011,276	30,410,713	1,327,737	1,209,105	21,201,247	298,160,078
	268,096,238	30,410,713	1,327,737	1,209,105	21,201,247	322,245,040
At 31 December 2010						
Cash resources	7,003,922	--	--	--	--	7,003,922
Statutory deposit with						
Central Bank	18,434,216	--	--	--	--	18,434,216
Loans and other receivables:						
- Instalment loans	208,163,943	35,738,757	1,405,615	360,947	19,120,037	264,789,299
- Finance leases	2,999,330	1,184,900	--	--	875,071	5,059,301
- Trade financing	11,941,370	--	--	--	--	11,941,370
- Mortgages	5,992,259	104,062	--	--	--	6,096,321
	229,096,902	37,027,719	1,405,615	360,947	19,995,108	287,886,291
	254,535,040	37,027,719	1,405,615	360,947	19,995,108	313,324,429

e) **Loans to customers 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.

f) **Loans to customers 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.

Notes to the Financial Statements
31 December 2011

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.1 Credit Risk (Continued)

g) Loans and other receivables individually impaired – fair value of collateral held

	Carrying value (before provisions) 2011 $	Fair value of collateral 2011 $	Carrying value (before provisions) 2010 $	Fair value of collateral 2010 $
Instalment loans	20,520,504	17,105,032	19,120,037	13,834,232
Finance leases	680,743	536,864	875,071	614,261
	21,201,247	17,641,896	19,995,108	14,448,493

h) 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.

i) Allowance for impairment losses on loans and other receivables

	Instalment loans $	Finance leases $	Total $
At 31 December 2011			
Balance at beginning of year	5,285,805	260,810	5,546,615
Amounts written off net of net of recoveries	(1,060,932)	(279,223)	(1,340,155)
Charge for the year	1,247,383	162,292	1,409,675
Balance at end of year	5,472,256	143,879	5,616,135
Charge for the year	1,247,383	162,292	1,409,675
Amounts directly written off, net of recoveries	(210,982)	(98,518)	(309,500)
Impairment losses	1,036,401	63,774	1,100,175
At 31 December 2010			
Balance at beginning of year	4,141,052	303,191	4,444,243
Amounts written off net of net of recoveries	(1,299,399)	(482,495)	(1,781,894)
Charge for the year	2,444,152	440,114	2,884,266
Balance at end of year	5,285,805	260,810	5,546,615
Charge for the year	2,444,152	440,114	2,884,266
Amounts directly written off, net of recoveries	908,808	136,923	1,045,731
Impairment losses	3,352,960	577,037	3,929,997

These amounts comprise specific and portfolio allowances.

Notes to the Financial Statements
31 December 2011

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.1 Credit Risk (Continued)

j) Concentration of risks of loans and other receivables

	Instalment loans $	Finance leases $	Trade Financing $	Mortgage loans $	Total $
At 31 December 2011					
Consumer	65,565,006	--	--	111,968	65,676,974
Manufacturing	17,492,060	178,130	--	--	17,670,190
Communications	50,526,608	676,784	--	2,294,775	53,498,167
Real estate	1,689,794	--	--	--	1,689,794
Hotel and restaurant	14,000,508	--	--	--	14,000,508
Energy	949,167	--	--	--	949,167
Distribution	12,089,785	--	6,546,146	--	18,635,931
Construction	37,443,747	584,550	--	721,788	38,750,085
Private Sector	1,692,064	--	--	2,542,988	4,235,052
Agriculture	15,556,646	--	--	--	15,556,646
Utilities	356,275	--	--	--	356,275
Other	65,813,089	1,328,200	--	--	67,141,289
	283,174,749	2,767,664	6,546,146	5,671,519	298,160,078
At 31 December 2010					
Consumer	58,091,807	--	--	--	58,091,807
Manufacturing	15,249,072	281,439	--	--	15,530,511
Communications	51,507,938	920,289	--	2,816,504	55,244,731
Real estate	1,042,860	--	--	--	1,042,860
Hotel and restaurant	7,702,847	--	--	--	7,702,847
Energy	1,577,915	--	--	--	1,577,915
Distribution	8,080,743	--	11,941,370	--	20,022,113
Construction	42,103,139	968,376	--	--	43,071,515
Private Sector	1,761,503	--	--	2,874,402	4,635,905
Agriculture	17,652,921	--	--	--	17,652,921
Utilities	529,325	--	--	--	529,325
Other	59,489,229	2,889,197	--	405,415	62,783,841
	264,789,299	5,059,301	11,941,370	6,096,321	287,886,291

Notes to the Financial Statements
31 December 2011

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.2 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 affects its ability to lend. 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 7.25% per annum (2010 – 8.25%). 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.

		Undiscounted cash flows		
	Carrying Amount $	Within One Year $	One to Five Years $	Total $
As at 31 December 2010				
Financial assets				
Cash and short term funds	5,650,746	5,650,746	--	5,650,746
Statutory deposit	18,434,216	18,434,216	--	18,434,216
Loans and other receivables	292,543,943	26,288,051	329,587,188	355,875,239
	316,628,905	50,373,013	329,587,188	379,960,201
Financial liabilities				
Customers' deposits	188,121,448	183,878,797	8,429,402	192,308,199
Other liabilities	5,702,058	5,702,058	-	5,702,058
	193,823,506	189,580,855	8,429,402	198,010,257
Net Liquidity Gap	122,805,399	(139,207,842)	321,157,786	181,949,944

Notes to the Financial Statements
31 December 2011

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.2 Liquidity Risk (Continued)

c) Maturity analysis of financial instruments (continued)

		Undiscounted cash flows		
	Carrying Amount $	**Within One Year $**	**One to Five Years $**	**Total $**
As at 31 December 2010				
Financial assets				
Cash and short term funds	7,003,922	7,003,922	--	7,003,922
Statutory deposit	18,434,216	18,434,216	--	18,434,216
Loans and other receivables	282,339,676	33,073,747	309,621,566	342,695,313
	307,777,814	58,511,885	309,621,566	368,133,451
Financial liabilities				
Customers' deposits	190,779,122	187,803,368	7,718,896	195,522,264
Other liabilities	5,507,075	5,507,075	--	5,507,075
	196,286,197	193,310,443	7,718,896	201,029,339
Net Liquidity Gap	111,491,617	(134,798,558)	301,902,670	167,104,112

Notes to the Financial Statements
31 December 2011

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.3 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

(i) 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 reprice at a faster rate than the longer term financial assets thereby creating a short term interest rate mismatch.

(ii) 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.

(iii) 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 new 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 2011, had interest rates been 50 basis points higher/lower, profit before taxation would have been lower/higher by $175,869 (2010: $273,611). This has no impact on other components of equity.

Notes to the Financial Statements
31 December 2011

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.3 Market Risk (Continued)

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.

21.2 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.

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.

Notes to the Financial Statements
31 December 2011

21 Financial Risk Management (Continued)

21.2 Capital Risk (Continued)

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

	2011 $'000	2010 $'000
Qualifying capital	125,342	113,353
Risk adjusted assets	295,386	285,826
Capital adequacy ratio	42.43%	39.66%

During the two years ended 2011 and 2010, the Company complied with the externally imposed capital requirements to which they are subject.

22 Contingent Liabilities and Commitments

a) Loan commitments

At the statement of financial position date, there were loan commitments amounting to $219,047 (2010: $422,877) 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 (2010: $Nil).

Year in Review

Over the past year the company hosted numerous activities to celebrate our 40th Anniversary. In June 2011, being the month of our incorporation, the Board of Directors, Management and Staff joined in an Interfaith Thanksgiving service at CFC 's office to commence our Customer Appreciation Week.

Customers were given small tokens and refreshments to acknowledge their loyalty. Staff engaged in a day of fun activities during the Family Day held in July, and were appreciated for their long service and dedication during an Awards and Dinner function in November.

We commend our staff for assisting in each of the year's activities to make it the success that it was.

40 YEARS OF EXCELLENCE

1971-2011


40
YEARS
OF EXCELLENCE
1971-2011
WELCOME
Hostess -
Managing Director -
Chairman -
AWARD CEREMONY
Sonia Cross
Lauren Thomas
Vera Canterbury
Nancy Salman

Mr. Brian Sheppard
Managing Director

Mr. Brian Sheppard joined Caribbean Finance Company Limited in 1972. His involvement with the Southern Sales Group of Companies can be traced to the mid 1960's when, as Credit Supervisor of General Motors Acceptance Corporation (G.M.A.C) U.K. Ltd, both wholesale and retail vehicle financing was provided.

Over the years, with the mentoring and example of our late founder Nazir Ahamad, he has steered the company through many challenges to emerge a robust player in the financial arena. He has led with compassion, fostering an open door policy to customers and creating a family-like atmosphere for staff. As a leader, his integrity, honesty and business acumen is demonstrated in the application of prudent lending practices.

He continues at the helm, ably assisted by the Management team and staff, supported by reliable information systems designed to encapsulate managerial expertise for effective decision making.

We acknowledge and congratulate him for his outstanding leadership over the past 39 years!

CARIBBEAN FINANCE
COMPANY LIMITED

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