CFC

CARIBBEAN FINANCE COMPANY LTD.

Providing Efficient Service Since 1971

2017
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 personalised and efficient service at all levels in our institution.

CONTENTS

CONTENTS	PAGE
Chairman's Report	5
Directors' Report	6
Corporate Information	7
Financial Highlights	8 – 9
Board of Directors	10
Statement of Management's Responsibility	12
Audited Financial Statements	
– Independent Auditor's Report	13 – 15
– Statement of Financial Position	16
– Statement of Comprehensive Income	17
– Statement of Changes in Equity	18
– Statement of Cash Flows	19
– Notes to the Financial Statements	20 – 48

CHAIRMAN'S REPORT

The past year has been very challenging for Trinidad and Tobago given the stagnation of the economy and the resulting increase in unemployment at a national level. The foreign exchange availability remains a concern as there is a possibility of further reductions in the new vehicle market. However, in spite of these circumstances, it is with great pride that I can commend the performance of CFC for the year ending 2017.

Our total net income fell by 5% to $45.7M which resulted in an after tax profit of $20.3M which is 16% reduction on our 2016 results. Our loan receivables decreased by $24M to $453M. These results must be viewed on the context that new vehicle sales suffered a reduction of 13% which negatively affected vehicle financing which is our core business. Based upon this fact these results are still quite satisfactory in a declining and competitive market.

As a company, we continue to evolve with the changing environment without compromising our loan process and customer focus. Our IT infrastructure is continuously reviewed and enhanced to provide the required support and meet with regulatory requirements, thus allowing full compliance whilst operating with a high level of efficiency. This is reflected by the confidence of our depositors and our valued customers.

I woud like to express my appreciation to Mrs. Sherrine Gordon as this is her first full year as Chief Executive Officer and this performance reaffirms the Board of Directors' confidence in her ability and leadership. Also the Management and staff for their invaluable contribution in 2017.

In closing, I wish to recognize my fellow board members for their guidance and support, our management team and staff for their commitment to our company and the continued and loyal support of our strong customer base.

Reyaz Aahamad
Chairman

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and the Financial Statements for the year ended 31 December 2017.

Financial Results	$
Profit before taxation	29,117,652
Less: Taxation	8,816,006
Profit after taxation	20,301,646
Retained earnings at beginning of year	170,638,875
Dividends	(6,000,000)
Retained earnings at end of year	184,940,521

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

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
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

SECRETARY
Aegis Business Solutions Limited
18 Scott Bushe Street
Port of Spain

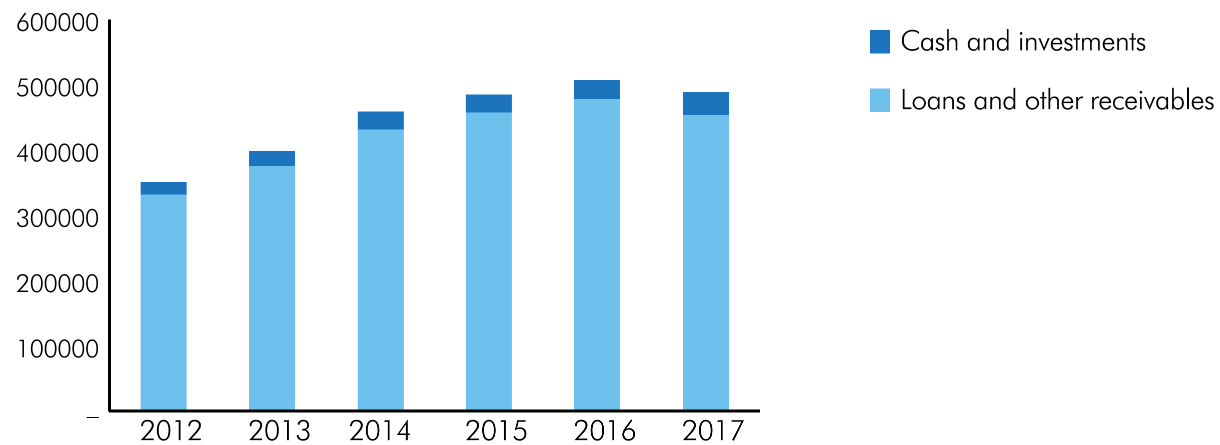
BANKERS
Scotiabank Trinidad and Tobago Limited
56-58 Richmond Street
Port of Spain

ATTORNEY AT LAW
MG Daly & Partners
115A Abercromby Street
Port of Spain

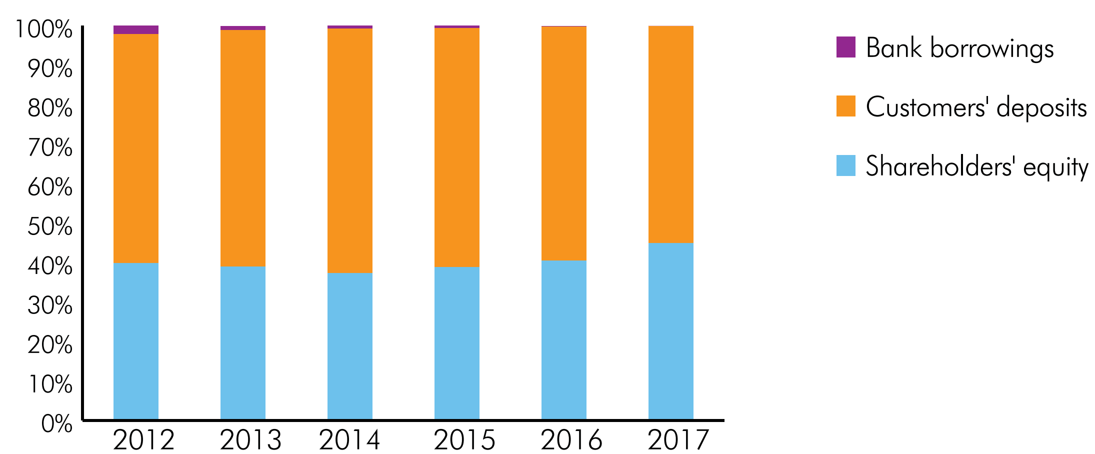
AUDITORS
PricewaterhouseCoopers
11-13 Victoria Avenue
Port of Spain

FINANCIAL HIGHLIGHTS

	December 2012 $'000	December 2013 $'000	December 2014 $'000	December 2015 $'000	December 2016 $'000	December 2017 $'000
Loans and other receivables	331,345	375,498	431,315	457,185	477,688	453,084
Cash and investments	19,707	22,269	26,855	27,369	29,140	35,629

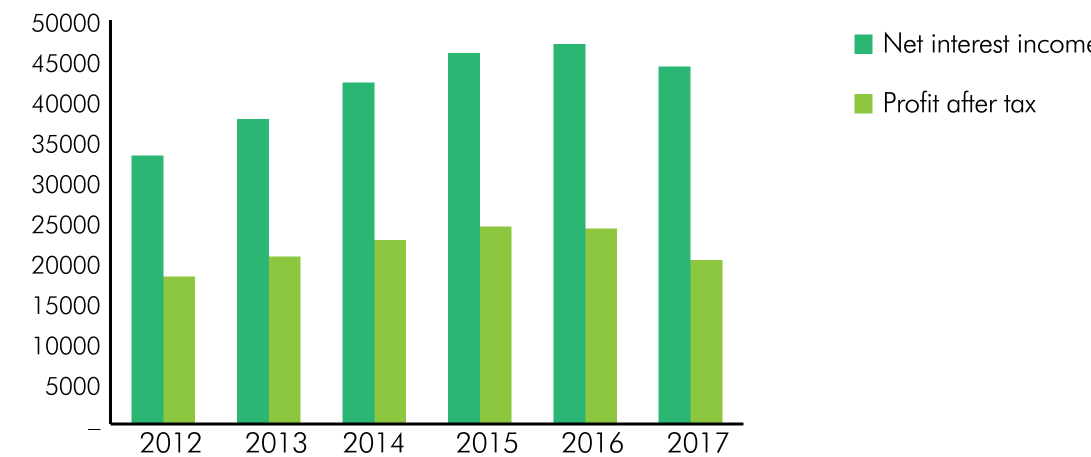


	December 2012 $'000	December 2013 $'000	December 2014 $'000	December 2015 $'000	December 2016 $'000	December 2017 $'000
Shareholders' equity	138,140	152,835	168,927	186,127	203,236	217,536
Customers' deposits	201,016	235,334	281,127	289,963	296,819	266,963
Bank borrowings	7,084	4,174	2,973	2,455	939	-



FINANCIAL HIGHLIGHTS *(continued)*

	December 2012 $'000	December 2013 $'000	December 2014 $'000	December 2015 $'000	December 2016 $'000	December 2017 $'000
Net interest income	33,249	37,758	42,283	45,947	47,073	44,256
Profit after tax	18,258	20,729	22,786	24,441	24,207	20,302



Ratios	2017 %	2016 %	
Profit Margin	79.33	78.99	Measures the Company's Total Expense Management
Efficiency Ratio	36.34	33.13	Indicates Non-Interest Expense Management
Return on Assets	4.06	4.86	Measures the Profitable use of Assets
Return on Equity	9.65	12.43	Is the Profitable use of Owner's Equity
Capital Adequacy	47.63	42.28	The Company's capital to its risk adjusted Assets

BOARD OF DIRECTORS

Russell Martineau

Gillian Pollidore

Reyaz Ahamad
Chairman

Steve Mathura

Brian Sheppard

Sherrine Gordon
Chief Executive Officer

Anthony Agostini

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 2017, 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
8 March 2018

Accountant
8 March 2018

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 respects the financial position of Caribbean Finance Company Limited (the Company) as at 31 December 2017, and its financial performance and its 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 2017;
- 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.

Other information

Management is responsible for the other information. The other information comprises the Director's 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 consolidated 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.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

Responsibilities of Management and Those Charged with Governance 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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.

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.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

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

- 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

PricewaterhouseCoopers
9 March 2018
Port of Spain
Trinidad, West Indies

Caribbean Finance Company Limited

Statement of Financial Position

(Expressed in Trinidad and Tobago dollars)

	Notes	As at 31 December 2017 $	2016 $
Assets			
Cash and cash equivalents	4	6,955,914	481,140
Statutory deposit with Central Bank	5	27,718,111	27,718,111
Investments available-for-sale	6	954,872	940,584
Loans and other receivables	7	453,083,563	477,688,395
Property and equipment	8	2,306,278	2,206,449
Other assets		259,731	165,426
Taxation recoverable		461,996	150,583
Deferred tax asset	9	--	12,559
Total assets		491,740,465	509,363,247
Liabilities			
Customers' deposits	10	266,962,951	296,818,877
Bank overdraft	11	--	938,765
Other liabilities		1,227,812	1,169,541
Deferred tax liability		13,999	--
Dividends		6,000,000	7,200,000
Total liabilities		274,204,762	306,127,183
Shareholders' equity			
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		184,940,521	170,638,875
Accumulated other comprehensive income		95,182	97,189
Total shareholders' equity		217,535,703	203,236,064
Total liabilities and equity		491,740,465	509,363,247

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

On 8 March 2018, 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 2017 $	2016 $
Interest income	14	55,785,715	59,596,555
Interest expense	15	(11,529,998)	(12,523,968)
Net interest income		44,255,717	47,072,587
Other income	16	1,485,092	1,426,994
Total net income		45,740,809	48,499,581
Impairment expense on loans and other financing, net of recoveries	7 c.	(4,073,733)	(2,729,212)
Operating expenses	17	(12,549,424)	(13,337,814)
Total non-interest expenses		(16,623,157)	(16,067,026)
Profit before taxation		29,117,652	32,432,555
Taxation	18	(8,816,006)	(8,225,317)
Profit after taxation		20,301,646	24,207,238
Other comprehensive income:			
Fair value (losses)/gains on investments available-for-sale	6 b.	(2,007)	102,291
Other comprehensive (loss)/income for the year		(2,007)	102,291
Total profit and comprehensive income for the year		20,299,639	24,309,529
Earnings per share	19	1.35	1.61

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 $
Year ended 31 December 2017							
Balance at 1 January 2017		15,000,000	15,000,000	2,500,000	170,638,875	97,189	203,236,064
Profit after taxation		--	--	--	20,301,646	--	20,301,646
Other comprehensive profit for the year		--	--	--	--	(2,007)	(2,007)
Dividends	20	--	--	--	(6,000,000)	--	(6,000,000)
Balance at 31 December 2017		15,000,000	15,000,000	2,500,000	184,940,521	95,182	217,535,703
Year ended 31 December 2016							
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		15,000,000	15,000,000	2,500,000	170,638,875	97,189	203,236,064

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 2017 $	2016 $
Cash flows from operating activities			
Profit before taxation		29,117,652	32,432,555
Adjustments for			
Impairment losses on loans		4,073,733	2,729,212
Depreciation	8	493,056	443,341
Loss on disposal of fixed assets		14,240	21,340
Decrease/(increase) in operating assets			
Loans and other receivables		20,531,099	(23,232,192)
Central Bank Reserve Account		--	(1,518,840)
Other assets		(94,305)	90,403
(Decrease)/increase in operating liabilities			
Customers' deposits		(29,855,926)	6,855,856
Other liabilities		58,271	59,257
Cash used in operating activities		24,337,820	17,880,932
Corporation tax paid		(9,100,000)	(8,383,874)
Corporation tax refund		--	--
Net cash generated from operating activities		15,237,820	9,497,058
Cash flows from investing activities			
Purchase of fixed assets		(690,989)	(667,085)
Proceeds from sale of fixed assets		83,863	35,888
Additions of investments available-for-sale		(17,155)	(20,513)
Net cash used in investing activities		(624,281)	(651,710)
Financing activities			
Dividends paid		(7,200,000)	(7,200,000)
Net cash used in financing activities		(7,200,000)	(7,200,000)
Net increase in cash and cash equivalents		7,413,539	1,645,348
Cash and cash equivalents at beginning of year		(457,625)	(2,102,973)
Cash and cash equivalents at end of year		6,955,914	(457,625)
Represented by:			
Cash resources	4	6,955,914	481,140
Bank overdraft		--	(938,765)
		6,955,914	(457,625)

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

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

- Amendments to IAS 7 – Disclosure Initiative (effective 1 January 2017). This amendment requires entities to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows and non-cash changes. Changes in financial assets must be included in this disclosure if the cash flow were, or will be, included in cash flows from financing activities. This would be the case, for example, for assets that hedge liabilities arising from financing activities.

  The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

2 Summary of significant accounting policies (continued)

a. *Basis of preparation (continued)*

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

- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017). This amendment clarifies how to account for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:
  - A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
  - An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
  - Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type
  - Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 are not material to the Company.

(ii) New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2018 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 2018 or later periods, but the Company has not early adopted them:

- IFRS 9 – Financial Instruments: IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. 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. IFRS 9 establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehension income and fair value through profit and loss. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are measured at fair value through profit or loss except for those equity investments for which the entity makes an irrevocable election at inception to present changes in fair value in other comprehensive income. 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.

The Company is finalising its new ECL model which is currently being reviewed by an external party. The Company anticipates that this new financial instrument standard will have an impact on its impairment expense on loans and other financing. The full extent of this impact will be assessed upon completion of review.

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 2018 and not early adopted by the Company (continued)

- 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. The Company is yet to determine the impact of the standard.

- IFRS 16 Leases: The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Mandatory adoption is expected for fiscal year beginning 1 January 2019. The Company is yet to determine the impact of the standard.

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.

(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.

2 Summary of significant accounting policies (continued)

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;

(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'.

2 Summary of significant accounting policies (continued)

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;
(e) 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.

2 Summary of significant accounting policies (continued)

e. Impairment of financial assets (continued)

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

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.

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.

2 Summary of significant accounting policies (continued)

g. Property and equipment (continued)

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.

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.

2 Summary of significant accounting policies (continued)

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.

(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.

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 $ 566,336 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 $ 435,934 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.

4 Cash and cash equivalents

	2017 $	2016 $
Cash on hand and in bank	2,296,068	323,164
Money market mutual funds	4,659,846	157,976
Included in cash and cash equivalents	6,955,914	481,140

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

	2017 $	2016 $
	27,718,111	27,718,111

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 2017, the Company was in compliance with this requirement.

6 Investments available-for-sale

	2017 $	2016 $
Trinidad and Tobago Unit Trust Corporation		
– First Unit Scheme (Note 6 a.)	33,823	33,823
Roytrin Mutual Funds	921,049	906,761
	954,872	940,584
Balance at beginning of year	940,584	817,780
Net additions of investments available-for-sale	17,155	20,513
Net fair value (losses)/gains on investments available-for-sale before tax	(2,867)	102,291
Balance at end of year	954,872	940,584

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

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

	2017 $	2016 $
Net fair value (losses)/gains on investments available-for-sale before tax	(2,867)	102,291
Deferred tax on investments available-for-sale (Note 9)	860	--
Amount recognised in other comprehensive income	(2,007)	102,291

7 Loans and other receivables

	2017 $	2016 $
Instalment loans	449,118,496	475,103,411
Finance leases (Note 7 d.)	286,013	553,893
Trade financing	5,780,704	3,993,504
Mortgage loans	2,927,227	3,458,607
	458,112,440	483,109,415
Provision for impaired loans and other receivables	(5,028,877)	(5,421,020)
	453,083,563	477,688,395
Non-current portion	427,383,357	454,008,721
Current portion	30,729,083	29,100,694
	458,112,440	483,109,415

a. *Analysis of loans and other receivables*

	2017 $	2016 $
Current	376,032,527	397,250,768
Past due but not impaired	65,682,334	64,030,759
Impaired	16,397,579	21,827,888
	458,112,440	483,109,415

b. *Reconciliation of provision for impaired loans and other receivables*

	2017 $	2016 $
Balance at start of year	5,421,020	5,303,751
Reversal of impairment	(1,663,180)	(631,623)
Increase in impairment	1,271,037	748,892
Balance at end of year	5,028,877	5,421,020
Specific provision	3,812,680	3,915,390
Portfolio provision	1,216,197	1,505,630
	5,028,877	5,421,020

c. *Impairment expense on loans and other financing, net of recoveries*

	2017 $	2016 $
Charge for the year	4,092,902	2,942,859
Income received on claims previously written off net of expenses	(19,169)	(213,692)
	4,073,733	2,729,212

d. *Finance leases*

	2017 $	2016 $
Gross investment in finance leases	306,728	618,915
Unearned finance charges	(20,715)	(65,022)
Net investment in finance leases	286,013	553,893
Gross investment in finance leases		
Not Later than 1 year	22,512	--
Later than 1 year and not later than 5 years	284,216	618,915
	306,728	618,915

8 Property and equipment

	Leasehold Improvements $	Furniture and fittings $	Motor Vehicles $	Office and computer equipment $	Computer software $	Total $
Year ended 31 December 2017						
Opening net book value	251,776	144,004	775,398	635,744	399,527	2,206,449
Additions	11,340	31,712	265,046	39,187	343,704	690,989
Disposals	--	--	(98,103)	--	--	(98,103)
Depreciation charge	(29,538)	(17,343)	(211,748)	(107,564)	(126,863)	(493,056)
Closing net book value	233,578	158,372	730,593	567,367	616,368	2,306,278
At 31 December 2017						
Cost	500,409	397,417	1,418,904	1,596,593	1,496,965	5,410,288
Accumulated depreciation	(266,831)	(239,044)	(688,311)	(1,029,226)	(880,597)	(3,104,009)
Net book value	233,578	158,372	730,593	567,367	616,368	2,306,278
Year ended 31 December 2016						
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	251,776	144,004	775,398	635,744	399,527	2,206,449
At 31 December 2016						
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	251,776	144,004	775,398	635,744	399,527	2,206,449
At 31 December 2015						
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	266,858	128,057	719,330	651,482	274,208	2,039,934

9 Deferred tax asset and liability

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30%.

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

	2017 $	2016 $
At beginning of year	12,559	84,466
Amount recognised in profit or loss (Note 18):		
– Current year	(27,540)	(60,674)
Adjustment to prior year's estimates	122	(11,233)
Amount recognised in other comprehensive income		
– Current year	860	--
At end of year	(13,999)	12,559

	2017 $	2016 $
The net deferred tax asset is attributable to:		
Accelerated depreciation on leased assets, property and equipment	(14,859)	12,559
Fair value gains/(losses) on investments available-for-sale (Note 6b)	860	--
Net deferred tax asset	(13,999)	12,559

10 Customers' deposits

	2017 $	2016 $
Deposit balances	263,434,118	292,869,553
Accrued interest	3,528,833	3,949,324
	266,962,951	296,818,877
Current portion	235,769,213	264,570,628
Non-current portion	31,193,738	32,248,249
	266,962,951	296,818,877

a. *Sectoral analysis*

	2017 $	%	2016 $	%
Consumers	228,530,536	86	243,612,718	82
Commercial	38,432,414	14	53,206,159	18
	266,962,951	100	296,818,877	100

All deposits have fixed interest rates.

11 Bank overdraft

The Company maintains an overdraft facility which bears interest at 8.5% per annum (2016 – 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 2017
(Expressed in Trinidad and Tobago dollars)

12 Share capital

	2017 $	2016 $
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

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

	2017 $	2016 $
Loans and other receivables	55,762,431	59,569,913
Cash resources and investments available-for-sale	23,284	26,642
	55,785,715	59,596,555

15 Interest expense

	2017 $	2016 $
Customers' deposits	10,907,684	11,936,114
Bank overdraft and short-term financing	622,314	587,854
	11,529,998	12,523,968

16 Other income

	2017 $	2016 $
Fees and commissions	1,485,092	1,426,993
Profit on disposal of assets under finance leases	--	1
	1,485,092	1,426,994

17 Operating expenses

	2017 $	2016 $
Staff costs (Note 17 a.)	6,151,955	6,900,694
Administrative and other expenses	3,818,834	3,904,009
Depreciation	493,056	443,341
Directors' fees	180,000	180,000
Deposit insurance premium*	592,562	577,244
Office rent	655,986	655,986
Professional fees	470,774	474,040
Green Fund Levy	172,017	181,160
Loss on disposal of property and equipment	14,240	21,340
	12,549,424	13,337,814

* 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*

	2017 $	2016 $
Salaries	5,321,587	6,160,710
National Insurance	317,901	277,030
Pension contributions	210,480	185,620
Other long term benefits	301,987	277,334
	6,151,955	6,900,694

18 Taxation

	2017 $	2016 $
Corporation tax		
– Current year	8,823,501	8,150,299
– Adjustments to prior year's estimates	(34,914)	3,111
Deferred tax (credit)/charge (see Note 9)		
– Current year	27,540	60,674
– Adjustments to prior year's estimates	(121)	11,233
	8,816,005	8,225,317

The tax on the operating profit differs from the theoretical amount that would arise using the statutory rate of 30% as follows:

	2017 $	2016 $
Profit before taxation	29,117,652	32,432,555
Corporation tax calculated at a tax rate of 30%	8,735,296	8,108,139
Expenses not deductible for tax purposes	121,798	108,932
Income not assessable for tax	(6,053)	(6,098)
Adjustments to prior year's estimates	(35,035)	14,344
	8,816,005	8,225,317

19 Earnings per share

	2017 $	2016 $
Profit after taxation	20,301,646	24,207,238
Number of ordinary shares in issue	15,000,000	15,000,000
Earnings per share	$1.35	$1.61

20 Dividends

	2017 $	2016 $
Declared - $0.40 per share (2016: $0.48)	6,000,000	7,200,000

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:*

	2017 $	2016 $
Loans and other receivables	340,350	675,505
Customers' deposits		
Directors and key management personnel	44,535,728	42,759,880
Interest income	60,634	78,768
Interest expense		
Directors and key management personnel	977,005	862,897

b. *Key management compensation*

	2017 $	2016 $
Salaries and other short-term benefits	1,619,782	2,901,625

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.

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

	2017 $	2016 $
Instalment loans	449,118,496	475,103,411
Finance leases	286,013	553,893
Trade financing	5,780,704	3,993,504
Mortgage loans	2,927,227	3,458,607
	458,112,440	483,109,415
Less provision for impaired loans and other receivables	(5,028,877)	(5,421,020)
	453,083,563	477,688,395
Cash and cash equivalents	6,955,914	481,140
Statutory deposit with Central Bank	27,718,111	27,718,111
	487,757,588	505,887,646

The above table represents a worst case scenario of credit risk exposure to the Company as at 31 December 2017 and 2016 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	• Arrears ranging between 0-30 days and • No second notices or repossessions issued
B	Good	• Arrears ranging between 31-60 days and • No repossession orders issued • The total number of 2nd Notices is measured against the months passed over the loan term. The ratio should not exceed 20%
C	Fair	• Loans that are in arrears between 61-90 days and/or • 1-2 repossession documents served
D	Poor	• Loans that are in arrears over 90 days and/or • 3 or more repossession documents served
E	Poor	• Collateral repossessed

22 Financial risk management (continued)

a. *Financial risk factors (continued)*

(i) *Credit risk (continued)*

(d) *Loan grading system (continued)*

	Neither past due not impaired				
	Instalment $	Leases $	Real estate $	Trade financing $	Total $
At 31 December 2017					
Grade A	238,964,912	-	2,689,318	5,780,704	247,434,934
Grade B	112,740,241	-	237,909	-	112,978,150
Grade C	13,974,937	-	-	-	13,974,937
Grade D	1,644,506	-	-	-	1,644,506
Grade E	-	-	-	-	-
	367,324,596	-	2,927,227	5,780,704	376,032,527

	Neither past due not impaired				
	Instalment $	Leases $	Real estate $	Trade financing $	Total $
At 31 December 2016					
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	--	--	--	--	--
	389,798,657	--	3,458,607	3,993,504	397,250,768

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 2017
(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				
	Current $	1 – 30 days $	31- 90 days $	> 90 days $	Impaired $	Total $
At 31 December 2017						
Cash and cash equivalents	6,955,914	-	-	-	-	6,955,914
Statutory deposit with Central Bank	27,718,111	-	-	-	-	27,718,111
Loans and other receivables:						
- Instalment loans	367,324,596	60,714,219	2,653,561	2,028,541	16,397,579	449,118,496
- Finance leases	-	286,013	-	-	-	286,013
- Trade financing	5,780,704	-	-	-	-	5,780,704
- Mortgages	2,927,227	-	-	-	-	2,927,227
	376,032,527	61,000,232	2,653,561	2,028,541	16,397,579	458,112,440
	410,706,552	61,000,232	2,653,561	2,028,541	16,397,579	492,786,465
At 31 December 2016						
Cash and cash equivalents	481,140	--	--	--	--	481,140
Statutory deposit with Central Bank	27,718,111	--	--	--	--	27,718,111
Loans and other receivables:						
- 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
	397,250,768	61,498,492	2,118,275	413,992	21,827,888	483,109,415
	425,450,019	61,498,492	2,118,275	413,992	21,827,888	511,308,666

(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.

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) 2017 $	Fair value of collateral 2017 $	Carrying value (before provisions) 2016 $	Fair value of collateral 2016 $
Instalment loans	16,397,579	12,584,898	21,827,888	17,912,497
Finance leases	--	--	--	--
Mortgage loans	--	--	--	--
	16,397,579	12,584,898	21,827,888	17,912,497

(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 2017
(Expressed in Trinidad and Tobago dollars)

22 Financial risk management (continued)

a. *Financial risk factors (continued)*

(i) Credit risk (continued)

(j) Allowance for impairment losses on loans and other receivables

	Instalment loans $	Finance leases $	Mortgage loans $	Total $
At 31 December 2017				
Balance at beginning of year	5,410,776	2,603	7,641	5,421,020
Reversal of impairment	(1,659,622)	(1,459)	(2,099)	(1,663,180)
Increase in impairment	1,271,037	-	-	1,271,037
Balance at end of year	5,022,192	1,144	5,541	5,028,877
Charge for the year	4,092,902	-	-	4,092,902
Income received on claims previously written off net of expenses	(19,169)	-	-	(19,169)
Impairment losses	4,073,733	-	-	4,073,733
At 31 December 2016				
Balance at beginning of year	5,287,205	4,453	12,093	5,303,751
Reversal of impairment	(625,321)	(1,850)	(4,452)	(631,623)
Increase in impairment	748,892	--	--	748,892
Balance at end of year	5,410,776	2,603	7,641	5,421,020
Charge for the year	2,942,904	-	-	2,942,904
Income received on claims previously written off net of expenses	(213,692)	-	-	(213,692)
Impairment losses	2,729,212	-	-	2,729,212

These amounts comprise specific and portfolio allowances.

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 $
At 31 December 2017					
Consumer	116,456,894	--	--	628,088	117,084,982
Manufacturing	23,321,085	--	--	--	23,321,085
Communications	44,398,137	--	--	--	44,398,137
Real estate	942,591	--	--	1,747,002	2,689,593
Hotel and restaurant	9,825,580	--	--	--	9,825,580
Energy	3,864,259	--	--	--	3,864,259
Distribution	28,025,265	--	5,780,704	--	33,805,969
Construction	53,632,441	--	--	--	53,632,441
Private sector	7,240,066	--	--	--	7,240,066
Agriculture	22,147,665	--	--	--	22,147,665
Utilities	2,010,023	--	--	-	2,010,023
Other	74,797,937	286,013	--	--	75,083,950
Car rentals	21,276,662	---	--	--	21,276,662
Security services	10,245,693	--	--	--	10,245,693
Hardware	6,981,793	--	--	--	6,981,793
Air/con, maint, environ	6,295,729	--	--	--	6,295,729
Equipment rentals	8,429,319	--	--	552,137	8,981,456
Safety equipment	9,227,357	--	--	--	9,227,357
	449,118,496	286,013	5,780,704	2,927,227	458,112,440
At 31 December 2016					
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
	475,103,411	553,893	3,993,504	3,458,607	483,109,415

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 (2016 – 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.

		Undiscounted cash flows			
	Carrying amount $	Within one year $	One to five years $	Over five years $	Total $
As at 31 December 2017					
Financial assets					
Cash and cash equivalents	6,955,914	6,955,914	--	--	6,955,914
Statutory deposit	27,718,111	--	27,718,111	--	27,718,111
Loans and other receivables	453,083,563	29,336,101	352,643,069	183,113,093	565,092,263
	487,757,588	36,292,015	380,361,180	183,113,093	599,766,288
Financial liabilities					
Short-term financing	--	--	--	--	--
Customers' deposits	266,962,951	241,453,404	31,810,171	-	273,263,575
Bank overdraft	--	--	--	--	--
Other liabilities	1,227,812	1,227,812	--	--	1,227,812
	268,190,763	242,681,216	31,810,171	-	274,491,387
Net liquidity gap	219,566,825	(206,389,201)	348,551,009	183,113,093	325,274,901

22 Financial risk management (continued)

a. Financial risk factors (continued)

(ii) Liquidity risk

(c) Maturity analysis of financial instruments (continued)

	Carrying amount $	Undiscounted cash flows: Within one year $	One to five years $	Over five years $	Total $
As at 31 December 2016					
Financial assets					
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
	505,887,645	27,930,030	435,951,951	157,784,589	621,666,570
Financial liabilities					
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
	298,927,183	273,159,340	32,758,747	--	305,918,087
Net liquidity gap	206,960,462	(245,229,310)	403,193,204	157,784,589	315,748,483

(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.

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 2017, had interest rates been 50 basis points higher/lower, profit before taxation would have been lower/higher by $880,869 (2016: $835,650.). 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.

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.

	2017 $'000	2016 $'000
Qualifying capital	217,536	203,236
Risk adjusted assets	456,753	480,657
Capital adequacy ratio	47.63%	42.28%

During the two years ended 2017 and 2016, 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 2017
(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 2017.

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Available for sale financial assets				
– Mutual Funds	954,872	--	--	954,872
Total Assets	954,872	--	--	954,872

December 2016

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Available for sale financial assets				
– Mutual Funds	940,584	--	--	940,584
Total Assets	940,584	--	--	940,584

24 Contingent liabilities and commitments

a. *Loan commitments*

At the statement of financial position date, there were loan commitments amounting to $2,700,532 (2016: $1,152,533) 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 (2016: 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.

CFC

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