AIC Finance Limited

Financial Statements

For the year ended 30 September 2012

AIC Finance Limited

Financial Statements
For the year ended 30 September 2012
(Expressed in Trinidad and Tobago Dollars)

Contents **Page**

Tel: +1 (868) 628 3150
Fax: +1 (868) 622 3003
www.bdo.tt

7A Warner Street
Port-Of-Spain
Trinidad and Tobago

Independent Auditors' Report

To the Shareholders of
AIC Finance Limited

We have audited the accompanying financial statements of AIC Finance Limited, which comprise the statement of financial position as at 30 September 2012 and the related statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material 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 referred to above present fairly, in all material respects, the financial position of AIC Finance Limited as of 30 September 2012 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

BDO

December 14, 2012

Port of Spain,
Trinidad, West Indies

AIC Finance Limited

Statement of Financial Position
As at 30 September 2012
(Expressed in Trinidad and Tobago Dollars)

	Notes	2012	2011
Assets			
Cash and cash equivalents	3	49,347,037	37,761,843
Statutory deposit with Central Bank	4	6,935,130	6,261,300
Financial assets	5	37,831,556	20,840,162
Loans to customers	6	17,563,915	24,017,670
Due from related parties	7	3,683,155	7,462,437
Receivables and prepayments	8	2,545,607	1,124,053
Taxation recoverable		-	2,020,136
Property, plant and equipment	10	2,341,910	3,356,425
Investment in associate	11	2,318,505	-
Investment in subsidiary	12	-	7,880,575
Total Assets		**$122,566,815**	**$110,724,601**
Liabilities			
Customers' deposits	13	83,026,278	77,637,904
Other borrowed funds	14	-	500,712
Due to related parties	7	495,307	1,091,661
Payables and accruals	15	5,011,724	5,203,091
Total Liabilities		**88,533,309**	**84,433,368**
Equity			
Share capital	16	77,321,789	62,351,925
Statutory reserve	17	4,341,765	4,341,765
Retained deficit		(47,630,048)	(40,402,457)
Total Equity		**34,033,506**	**26,291,233**
Total Liabilities and Equity		**$122,566,815**	**$110,724,601**

The accompanying notes form an integral part of these financial statements.

On December 14, 2012 the Board of Directors of AIC Finance Limited authorised these financial statements for issue.

Director

Director

AIC Finance Limited

Statement of Comprehensive Income
For the year ended 30 September 2012
(Expressed in Trinidad and Tobago Dollars)

	Notes	2012	2011
Interest income	18	4,158,209	3,807,688
Interest expense	19	(2,714,434)	(3,908,878)
Net Interest Income (Expense)		**1,443,775**	**(101,190)**
Net trading gain	20	5,171,072	7,931,767
Fees and commissions	21	764,983	3,548,937
Dividend and other income	22	162,168	1,191,244
Non-Interest Income		**6,098,223**	**12,671,948**
Total Net Income		**7,541,998**	**12,570,758**
Impairment losses on loans and tax recoverable, net of recoveries		(1,533,334)	36,256
General administrative expenses	23	(5,189,663)	(7,729,345)
Other operating expenses	24	(2,457,244)	(2,598,268)
Impairment of subsidiary	12	(5,310,525)	-
Share of post-tax loss of associate	11	(1,800,620)	-
Operating Expenses		**(16,291,386)**	**(10,291,357)**
(Loss) Profit Before Taxation		**(8,749,388)**	**2,279,401**
Taxation	26	(39,921)	(30,530)
(Loss) Profit For The Year		**(8,789,309)**	**2,248,871**
Other Comprehensive Income			
Share of associate's other comprehensive income	11	1,549,075	-
Net unrealised gain on available-for-sale financial assets		12,643	373,556
Total Other Comprehensive Income		**1,561,718**	**373,556**
Total Comprehensive (Loss) Income For The Year		**($7,227,591)**	**$2,622,427**

The accompanying notes form an integral part of these financial statements.

AIC Finance Limited

Statement of Changes in Equity
For the year ended 30 September 2012
(Expressed in Trinidad and Tobago Dollars)

	Notes	Share Capital	Statutory Reserve	Retained Deficit	Total Equity
Year Ended 30 September 2011					
Balance at 1 October 2010		62,351,925	4,079,522	(42,762,641)	23,668,806
Total comprehensive income for the year:					
- Profit for the year		-	-	2,248,871	2,248,871
- Other comprehensive income		-	-	373,556	373,556
- Transfer to Statutory reserve	17	-	262,243	(262,243)	-
Balance at 30 September 2011		**$62,351,925**	**$4,341,765**	**($40,402,457)**	**$26,291,233**
Year Ended 30 September 2012					
Balance at 1 October 2011		62,351,925	4,341,765	(40,402,457)	26,291,233
Total comprehensive income for the year:					
- Loss for the year		-	-	(8,789,309)	(8,789,309)
- Other comprehensive income		-	-	1,561,718	1,561,718
Transactions with Owners:					
Issue of Ordinary Shares		14,969,864	-	-	14,969,864
Balance at 30 September 2012		**$77,321,789**	**$4,341,765**	**($47,630,048)**	**$34,033,506**

The accompanying notes form an integral part of these financial statements.

AIC Finance Limited

Statement of Cash Flows
For the year ended 30 September 2012
(Expressed in Trinidad and Tobago Dollars)

	Notes	2012	2011
Cash Flow From Operating Activities			
(Loss) Profit before taxation		(8,749,388)	2,279,401
Adjustments to reconcile (loss) profit to net		-	
cash provided by (used in) operating activities:		-	
Depreciation		970,305	492,271
Loss on disposal of property, plant and equipment		36,836	61,615
Loss on written off property, plant and equipment		-	965,574
Loss on provision for tax recoverable		2,016,911	-
Impairment losses on loans, net of recoveries	6.2	(479,979)	(36,256)
Net gain on disposal of financial assets		-	(3,498,313)
Net gain on revaluation on financial assets at fair value through profit or loss		(1,013,363)	(1,366,521)
Impairment of subsidiary		5,310,525	-
Share of post-tax loss of Associate		1,800,620	-
Changes in operating assets and liabilities:			
(Increase) Decrease in statutory deposit with Central Bank		(673,830)	199,980
Decrease (Increase) in loans to customers		6,933,734	(6,226,904)
Decrease in due from related parties		3,779,282	5,554,143
Increase in receivables and prepayments		(1,421,554)	(352,667)
Increase (Decrease) in customers' deposits		5,388,374	(9,746,399)
Decrease in other borrowed funds		(500,712)	-
(Decrease) Increase in due to related parties		(596,354)	571,829
Decrease in payables and accruals		(191,367)	(3,030,823)
Net Cash Provided By (Used In) Operations		**12,610,040**	**(14,133,070)**
Income taxes (paid) recovered		(36,696)	426,592
Net Cash Provided By (Used In) Operating Activities		**12,573,344**	**(13,706,478)**
Cash Flow From Investing Activities			
Purchases of property, plant and equipment		(12,828)	(250,973)
Proceeds from disposal of property, plant and equipment		20,202	4,511
Net (purchase) sale in financial assets		(15,965,388)	23,389,576
Net Cash (Used In) Provided By Investing Activities		**(15,958,014)**	**23,143,114**
Cash Flow From Financing Activities			
Proceed from Issue of Ordinary Shares		14,969,864	-
Net decrease in medium term notes		-	(6,774,395)
Net Cash Provided By (Used In) Financing Activities		**14,969,864**	**(6,774,395)**
Increase In Cash And Cash Equivalents		11,585,194	2,662,241
Cash And Cash Equivalents At Beginning Of Year		37,761,843	35,099,602
Cash And Cash Equivalents At End Of Year		**$49,347,037**	**$37,761,843**

The accompanying notes form an integral part of these financial statements.

1 Incorporation and Business Activities

AIC Finance Limited (formerly Total Finance Limited) (the "Company") was incorporated in the Republic of Trinidad and Tobago on 5 November 1982, and commenced operations in January 1983. Effective 11 August 1993, the Company was licensed under the Financial Institutions Act 1993 as a financial institution authorised to carry on the following classes of business: finance house/finance company, confirming house/acceptance house, leasing corporation, mortgage institution and bureau de change. On 26 August 2003, the Company's application for a merchant bank's licence was approved by the Central Bank of Trinidad and Tobago, thereby authorising the Company to conduct the additional activity of foreign exchange dealing. On 31 May 2005, AIC Merchant Bank Limited was amalgamated with AIC Finance Limited under Section 224 of the Companies Act of 1995. The Company's registered office is located at 143 Long Circular Road, Maraval, Trinidad and Tobago.

On 6 January 2004, AIC Financial Group Limited, which is incorporated in the Republic of Trinidad and Tobago, acquired all outstanding shares of the Company. The Company's ultimate parent company is Portland Holdings Inc., incorporated in Ontario, Canada.

On 30 September 2004, the Company acquired 56% of AIC Securities Limited (formerly Trinidad and Tobago Stocks and Shares Limited) whose principal activity is that of a stockbroker serving the investment needs of its individual and institutional clients trading in bonds, shares and other securities. On 28 January 2008, the Company acquired an additional 28% of AIC Securities Limited and on 3 November 2008 a further 10% was acquired which brought the total shareholding to 94%. On 22 March 2011, AIC Securities Limited issued new shares to other shareholders which resulted in a reduction in the Company's shareholding to 70%. In November 2011, there was another issue of new shares to other shareholders which reduced the Company's shareholding to 43%.

AIC Securities Limited is incorporated in the Republic of Trinidad and Tobago.

2 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"). These financial statements have been prepared under the historical cost convention, as modified for the revaluation of available-for-sale financial assets and financial assets held at fair value through profit or loss.

The Company has prepared these financial statements to file with The Central Bank of Trinidad and Tobago in accordance with The Financial Institutions Act, 2008.

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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.17.

(a) New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 October 2011 that were adopted and had a material impact on the Company.

2 **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 October 2011 and not early adopted

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Company's future financial statements:

IAS 1, 'Financial statement presentation' regarding other comprehensive income (Amendments) - The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. This amendment is effective for periods beginning on or after 1 July 2012.

IAS 32 'Financial Instruments: Presentation' (Amendments) clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. In connection therewith, IFRS 7, 'financial instruments: Disclosures' amendments were also issued. These new IFRS 7 disclosures are intended to facilitate comparison between IFRS and US GAAP preparers. The converged offsetting disclosures in IFRS 7 are to be retrospectively applied, with an effective date of annual periods beginning on or after 1 January 2013. The IAS 32 changes are retrospectively applied, with an effective date of annual periods beginning on or after 1 January 2014. Master netting agreements where the legal right of offset is only enforceable on the occurrence of some future event, such as default of the counterparty, continue not to meet the offsetting requirements. The disclosures focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The new amendments are not expected to have any significant impact on the Company's financial position or performance.

IFRS 9, 'Financial instruments' – This new standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities and replaces parts of IAS 39. The standard is effective for annual periods beginning on after 1 January 2015 with early adoption permitted. IFRS 9 is required to be applied retrospectively. IFRS 9 uses business model and contractual cash flow characteristics to determine whether a financial asset is measured at amortised cost or fair value, replacing the four category classification in IAS 39. The determination is made at initial recognition. The approach is also based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

2 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 October 2011 and not early adopted (continued)

IFRS 13 'Fair Value Measurements' is effective prospectively for annual periods beginning on or after 1 January 2013. Earlier application is permitted. IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard applies, except in some specified cases (e.g. share–based payments) when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. Although IFRS 13 describes some of the fair value measurements and disclosure requirements in a different way from how they were expressed previously, there are a few changes to the requirements it replaces (principally the requirement to use an exit price). Instead, IFRS 13 is intended to clarify the measurement objective, harmonise the disclosure requirements and improve consistency in application.

Other standards, amendments and interpretations to existing standards in issue but not yet effective are not considered to be relevant to the Company and have not been disclosed.

(c) Standards and amendments to published standards early adopted by the Company

The Company did not early adopt any new, revised or amended standards.

2.2 **Foreign currency translation**

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences on non monetary items, such as equities held at fair value through the profit or loss are reported as part of the fair value gain or loss.

2.3 **Cash and cash equivalents**

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition including liquid cash in hand, deposits held at call with banks and other short term highly liquid investments.

2 **Significant Accounting Policies (continued)**

2.4 Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets classified as held-for-trading and financial assets designated at fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Financial assets held for trading consist of debt instruments, including money-market paper, traded corporate and bank loans and equity instruments as well as financial assets with embedded derivatives.

Financial instruments included in this category are recognised initially at fair value. Gains and losses arising from changes in the fair value are included directly in the statement of comprehensive income and are reported as “net trading gain/ (loss)”. Interest income and expenses and dividend income and expenses on financial assets held for trading are included in “interest income” and “dividend and other income” respectively. The instruments are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

The Company designated certain financial assets upon initial recognition as at fair value through profit or loss. This designation cannot subsequently be changed. According to IAS 39, the fair value option is only applied when the following conditions are met:

- The application of the fair value option reduces or eliminates accounting mismatch that would otherwise arise or
- The financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis or
- The financial assets consist of debt host and an embedded derivative that must be separated.

(b) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans to customers are initially recognised at fair value, which is the cash consideration to originate the loan including any transaction costs, and measured subsequently at amortised cost using the effective interest rate method. Interest on loans to customers is included in the statement of comprehensive income and is reported as “interest income”. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of comprehensive income as “impairment losses on loans”.

2 Significant Accounting Policies (continued)

2.4 Financial assets (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets and initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income until the financial assets is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the profit or loss. However, interest is calculated using the effective interest method and is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the Company's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted financial assets), the Company establishes fair value by 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.

(d) Recognition

The Company uses trade-date accounting for regular way contracts when recording financial asset transactions.

2.5 Assets leased to customers under finance leases

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable and is reported on the statement of financial position in "loans to customers". The difference between the gross and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using net investment method before tax, which reflects a constant periodic rate of return.

2.6 Impairment of financial assets

(a) Financial assets carried at amortised cost

The Company assesses at each reporting 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.

2 **Significant Accounting Policies (continued)**

2.6 **Impairment of financial assets (continued)**

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

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or debtor;
(ii) a breach of contract, such as default or delinquency in payments;
(iii) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(iv) it becoming probable that the issuer or debtor will enter bankruptcy or other financial re-organisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) 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, and individually or collectively for financial assets that are not 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 it 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.

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 the statement of comprehensive income. If a loan or held-to-maturity financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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.

For the purpose of a collective evaluation of impairment, financial assets are grouped together on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

2 **Significant Accounting Policies (continued)**

2.6 **Impairment of financial assets (continued)**

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

When a loan is uncollectible, it is written off against the related provision for impairment loss. Such financial assets 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 the statement of comprehensive income in the impairment charge for credit losses.

(b) 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. A financial asset or a group of financial assets carried at fair value is impaired if its carrying amount is greater than its estimated recoverable amount based on the present value of expected future cash flows discounted at the current market rate of interest. 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 other comprehensive income is removed and is recognised in the statement of comprehensive income. If in a subsequent period, the fair value of a financial asset classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

(c) Renegotiated loans

Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

2.7 **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.8 **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less 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 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. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

2 **Significant Accounting Policies (continued)**

2.8 **Property, plant and equipment (continued)**

Depreciation is calculated using the reducing balance method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	-	over the life of the lease
Computer software and equipment	-	20% - 33 1/3%
Furniture and equipment	-	10% - 15%
Motor vehicles	-	25%

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within net trading gain/loss, in the statement of comprehensive income.

2.9 **Investment in associate**

Where the Company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the statement of financial position at cost. The Company's share of post-acquisition profits and losses is recognised in the statement of comprehensive income, except that losses in excess of the Company's investment in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Company and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

2.10 **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, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

2.11 **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income in the period of the borrowings using the effective interest method.

2 **Significant Accounting Policies (continued)**

2.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, 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 obligation 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.

2.13 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 as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on available-for-sale investment).

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from accelerated tax depreciation, revaluation of financial assets and tax losses carried forward.

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

2.14 Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognised within “interest income” and “interest expense” in the statement of comprehensive income 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, transaction costs and all other premiums or discounts.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2 **Significant Accounting Policies (continued)**

2.15 **Fees and commissions**

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party - such as the acquisition of loans, shares of other financial assets or the purchase or sale of businesses - are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised rateably over the period the service is provided.

2.16 **Dividend income**

Dividends are recognised in the statement of comprehensive income in “dividend income and other income” when the Company’s right to receive payment is established.

2.17 **Critical accounting estimates and judgments**

The Company’s financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgments, which necessarily have to be made in the course of preparation of the financial statements.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimate undertaken in accordance with the applicable standard. Estimates and assumptions are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management’s judgments for certain items are especially critical for the Company’s results and financial situation due to their materiality.

(a) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax 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.

(b) Impairment losses on loans to customers

The Company reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, 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 a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a company, or national or local economic conditions that correlate with defaults on assets in the company.

Management uses estimates based on historical loss experience for 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.

2 **Significant Accounting Policies (continued)**

2.17 **Critical accounting estimates and judgments (continued)**

(c) Fair value of financial assets

The fair value of financial assets where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated using models. These models are validated and periodically reviewed by independent qualified personnel.

2.18 **Comparative Information**

Certain changes in presentation have been made in these financial statements. These changes had no effect on the operating results and profit after tax for the previous year.

3 **Cash and Cash Equivalents**

	2012	2011
Cash at banks	49,328,947	37,734,686
Cash in hand	18,090	27,157
	$49,347,037	**$37,761,843**

4 **Statutory Deposit with Central Bank**

	2012	2011
Mandatory reserve deposit with Central Bank	**$6,935,130**	**$ 6,261,300**

The Financial Institutions Act, 2008 requires every non-banking financial institution to maintain a non-interest bearing deposit with The Central Bank of Trinidad and Tobago equivalent to 9% of deposits and other specified liabilities of the institution.

5 **Financial Assets**

5.1 **The Company's financial assets are summarised below by measurement category:**

	2012	2011
Fair value through profit or loss - held for trading	35,156,978	18,179,647
Available-for-sale	4,335,416	4,321,353
	39,492,394	**22,501,000**
Less: allowance for impairment	(1,660,838)	(1,660,838)
Total financial assets	**$37,831,556**	**$20,840,162**
Current	$10,435,817	$ 9,882,804
Non-current	$27,395,739	$ 10,957,358

AIC Finance Limited

Notes To The Financial Statements
For the year ended 30 September 2012
(Expressed in Trinidad and Tobago Dollars)

5 **Financial Assets (continued)**

5.2 **The assets comprised in each of the categories are detailed below:**

	2012	2011
Fair value through profit or loss financial assets - held for trading		
Equity securities - quoted	7,007,351	703,995
Debt securities - government	13,119,620	1,740,455
Debt securities - corporate	3,248,342	2,619,590
Participation Investment Certificates	6,345,620	8,277,222
Fixed Deposits	5,129,484	4,838,385
Repurchase Agreements	306,561	-
	35,156,978	**18,179,647**
Less: allowance for impairment	(1,660,838)	(1,660,838)
	33,496,140	**16,518,809**
Available-for-sale financial assets		
Mutual funds	4,335,416	4,321,353
Total financial assets	**$37,831,556**	**$20,840,162**

The available-for-sale financial assets are held in custody by the Associate, AIC Securities Limited.

5.3 **The movement in financial assets can be summarised as follows:**

	2012	2011
Balance at beginning of year	20,840,162	38,995,859
Additions	35,931,080	31,920,346
Disposals	(19,965,692)	(51,816,120)
Net fair value gains arising during the year	1,026,006	1,740,077
Balance at end of year	**$37,831,556**	**$20,840,162**

5.4 **Allowance for impairment:**

	2012	2011
Balance at beginning of year	(1,660,838)	(1,660,838)
Movement in impairment allowance	-	-
Balance at end of year	**($1,660,838)**	**($1,660,838)**

6 Loans to Customers

	2012	2011
Instalment loans	7,500,682	12,811,213
Mortgage loans	6,851,591	7,725,924
Trade financing	466,374	3,300,779
Finance leases	3,464,392	1,454,306
	18,283,039	**25,292,222**
Interest receivable	198,134	179,395
	18,481,173	**25,471,617**
Unearned interest on leases	-	(56,710)
	18,481,173	**25,414,907**
Less: allowance for impairment	(917,258)	(1,397,237)
	$17,563,915	**$24,017,670**
Current	8,488,891	8,494,935
Non-current	9,075,024	15,522,735
	$17,563,915	**$24,017,670**

6.1 Reconciliation of allowance for impairment

	2012	2011
Balance at beginning of year	1,397,237	1,433,493
Decrease for the year	(479,979)	(36,256)
Balance at end of year	**$917,258**	**$1,397,237**
Specific impairment allowance	863,572	1,343,551
Collective impairment allowance	53,686	53,686
	$917,258	**$1,397,237**
Allowance for impairment by type of loan:		
Instalment loans	-	670,710
Mortgage loans	450,884	32,002
Trade financing	466,374	339,794
Finance leases	-	354,731
	$917,258	**$1,397,237**

6 Loans to Customers (continued)

6.2 Impairment losses on loans, net of recoveries

	2012	2011
(Decrease) Increase for the year	(483,577)	75,406
Recoveries	(3,598)	(111,662)
	($479,979)	**($36,256)**

6.3 Finance leases

	2012	2011
Not later than 1 year	985,063	1,244,378
Later than 1 year and not later than 5 years	2,479,329	209,929
	3,464,392	**1,454,307**
Unearned finance charge on finance leases	-	(56,710)
Net investment in finance leases	**$3,464,392**	**$1,397,597**
Net not later than 1 year	985,063	1,187,668
Net later than 1 year and not later than 5 years	2,479,329	209,929
	$3,464,392	**$1,397,597**

There were no loan balances due from directors and other key management personnel at 30 September, 2012 (2011: nil).

7 Related Party Balances

Due from related parties	2012	2011
AIC Financial Group Limited	3,095,241	6,859,748
AIC Securities Limited	54,581	50,000
AIC (Barbados) Limited	533,333	552,689
	$3,683,155	**$7,462,437**

Due to related parties	2012	2011
National Commercial Bank Jamaica Limited	495,307	1,091,661
	$495,307	**$1,091,661**

The amount due from AIC Financial Group Limited represents the balance on a five year interest only loan for $6,877,996 that matures on 2 November 2012. Interest is charged at the rate of 7% per annum on this facility.

There are no fixed repayment terms for the other balances due to and due from related parties. Interest is charged at 6.25% per annum on these monthly outstanding balances.

The amount due from AIC (Barbados) Limited relates to dividends and cash held in trust on disposal of National Commercial Bank Jamaica Limited shares.

8 Receivables and Prepayments

	2012	2011
Vat recoverable	570,161	129,912
Client receivables	1,150,087	419,664
Provisions for doubtful debts on client receivables	(147,935)	(147,935)
Prepayments	159,020	212,664
Registrar fee accrued	191,079	223,984
Others	623,195	285,764
	$2,545,607	**$1,124,053**
Current	1,406,255	722,412
Non-current	1,139,352	401,641
	$2,545,607	**$1,124,053**

9 Deferred tax

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. The Company has tax losses of $85.1 million (2011 -$74.8 million) to carry forward against future taxable income. The benefit of the tax losses has not been recognised in these financial statements due to uncertainty of their recoverability.

AIC Finance Limited

Notes To The Financial Statements
For the year ended 30 September 2012
(Expressed in Trinidad and Tobago Dollars)

10 **Property, Plant and Equipment**

	Leasehold Improvements	Computer Software & Equipment	Furniture & Equipment	Motor Vehicles	Total
Cost					
As at September 30, 2010	5,275,192	4,754,890	1,712,232	523,600	12,265,914
Additions	146,270	76,630	28,073	-	250,973
Disposal	-	-	(10,163)	(299,940)	(310,103)
Write offs	(1,277,494)	(2,783,766)	(5,327)	-	(4,066,587)
As at September 30, 2011	**4,143,968**	**2,047,754**	**1,724,815**	**223,660**	**8,140,197**
Accumulated depreciation					
As at September 30, 2010	(2,343,135)	(4,048,608)	(841,989)	(407,270)	(7,641,002)
Depreciation charge	(205,279)	(181,767)	(85,559)	(19,666)	(492,271)
Depreciation on disposal	-	-	1,931	246,557	248,488
Write offs	556,759	2,539,331	4,749	174	3,101,013
As at September 30, 2011	**(1,991,655)**	**(1,691,044)**	**(920,868)**	**(180,205)**	**(4,783,772)**
Net book value					
As at September 30, 2011	**$2,152,313**	**$356,710**	**$803,947**	**$43,455**	**$3,356,425**
Cost					
As at September 30, 2011	4,143,968	2,047,754	1,724,815	223,660	8,140,197
Additions	-	11,785	1,043	-	12,828
Disposal	(1,278)	(7,500)	(28,427)	(223,660)	(260,865)
As at September 30, 2012	**4,142,690**	**2,052,039**	**1,697,431**	**-**	**7,892,160**
Accumulated depreciation					
As at September 30, 2011	(1,991,655)	(1,691,044)	(920,868)	(180,205)	(4,783,772)
Depreciation charge	(807,607)	(81,640)	(77,549)	(3,509)	(970,305)
Depreciation on disposal	700	-	19,413	183,714	203,827
As at September 30, 2012	**(2,798,562)**	**(1,772,684)**	**(979,004)**	**-**	**(5,550,250)**
Net book value					
As at September 30, 2012	**$1,344,128**	**$279,355**	**$718,427**	**$ -**	**$2,341,910**

11 Investment In Associate

Investment in AIC Securities Limited	2012	2011
Balance at date of change to associate	2,570,050	-
Share of post-tax loss of associate	(1,800,620)	-
Share of associate's other comprehensive income	1,549,075	-
Balance at the end of the year	**$2,318,505**	**$ -**

Summarised financial information in respect of the Company's associate is as follows:

	2012	2011
Total assets	$17,119,545	$ -
Total liabilities	($9,227,673)	$ -
Net equity (net of preference shares)	$5,391,872	$ -
Company's share of associates' net equity	$2,318,505	$ -
Total comprehensive loss for the year	($584,990)	$ -
Company's share of total comprehensive loss of associated company for the year	($251,545)	$ -

12 Investment In Subsidiary

Investment in AIC Securities Limited	2012	2011
Balance at the beginning of the year	7,880,575	7,880,575
Impairment during the year	(5,310,525)	-
Balance at date change to associate	(2,570,050)	-
Balance at the end of the year	**$ -**	**$7,880,575**

On 3 November 2008 the Company acquired 5 million shares in AIC Securities Limited, which increased its shareholding from 84% to 94%. On or about March 22, 2011, AIC Securities Limited completed an issuance of 2,702,292 common equity shares in which the Company elected not to participate. Immediately after the issuance, the Company's shareholding of common equity shares of AIC Securities Limited was reduced from 94% to 70%. On or about November 30, 2011, AIC Securities Limited completed a further issuance of 6,921,373 common equity shares in which the Company elected not to participate. Immediately after the issuance, the Company's shareholding of common equity shares of AIC Securities Limited was reduced from 70% to 43%, which changed the status to an Associate and an impairment expense of $5,310,525 was recognised.

13 Customers' Deposits

	2012	2011
Term deposit balances	82,065,536	76,545,071
Accrued interest	960,742	1,092,833
	$83,026,278	**$77,637,904**
Sectoral analysis		
Consumers	62,519,735	53,533,889
Private sector	19,545,801	23,011,182
	$82,065,536	**$76,545,071**

Deposits include $100,000 invested by AIC Financial Group Ltd, a related party (2011: $600,000). Interest rates on term deposit balances are fixed throughout the term of the deposit.

14 Other Borrowed Funds

	2012	2011
Loan payable	-	500,000
Accrued Interest	-	712
	-	**$ 500,712**

This unsecured loan from a Company director was repaid in full in January 2012.

15 Payables and Accruals

	2012	2011
Vat payable	91,470	33,169
Withholding tax payable	-	164,136
Client payables	4,289,378	4,349,092
Accruals	361,841	378,095
Stale-dated cheques	269,035	278,599
	$5,011,724	**$5,203,091**

16 Share Capital

Authorised

An unlimited number of shares of no par value

Issued and fully paid	2012	2011
80,524,618 (2011:56,351,926) ordinary shares of no par value	**$77,321,789**	**$62,351,925**

17 Statutory Reserve

The Financial Institutions Act, 2008 requires that a minimum of 10% of the profit for the year in each period be transferred to a statutory reserve account until the balance on this reserve is not less than the paid-up capital.

18 Interest Income

	2012	2011
Financial assets:		
- available-for-sale	625,564	653,551
- fair value through profit or loss	1,133,325	178,598
Due from related parties	274,924	619,936
Cash	298,151	226,440
Loans to customers	1,826,245	2,129,163
	$4,158,209	**$3,807,688**

19 Interest Expense

	2012	2011
Customers' deposits	2,708,958	3,772,041
Other borrowed funds	5,476	23,421
Due to related parties	-	113,416
	$2,714,434	**$3,908,878**

20 Net Trading Gain

	2012	2011
Foreign exchange earnings	4,194,545	3,066,933
Net gain on revaluation of financial assets at fair value through profit or loss	1,013,363	1,366,521
Net loss on disposal of property, plant and equipment	(36,836)	(61,615)
Net gain on disposal of financial assets	-	3,559,928
	$5,171,072	**$7,931,767**

21 Fees and Commissions

	2012	2011
Arrangement fees	370,843	2,109,800
Commitment fees	57,933	128,131
Trustee fees	178,283	690,839
Registrar fees	-	476,375
Commissions	22,053	10,973
Others	135,871	132,819
	$764,983	**$3,548,937**

22 Dividend and Other Income

	2012	2011
Dividend income	141,848	949,635
Management fee	4,581	50,000
Operating lease and other income	15,739	191,609
	$162,168	**$1,191,244**

23 General and Administrative Expenses

	2012	2011
Advertising expenses	223,919	216,539
Professional fees	274,829	250,716
Employee benefits	2,404,810	4,137,047
Repairs and maintenance expenses	236,777	486,404
Rental of premises	260,000	452,680
Write offs of loans, leases, trade finance and property, plant and equipment	1,294,070	1,577,077
Information systems expenses	495,258	608,882
	$5,189,663	**$7,729,345**

Employee benefits expense comprises:

	2012	2011
Salaries	1,766,797	3,002,319
Staff Benefits	638,013	1,134,728
	$2,404,810	**$4,137,047**

23 General and Administrative Expenses (continued)

The operating lease was entered into on June 1, 2011 for a lease period of three years. The total future value of minimum lease payments is as follows:

	2012	2011
Not later than one year	310,0000	260,000
Later than one year and not later than five years	220,000	530,000
Later than five years	-	-

24 Other Operating Expenses

	2012	2011
Depreciation	970,305	492,271
Legal and professional fees	326,242	496,619
Irrecoverable VAT	170,951	262,972
Withholding tax	246	164,136
Internet and telephone systems expenses	320,614	282,471
Telephone expenses	40,877	198,532
Other expenses	628,009	701,267
	$2,457,244	**$2,598,268**

25 Deposit Insurance

Statutory regulations governing the operations of banks and other financial institutions in Trinidad and Tobago stipulate that an annual premium be paid to the Deposit Insurance Fund of 0.2% of average deposit liabilities outstanding at the end of each quarter of the preceding year. The Company paid deposit insurance premiums of $144,935 (2011: $156,313) during the year ended 30 September 2012.

26 Taxation

	2012	2011
Business and Green Fund levy	39,921	30,530
	$39,921	**$30,530**

The tax on accounting (loss) profit differs from the theoretical amount that would arise using the basic tax rate as follows:

	2012	2011
(Loss) Profit before taxation	**(8,749,388)**	**2,279,401**
Tax calculated at 25%	(2,187,347)	569,850
Income not subject to tax	(407,852)	(1,562,180)
Business levy	39,921	30,530
Tax losses utilised	-	992,330
Tax losses not recognised in current year	2,595,199	-
	$39,921	**$30,530**

The Company has tax losses of $85.1 million (2011 - $74.8 million) to carry forward against future taxable income. These losses have not yet been agreed by the Board of Inland Revenue.

27 **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. Related party balances are separately presented on the statement of financial position and in Notes 5, 7, 12, 14, and 24. The significant related party income and expenses for the year are as follows:

	2012	2011
Interest income		
Due from related parties - AIC Financial Group Limited ("AICFG")	274,924	483,435
	$274,924	**$483,435**
Dividend and other income		
Dividends – National Commercial Bank Jamaica Limited ("NCBJ")	-	927,020
Management fee – AIC Securities Limited ("AICSL")	4,581	50,000
	$4,581	**$ 977,020**
Net trading gain		
Unrealised gain on available for sale financial asset – AIC Funds	12,643	-
Realised gain on disposal of shares – NCBJ	-	3,498,313
	$12,643	**$3,498,313**
Interest expense		
Customer deposit – AICFG	(17,490)	(7,609)
Other borrowed funds - Director	(5,476)	(23,421)
	($22,966)	**($31,030)**
Impairment of subsidiary		
Impairment of subsidiary – AICSL	(5,310,525)	-
	($5,310,525)	**$ -**
Share of Associate's loss		
Share of Associate's loss – AICSL	(251,545)	-
	($251,545)	**$ -**
General administrative expenses		
Information system expenses – NCBJ	(495,258)	(608,882)
	($495,258)	**($608,882)**
Other operating expenses		
Key management compensation	(909,182)	(1,728,768)
Directors' fees and expense	(40,553)	(25,424)
	($949,735)	**($1,754,192)**
Effect on Statement of Comprehensive Income	**($6,737,881)**	**$2,564,664**

28 **Financial Risk Management**

The Company's activities expose it to a variety of financial risks. These risks include liquidity risk, credit risk, and market risk which includes; interest rate risk, foreign exchange risk and price risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

a. **Risk management structure**

Board of Directors

The Board of Directors is ultimately responsible for the establishment and oversight of the Company's risk management framework. The Board has established Committees and Divisions for managing and monitoring credit risk, liquidity risk, interest rate risk, foreign exchange risk and price risk. All the Divisions report periodically to the Committees and the Committees report periodically to the Board.

Audit Committee

This Committee is comprised of three non executive directors. The Committee is responsible for monitoring relevant risks and statutory compliance and integrity of the Company's financial records and reports to the Board of Directors.

Internal Audit

Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results and recommendations of which are reported to the Audit Committee.

Risk Management Committee

The Risk Management Committee provides oversight of the implementation and maintenance of risk related management systems to ensure an independent control process. The Chief Risk Officer, through the Credit & Risk Division, is responsible for monitoring compliance with risk policies and authorisation limits in the four key areas of credit risk, market risk, liquidity risk and operational risk.

Asset/Liability Committee (ALCO)

The ALCO is responsible for monitoring and reviewing trends in capital, liquidity and statement of financial position and the market risk of the investment portfolio of the Company. This is to ensure adherence to corporate-wide policies and procedures, regulatory requirements and to recommend and implement appropriate funding plans and actions.

In addition, the ALCO is responsible for monitoring adherence to trading limits and established policies and procedures and manages the Company's statement of financial position by allocating capital with the aim of maximising returns while minimising the cost of funds. This Committee is an integral part of the overall risk management framework of the Company.

Risk measurement and reporting systems

The Company's overall risk management program seeks to minimise the potentially adverse effect of risk on the Company's financial performance.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept with additional emphasis on selected industries and regions.

28 Financial Risk Management (continued)

a. Risk management structure (continued)

Information compiled is examined and processed in order to identify, analyse and control risks. This information which consists of several reports are presented and explained to the Board of Directors, the Risk Management Committee, the Audit Committee and the Asset/Liability Committee. These reports include but are not limited to aggregate credit exposure, open currency positions, liquidity ratios, business performance and compliance. On a quarterly basis, senior management assesses the appropriateness of the allowance for impairment.

b. Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. The Company's liquidity management process is carried out by the Company's Treasurer as follows:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of marketable assets that can be liquidated as protection against any unforeseen interruption to cash flow.
- Managing the concentration and profile of maturities.

The table below presents the maturity profile of the Company's financial liabilities by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flow.

	Up to One year	One year to five years	Total
At 30 September 2012			
Customers' deposits	59,498,443	23,527,835	83,026,278
Due to related parties	495,307	-	495,307
Payables and accruals	5,011,724	-	5,011,724
Total Liabilities	**$65,005,474**	**$23,527,835**	**$88,533,309**
Assets held for managing liquidity risk	**$73,375,970**	**$16,052,971**	**$89,428,941**
At 30 September 2011			
Customers' deposits	64,375,615	13,262,289	77,637,904
Other borrowed funds	500,712	-	500,712
Due to related parties	1,091,661	-	1,091,661
Payables and accruals	5,203,091	-	5,203,091
Total Liabilities	**$71,171,079**	**$13,262,289**	**$ 84,433,368**
Assets held for managing liquidity risk	**$56,848,621**	**$1,398,300**	**$58,246,921**

28 Financial Risk Management (continued)

c. Credit risk

Credit risk is the risk that a borrower or counter-party fails to meet contractual obligations, or to perform as agreed. This risk is managed through robust credit appraisal governed by stringent adherence to credit risk policies in compliance with regulatory requirements. The major classes of credit facilities advanced are instalment loans, mortgage loans, finance leases and trade financing. The Company has adopted a policy of dealing only with customers demonstrating excellent credit profiles.

Authorisation limits are established for different credit facilities with approval moving from the Credit & Risk Division to the Chief Risk Officer to the Risk Management Committee or the Board based on the approval limits set.

Portfolio management is the key in managing the performance of the instalment loans, mortgage loans, finance leases and trade financing. In that regard, focus is on relationship management and monitoring of repayments to ensure that they are not only paid but paid in a timely manner. Having the relevant legal support in cases of default is also a critical component of ensuring early redress of the situation to minimise loss through default. In addition, particular attention is paid to ensuring the maintenance of collateral.

i. Maximum exposure to credit risk before collateral held or other credit enhancements

At 30 September	2012	2011
Due from banks	49,328,947	37,734,686
Statutory deposits with Central Bank	6,935,130	6,261,300
Financial assets at fair value through profit or loss	26,488,790	15,814,814
Financial assets available-for-sale	4,335,416	4,321,353
Instalment loans	7,911,397	12,319,898
Finance leases	3,464,392	1,042,865
Trade financing	-	2,960,985
Mortgage loans	6,188,126	7,693,922
Due from related parties	3,683,155	7,462,437
Receivables	1,816,426	781,477
	$ 110,151,779	**$ 96,393,737**

The above table represents a worse case scenario of credit risk exposure to the Company as at 30 September 2012 and 30 September 2011 without taking into account any collateral held. The Company maintains credit risk exposure within acceptable parameters through the use of collateral as a risk-mitigation tool. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty in accordance with internal credit guidelines. The main types of collateral obtained are cash or securities, charges over real estate properties, trade receivables and mortgages over residential properties and chattels. Management monitors the market value of collateral and request additional collateral in accordance with the underlying agreement.

28 **Financial Risk Management (continued)**

c. **Credit risk (continued)**

ii Financial assets are summarised as follows:

At 30 September 2012	**Neither Past Due Nor Impaired**	**Past Due But Not Impaired**	**Impaired**	**Total**
Due from banks	**$ 49,328,947**	**-**	**-**	**49,328,947**
Statutory deposits with Central Bank	**$ 6,935,130**	**$ -**	**$ -**	**$ 6,935,130**
Financial assets				
Fair value through profit or loss:				
- Debt securities	16,367,963	-	-	16,367,963
- Fixed Deposits	5,129,484	-	-	5,129,484
- Participation Investment Certificates	4,684,782	-	1,660,838	6,345,620
- Repurchase Agreements	306,561	-	-	306,561
	26,488,790	-	1,660,838	28,149,628
Less: allowance for impairment	-	-	(1,660,838)	(1,660,838)
	$ 26,488,790	**$ -**	**$ -**	**$ 26,488,790**
Available-for-sale:				
- Mutual funds	**$ 4,335,416**	**$ -**	**$ -**	**$ 4,335,416**
Loans to customers				
Instalment loans	5,504,021	2,461,062	-	7,965,083
Mortgage loans	5,964,455	52,121	568,748	6,585,324
Trade financing	-	-	466,374	466,374
Finance leases	3,364,421	99,971	-	3,464,392
	14,832,897	2,613,154	1,035,122	18,481,173
Less: allowance for impairment	-	-	(917,258)	(917,258)
	$ 14,832,897	**$ 2,613,154**	**$ 117,864**	**$ 17,563,915**
Due from related parties	**$ 3,683,155**	**$ -**	**$ -**	**$ 3,683,155**
Receivables	**$ 1,816,426**	**$ -**	**$ -**	**$ 1,816,426**

28 **Financial Risk Management (continued)**

c. **Credit risk (continued)**

ii Financial assets are summarised as follows (continued):

At 30 September 2011	Neither Past Due Nor Impaired	Past Due But Not Impaired	Impaired	Total
Due from banks	$37,734,686	$ -	$ -	$37,734,686
Statutory deposits with Central Bank	$ 6,261,300	$ -	$ -	$ 6,261,300
Financial assets				
Fair value through profit or loss:				
- Debt securities	4,360,045	-	-	4,360,045
- Fixed Deposits	4,838,385	-	-	4,838,385
- Participation Investment Certificates	6,616,384	-	1,660,838	8,277,222
	15,814,814	-	1,660,838	17,475,652
Less: allowance for impairment	-	-	(1,660,838)	(1,660,838)
	$15,814,814	$ -	$ -	$ 15,814,814
Available-for-sale				
- Mutual funds	$ 4,321,353	$ -	$ -	$ 4,321,353
Loans to customers				
Instalment loans	8,572,720	3,410,738	667,355	12,650,813
Mortgage loans	7,356,163	337,760	32,002	7,725,924
Trade financing	-	3,300,779	339,794	3,640,573
Finance leases	671,559	262,111	463,926	1,397,597
	16,600,442	7,311,388	1,503,077	25,414,907
Less: allowance for impairment	-	-	(1,397,237)	(1,397,237)
	$16,600,442	$7,311,388	$ 105,840	$24,017,670
Due from related parties	$ 7,462,437	$ -	$ -	$ 7,462,437
Receivables	$ 781,477	$ -	$ -	$ 781,477

28 **Financial Risk Management (continued)**

c. **Credit risk (continued)**

iii Loans to customers - past due but not impaired

	Instalment Loans	Finance Leases	Mortgage Loans	Trade Financing	Total
At 30 September 2012					
Past due up to 29 days	29,872	28,523	52,121	-	110,516
Past due 30-59 days	-	16,514	-	-	16,514
Past due 60-182 days	-	-	-	-	-
Over 182 days	2,431,190	54,934	-	-	2,486,124
	$2,461,062	**$99,971**	**$52,121**	**$ -**	**$2,613,154**
At 30 September 2011					
Past due up to 29 days	6,483	12,293	4,255	-	23,031
Past due 30-59 days	-	28,075	-	-	28,075
Past due 60-182 days	3,263,957	-	-	-	3,263,957
Over 182 days	140,298	221,743	333,505	3,300,779	3,996,325
	$3,410,738	**$ 262,111**	**$ 337,760**	**$3,300,779**	**$7,311,388**

iv Loans to customers - impaired

	Instalment Loans	Finance Leases	Mortgage Loans	Trade Financing	Total
At 30 September 2012					
Individually impaired	$ -	$ -	$ 568,748	$ 466,374	$ 1,035,122
Fair value of collateral	$ -	$ -	$ 3,176,000	$ 1,500,000	$ 4,676,000
At 30 September 2011					
Individually impaired	$ 667,355	$ 463,926	$ 32,002	$ 339,794	$1,503,077
Fair value of collateral	$ 60,000	$ 5,945	$3,139,848	$ -	$3,205,793

v Repossessed collateral

Repossessed collateral are sold as practical, with the proceeds used to reduce the outstanding indebtedness.

28 **Financial Risk Management (continued)**

d. **Market risk**

i. **Interest rate risk**

Interest Sensitivity of Assets and Liabilities

The Company is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates on its statement of financial position and cash flows. The table below summarises the Company's exposure to interest rate risks.

Included in the table are the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Up to One Year	One to Five Years	Over Five Years	Non-Interest Bearing	Total
At 30 September 2012					
Assets					
Cash and cash equivalents	49,328,947	-	-	18,090	49,347,037
Statutory deposit with Central Bank	-	-	-	6,935,130	6,935,130
Financial assets	10,435,817	4,334,184	16,054,204	7,007,351	37,831,556
Loans to customers	8,278,048	6,442,642	2,645,090	198,135	17,563,915
Due from related parties	2,861,654	-	-	821,501	3,683,155
Receivables and prepayments	-	-	-	2,545,607	2,545,607
	70,904,466	**10,776,826**	**18,699,294**	**17,525,814**	**117,906,400**
Liabilities					
Customers' deposits	59,250,518	22,815,018	-	960,742	83,026,278
Due to related parties	-	-	-	495,307	495,307
Payables and accruals	-	-	-	5,011,724	5,011,724
	59,250,518	**22,815,018**	**-**	**6,467,773**	**88,533,309**
Interest Sensitivity Gap	**$11,653,948**	**($12,038,192)**	**$18,666,294**		

28 **Financial Risk Management (continued)**

d. **Market risk (continued)**

i. **Interest rate risk (continued)**

	Up to One Year	One to Five Years	Over Five Years	Non-Interest Bearing	Total
At 30 September 2011					
Assets					
Cash and cash equivalents	42,573,071	-	-	27,157	42,600,228
Statutory deposit with					-
Central Bank	-	-	-	6,261,300	6,261,300
Financial assets	5,044,419	5,932,010	4,321,353	703,995	16,001,777
Loans to customers	7,480,485	11,795,677	3,692,189	1,049,319	24,017,670
Due from related parties	-	-	6,700,337	762,100	7,462,437
Receivables and prepayments	-	-	-	1,124,053	1,124,053
	55,097,975	**17,727,687**	**14,713,879**	**9,927,924**	**97,467,465**
Liabilities					
Customers' deposits	63,282,782	13,262,289	-	1,092,833	77,637,904
Other borrowed funds	500,000	-	-	712	500,712
Due to related parties	-	-	-	1,091,661	1,091,661
Payables and accruals	-	-	-	5,203,091	5,203,091
	63,782,782	**13,262,289**	**-**	**7,388,297**	**84,433,368**
Interest Sensitivity Gap	**($ 8,684,807)**	**$ 4,465,398**	**$14,713,879**		

28 **Financial Risk Management (continued)**

d. **Market risk (continued)**

i. **Interest rate risk (continued)**

The table below summarises the Company's sensitivity analysis to determine the effect on net profit and other components of equity arising from a reasonable change in interest rates with all other variables held constant.

	Effect on Net Profit	
	2012	**2011**
Change in interest rate	**$**	**$**
+ 1%	(182,820)	(104,945)
- 1%	182,820	104,945

ii. **Foreign exchange risk**

The Company trades internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. The volume of trading depends on 'market forces'. Foreign exchange risk arises from spot trading or recognised assets and liabilities denominated in a currency that is not the Company's functional currency. The Company has the following significant currency positions:

The following information is expressed in TT dollars.

	US	Others	Total
At 30 September 2012			
Assets			
Cash and cash equivalents	6,530,879	172,355	**6,703,234**
Financial assets	16,786,513	-	**16,786,513**
Loan to customers	1,463,162	-	**1,463,162**
Due from related parties	2,423,870	533,333	**2,957,203**
Receivables and prepayments	225,277	-	**225,277**
	27,429,701	**705,688**	**28,135,389**
Liabilities			
Customers' deposits	8,677,731	-	**8,677,731**
Due to related parties	495,307	-	**495,307**
Payables and accruals	387,749	-	**387,749**
	9,560,787	**-**	**9,560,787**
Net Financial Position	**$17,868,914**	**$705,688**	**$18,574,602**

28 **Financial Risk Management (continued)**

d. **Market risk (continued)**

ii. **Foreign exchange risk (continued)**

	US	Others	Total
At 30 September 2011			
Assets			
Cash and cash equivalents	7,875,810	210,985	**8,086,795**
Statutory deposits with Central Bank	-	-	**-**
Financial assets	3,367,496		**3,367,496**
Loan to customers	-	-	**-**
Due from related parties	2,100,337	552,689	**2,653,026**
Receivables and prepayments	677,859		**677,859**
	14,021,502	**763,674**	**14,785,176**
Liabilities			
Customers' deposits	8,486,340		**8,486,340**
Other borrowed funds	-	-	**-**
Due to related parties	1,091,661	-	**1,091,661**
Payables and accruals	-	-	**-**
	9,578,001	**-**	**9,578,001**
Net Financial Position	**$ 4,443,501**	**$763,674**	**$5,207,175**

28 **Financial Risk Management (continued)**

d. **Market risk (continued)**

ii. **Foreign exchange risk (continued)**

The table below summarises the Company's sensitivity to a reasonable change in the US Dollar and other currencies with all other variables held constant on a net profit.

	US Effect on Net Profit		Others Effect on Net Profit	
	2012	**2011**	**2012**	**2011**
Change in currencies rate	$	$	$	$
+1%	178,689	44,435	7,057	7,367
-1%	(178,689)	(44,435)	(7,057)	(7,367)

iii. **Price risk**

The Company is exposed to equity and bond price risk because these financial assets are classified as fair value through profit or loss.

The effect on net profit as a result of a reasonable possible change in the price with all other variables held constant is as follows:

		Effect on Net Profit	
		2012	**2011**
	%	**$**	**$**
Change in price	+20	4,675,063	1,012,808
	-20	(4,675,063)	(1,012,808)

e. **Capital management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The statutorily required capital is TT$ 15 million. The Company meets its objectives for managing capital and ensures adherence to the requirements of regulatory authorities by continuous monitoring and ensuring awareness of the regulations and by ensuring that the relevant procedures and controls are in place within the Company's systems. The regulatory qualifying capital ratio for the Company is:

	2012	**2011**
	$'000	**$'000**
Qualifying capital	34,088	28,914
Risk adjusted assets	51,585	46,641
Capital ratio	37.46%	53.31%

The licensed non banking financial institutions in Trinidad and Tobago are required to maintain a qualifying capital ratio of total regulatory capital to risk-weighted assets of at least 8%. In December 2008, due primarily to the volatility of the Company's capital due to changes in quoted prices of equities; the Company's minimum capital ratio was increased to 10%.

28 **Financial Risk Management (continued)**

f. **Fair value hierarchy**

The following table analyses within the fair value hierarchy the Company's financial assets measured at fair value at financial year ended:

At 30 September 2012	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss:				
Equity securities	7,007,351	-	-	7,007,351
Debt securities	-	16,367,962	-	16,367,962
Participation Investment Certificates	-	-	4,684,782	4,684,782
Fixed Deposits	-	-	5,129,484	5,129,484
Repurchase Agreements	-	-	306,561	306,561
Available-for-sale				
Mutual funds	4,335,416	-	-	4,335,416
	$11,342,767	**$16,367,962**	**$10,120,827**	**$37,831,556**
	30%	**43%**	**27%**	**100%**

At 30 September 2011	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss				
Equity securities	703,995	-	-	703,995
Debt securities	-	4,360,045	-	4,360,045
Participation Investment Certificates	-	-	6,616,384	6,616,384
Fixed Deposits	-	-	4,838,385	4,838,385
Available-for-sale				
Mutual funds	4,321,353	-	-	4,321,353
	$ 5,025,348	**$ 4,360,045**	**$11,454,769**	**$20,840,162**
	24%	**21%**	**55%**	**100%**

g. **Reconciliation of Level 3 Items**

	2012	2011
At 1 October	11,454,769	16,042,995
Purchases	13,346,862	29,382,836
Sales	(14,680,804)	(33,971,062)
At 30 September	**$10,120,827**	**$11,454,769**

28 **Financial Risk Management (continued)**

g. **Reconciliation of Level 3 Items (continued)**

Fair value measurements classified as Level 1 include exchange-traded prices of equity securities and income and growth funds.

Financial assets classified as Level 2 comprise government debt securities with fixed maturities where their fair values were measureable based on available data.

Financial assets classified as Level 3 comprise participation investment certificates, fixed deposits and repurchase agreements where data was not available to determine their measurable value.

29 **Contingent Liabilities**

The Company is not a party to any material pending legal proceedings other than ordinary routine litigation incidental to the business. It is not expected that the disposition of such litigation will have a material effect on the Company's financial position.

30 **Capital Commitments**

The Company has no capital commitments.

31 **Subsequent Events**

Management evaluated all events that occurred from October 1, 2012 through December 14, 2012, the date the financial statements were available to be issued. During the period, the Company did not have any subsequent events requiring recognition or disclosure in the financial statements, other than those disclosed below.

Subsequent to September 30, 2012, AIC Financial Group Limited, NCB Capital Markets Limited and the Company entered into an agreement, subject to regulatory approval, for NCB Capital Markets Limited to acquire 100% ownership of the Company from AIC Financial Group Limited. As at the audit opinion date, the acquisition was not yet effected.