AIC Finance Limited and its Subsidiary

Consolidated Financial Statements

For the year ended 30 September 2011

AIC Finance Limited and its Subsidiary

Audited Consolidated Financial Statements
For the year ended 30 September 2011
(Expressed in Trinidad and Tobago Dollars)

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Independent Auditor's Report

To the shareholders of
AIC Finance Limited and its Subsidiary

We have audited the accompanying financial statements of AIC Finance Limited (the "Company") and its Subsidiary (together, the "Group"), which comprise the consolidated statement of financial position as of 30 September 2011 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the consolidated 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 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 and its Subsidiary as of 30 September 2011 and of its financial performance and cash flows for the year ended 30 September 2011, in conformity with International Financial Reporting Standards.

Other matter

The financial statements of AIC Finance Limited and its Subsidiary for the year ended 30 September 2010 were audited by another auditor who expressed an unmodified opinion on these statements on 31 December 2010.

BDO

December 29, 2011

Port of Spain,
Trinidad, West Indies

AIC Finance Limited and its Subsidiary

Consolidated Statement of Financial Position
As at 30 September 2011
(Expressed in Trinidad and Tobago Dollars)

	Notes	2011	2010
Assets			
Cash and cash equivalents	3	48,787,078	40,092,561
Statutory deposit with central bank	4	6,261,300	6,461,280
Financial assets	5	26,807,518	52,482,914
Loans to customers	6	24,017,670	17,754,510
Due from related parties	7	7,412,437	12,884,585
Receivables and prepayments	8	4,364,486	2,466,868
Taxation recoverable		2,021,748	2,480,702
Net deferred tax asset	9	-	-
Property, plant and equipment	10	4,133,189	5,436,895
Goodwill	11	-	-
Total Assets		**$123,805,426**	**$140,060,315**
Liabilities			
Customers' deposits	12	77,637,904	87,383,974
Medium term notes	13	-	6,774,395
Other borrowed funds	14	13,904,503	11,774,693
Due to related parties	7	1,156,013	519,832
Taxation payable		-	-
Payables and accruals	15	6,719,486	9,938,611
Total Liabilities		**99,417,906**	**116,391,505**
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Share capital	16	62,351,925	62,351,925
Statutory reserve	17	4,341,765	4,079,522
Revaluation surplus		(740,589)	473,269
Consolidation reserve		2,225,038	2,251,019
Retained deficit		(47,357,046)	(45,931,166)
Total attributable to equity holders of the parent entity		20,821,093	23,224,569
Non-controlling interests in equity	18	3,566,427	444,241
Total Equity		**24,387,520**	**23,668,810**
Total Liabilities and Equity		**$123,805,426**	**$140,060,315**

The notes on pages 6 to 37 form an integral part of these consolidated financial statements.

On December 29th, 2011, the Board of Directors of AIC Finance Limited and its Subsidiary authorised these consolidated financial statements for issue.

Director ____________________ Director ____________________

AIC Finance Limited and its Subsidiary

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2011
(Expressed in Trinidad and Tobago Dollars)

	Notes	2011	2010
Interest income	19	4,089,130	3,772,807
Interest expense	20	(4,353,593)	(6,216,357)
Net Interest Expense		**($264,463)**	**($2,443,550)**
Net trading gain	21	5,458,803	9,779,509
Fees and commissions	22	7,179,310	5,267,744
Dividend and other income	23	1,245,698	2,041,682
Non-Interest Income		**$13,883,811**	**$17,088,935**
Total Net Income		**$13,619,348**	**$14,645,385**
Impairment losses on loans, net of recoveries	6.2	36,256	3,825,862
Impairment expense	24	-	(5,110,370)
General administrative expenses	25	(11,826,185)	(12,794,501)
Other operating expenses	26	(3,037,381)	(3,497,948)
Non-Interest Expenses		**($14,827,310)**	**($17,576,957)**
Loss Before Taxation	27	**($1,207,962)**	**($2,931,572)**
Taxation	28	(42,675)	(1,411,473)
Loss For The Year		**($1,250,637)**	**($ 4,343,045)**
Other Comprehensive Income			
Changes in fair value of available-for-sale financial assets, net of tax			
- Realised gains on sale of financial assets		-	3,049,226
- Unrealised fair value losses		(2,740,168)	(4,523,331)
- Impairment expense		-	1,012,388
Total Other Comprehensive Loss		(2,740,168)	(461,717)
Total Comprehensive Loss For The Year		**($3,990,805)**	**($4,804,762)**
Attributable to:			
Equity holders of parent entity			
- Loss for the year		(1,163,637)	(4,082,462)
- Other comprehensive loss		(1,213,858)	(434,014)
Non-controlling interests			
- Loss for year		(87,000)	(260,583)
- Other comprehensive loss		(1,526,310)	(27,703)
		($3,990,805)	**($4,804,762)**

The notes on pages 6 to 37 form an integral part of these consolidated financial statements.

AIC Finance Limited and its Subsidiary

Consolidated Statement of Changes in Equity

For the year ended 30 September 2011

(Expressed in Trinidad and Tobago Dollars)

	Note	Share Capital	Statutory Reserve	Revaluation Surplus (Deficit)	Consolidation Reserve	Retained Deficit	Total attributable to equity holders of parent	Non-controlling Interest	Total Equity
Year Ended 30 September 2010									
Balance at 1 October 2009		62,351,925	4,079,522	907,283	2,251,019	(41,493,007)	28,096,742	732,527	28,829,269
Total comprehensive loss for the year:									
- loss for the year		-	-	-	-	(4,082,462)	(4,082,462)	(260,583)	(4,343,045)
- other comprehensive loss - net of tax		-	-	(434,014)	-	-	(434,014)	(27,703)	(461,717)
Transactions with owners:									
- Redemption of preference shares		(6,000,000)	-	-	-	-	(6,000,000)	-	(6,000,000)
- Issue of ordinary share	16	6,000,000	-	-	-	-	6,000,000	-	6,000,000
- Preference dividend		-	-	-	-	(355,697)	(355,697)	-	(355,697)
Balance at 30 September 2010		**$ 62,351,925**	**$ 4,079,522**	**$ 473,269**	**$ 2,251,019**	**$ (45,931,166)**	**$ 23,224,569**	**$ 444,241**	**$ 23,668,810**
Year Ended 30 September 2011									
Balance at 1 October 2010		62,351,925	4,079,522	473,269	2,251,019	(45,931,166)	23,224,569	444,241	23,668,810
Total comprehensive loss for the year:									
- loss for the year		-	-	-	-	(1,163,637)	(1,163,637)	(87,000)	(1,250,637)
- other comprehensive loss - net of tax		-	-	(1,213,858)	-	-	(1,213,858)	(1,526,310)	(2,740,168)
Capital contributions by non-controlling interest		-	-	-	-	-	-	4,709,515	4,709,515
Adjustment for dilution of controlling interest		-	-	-	(25,981)	-	(25,981)	25,981	-
Transfer to statutory reserves		-	262,243	-	-	(262,243)	-	-	-
Balance at 30 September 2011		**$ 62,351,925**	**$ 4,341,765**	**$(740,589)**	**$ 2,225,038**	**$ (47,357,046)**	**$ 20,821,093**	**$ 3,566,427**	**$ 24,387,520**

The notes on pages 6 to 37 form an integral part of these consolidated financial statements.

AIC Finance Limited and its Subsidiary

Consolidated Statement of Cash Flows
For the year ended 30 September 2011
(Expressed in Trinidad and Tobago Dollars)

	2011	2010
Cash Flow from Operating Activities		
Loss before taxation	(1,207,962)	(2,931,572)
Adjustments to reconcile loss to net cash provided by (used in) operating activities:		
Depreciation	637,199	764,512
Loss on disposal of property, plant and equipment	99,327	67,298
Loss on written off property plant and equipment	962,699	-
Impairment losses on loans, net of recoveries	(36,256)	(3,825,862)
Net gain on disposal of financial assets	(1,025,349)	(204,380)
Unrealized gain on revaluation of financial assets at fair value through profit or loss	(1,366,521)	(5,785,305)
Impairment expense (Note 24)	-	5,110,370
Changes in operating assets and liabilities:		
(Increase) decrease in receivables and prepayments	(1,897,618)	2,911,944
Increase in due from related parties	5,472,148	45,856,924
Decrease in payables and accruals	(3,219,125)	(1,478,635)
(Increase) decrease in loans to customers	(6,226,904)	6,023,169
Decrease in customers' deposits and other borrowed funds	(7,616,260)	(5,389,312)
Decrease in statutory deposit with central bank	199,980	1,904,269
Increase (decrease) in due to related parties	636,181	(1,742,483)
Net Cash (Used In) Provided By Operations	**(14,588,461)**	**41,280,937**
Net Income taxes (paid)/Refund	416,276 -	(229,441)
Net Cash (Used In) Provided By Operating Activities	**(14,172,185)**	**41,051,496**
Cash Flow from Investing Activities		
Purchase of property, plant and equipment	(398,868)	(493,478)
Proceeds from sale of property, plant and equipment	4,511	34,322
Decrease (Increase) decrease in financial assets	25,326,266	(25,137,024)
Net Cash Provided By (Used In) Investing Activities	**24,931,909**	**(25,596,180)**
Cash Flow from Financing Activities		
Issue of ordinary shares	2,209,519	-
Repayment of medium term notes	(6,774,726)	(9,794,961)
Issue of preference shares	2,500,000	-
Dividends	-	(355,697)
Net Cash Used In Financing Activities	**(2,065,207)**	**(10,150,658)**
Increase in Cash and Cash Equivalents	**8,694,517**	**5,304,658**
Cash and Cash Equivalents at Beginning of Year	**40,092,561**	**34,787,903**
Cash and Cash Equivalents at End of Year	**$48,787,078**	**$40,092,561**

The notes on pages 6 to 37 form an integral part of these consolidated financial statements.

1. Incorporation and business activities

AIC Finance Limited (formerly Total Finance Limited) 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 authorized 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 Group'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.

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%. AIC Securities Limited is incorporated in the Republic of Trinidad and Tobago. On 22 March 2011, AIC Securities Limited issued new shares to other shareholders which resulted in a reduction in the Company's shareholdings to 70%.

These financial statements reflect the consolidated operations of the Company and its subsidiary, AIC Securities Limited, collectively "The Group".

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 Group'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 consolidated financial statements comprise the consolidated balance sheet, statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group'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 was 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

IAS 24, Related Party Disclosures (Amendment) - The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Company does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or the entire standard.

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 January 1, 2013 with early adoption permitted. IFRS 9 is required to be applied retrospectively. If the standard is adopted prior to January 1, 2012, an entity will be exempt from the requirement to restate prior period comparative information. 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 statement of comprehensive income, 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 2013.

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.

IFRS 13 is effective prospectively for annual periods beginning on or after January 1, 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 standards 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 to 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.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(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 Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Non-controlling interests

For business combinations completed prior to 1 January 2010, the Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. For business combinations completed on or after 1 January 2010 the Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The group has not elected to take the option to use fair value in acquisitions completed to date.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

2.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Group 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. Significant accounting policies (continued)

2.4 Cash and cash equivalents

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

2.5 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans to customers and financial assets available-for-sale. 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 recognized 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" or "dividend and other income" respectively. The instruments are derecognized when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognizing.

The Group 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) Loan 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 recognized at fair value, which is the cash consideration to originate the loan including any transaction costs, and measured subsequently at amortized cost using the effective interest rate method. Interest on loans 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 recognized in the statement of comprehensive income as "impairment losses on loans".

2. Significant accounting policies (continued)

2.5 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 recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in other comprehensive income until the financial assets is derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the income statement. However, interest is calculated using the effective interest method and is recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the Group'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 Group 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 Group uses trade-date accounting for regular way contracts when recording financial asset transactions.

2.6 Assets leased to customers under finance leases

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

2.7 Impairment of financial assets

(a) Financial assets carried at amortised cost

The Group 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)

2.7 Impairment of financial assets (continued)

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

The criteria that the Group 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 reorganisation;

(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 Group 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 Group 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 recognized 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 recognized in the income statement. 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 Group 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 collateralized 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.

2 Significant Accounting Policies (Continued)

2.7 Impairment of financial assets (continued)

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

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.

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 income statement in the impairment charge for credit losses.

(b) Financial assets carried at fair value

The Group 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 financial assets available-for-sale, 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 income statement. 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 income statement, the impairment loss is reversed through the income statement.

(c) Renegotiated loans

Where possible, the Group 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.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2 Significant Accounting Policies (Continued)

2.9 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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	-	9% - 10%
Furniture and equipment	-	10% - 15%
Computer software and equipment	-	20% - 33 $^{1}/_{3}$%
Motor vehicles	-	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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.

2.10 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 the period of the borrowings using the effective interest method.

2.12 Provisions

Provisions are recognized when the Group 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 Significant Accounting Policies (Continued)

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

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 Significant Accounting Policies (Continued)

2.16 Dividend income

Dividends are recognised in the statement of comprehensive income in "dividend income and other income" when the Group's right to receive payment is established.

2.17 Critical accounting estimates and judgments

The Group'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 Group 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 Group'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 Group recognizes 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 Group 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 Group 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.

(c) Fair value of financial instruments

The fair values of financial instruments 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.

3 Cash and Cash Equivalents

	2011	2010
Cash and balances with banks	43,948,693	33,329,958
Short-term deposit	4,838,385	6,762,603
	$48,787,078	**$40,092,561**

4 Statutory Deposit With Central Bank

Mandatory reserve deposit with Central Bank	**$6,261,300**	**$ 6,461,280**

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 Group's financial assets are summarised below by measurement category:

	2011	2010
Fair value through profit or loss - held for trading	13,341,262	38,114,509
Available-for-sale	15,127,094	16,029,243
	28,468,356	54,143,752
Less: allowance for impairment	(1,660,838)	(1,660,838)
Total financial assets	**$26,807,518**	**$52,482,914**
Current	$ 5,044,419	$ 10,035,605
Non-current	$ 21,763,099	$ 42,447,309

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

	2011	2010
Fair value through profit or loss financial assets - held for trading		
Equity securities – quoted	703,995	16,761,486
Debt securities - government	1,740,455	2,243,583
Debt securities – corporate	2,619,590	-
Participation investment certificates	8,277,222	17,703,832
	13,341,262	36,708,901
Less: allowance for impairment	(1,660,838)	(1,660,838)
	$11,680,424	**$35,048,063**
Available-for-sale at financial assets		
Equity securities - quoted	7,296,328	8,572,034
Equity securities - unquoted	3,435,435	3,435,434
Debt securities - corporate	73,978	1,479,586
Income and growth funds	4,321,353	3,947,797
	15,127,094	17,434,851
Total financial assets	**$26,807,518**	**$52,482,914**

5 Financial Assets (Continued)

5.2 The assets comprised in each of the categories are detailed below (continued):

At 30 September 2010, quoted equity securities at fair value through profit or loss includes 10,667,930 shares in National Commercial Bank Jamaica Limited, an affiliated company, fair valued at $16,001,895. During the financial year ended 30 September 2011 all holdings in National Commercial Bank Jamaica Limited were fully disposed of resulting in a disposal gain as disclosed in Note 29

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

	2011	2010
Balance at beginning of year	52,482,914	24,032,266
Additions	97,186,968	116,829,775
Disposals	(121,388,354)	(91,342,926)
Movement in allowance for impairment	-	(1,660,838)
Net fair value gains/ (losses) arising during the year	(1,255,370)	4,624,637
Balance at end of year	**$27,026,158**	**$52,482,914**

5.4 Allowance for impairment:

	2011	2010
Balance at beginning of year	(1,660,838)	-
Increase in impairment allowance	-	(1,660,838)
Balance at end of year	**$(1,660,838)**	**$(1,660,838)**

6 Loans to Customers

	2011	2010
Instalment loans	12,811,213	5,409,843
Mortgage loans	7,725,924	9,066,788
Trade financing	3,300,779	2,747,898
Finance leases	1,454,306	1,947,908
	25,292,222	19,172,437
Interest receivable	179,395	116,922
	25,471,617	19,289,359
Unearned interest	(56,710)	(101,356)
	25,414,907	19,188,003
Less: allowance for impairment	(1,397,237)	(1,433,493)
	$24,017,670	**$17,754,510**
Current	$ 8,494,935	$ 7,401,950
Non-current	$ 15,522,735	$ 10,352,560

6 Loans to Customers (continued)

6.1 Reconciliation of allowance for impairment

	2011	2010
Balance at beginning of year	1,433,493	5,053,549
Decrease for the year	(36,256)	(3,620,056)
Balance at end of year	**$1,397,237**	**$ 1,433,493**
Specific impairment allowance	1,343,551	1,379,807
Collective impairment allowance	53,686	53,686
	$1,397,237	**$ 1,433,493**
Allowance for impairment by type of loan:		
Instalment loans	670,710	650,500
Mortgage loans	32,002	68,042
Trade financing	339,794	451,456
Finance leases	354,731	263,495
	$1,397,237	**$1,433,493**

6.2 Impairment losses on loans, net of recoveries

	2011	2010
(Decrease)/increase for the year	75,406	(3,620,056)
Recoveries	(111,662)	(205,806)
	$ (36,256)	**($3,825,862)**

6.3 Finance leases

	2011	2010
Not later than 1 year	1,187,668	823,391
Later than 1 year and not later than 5 years	209,929	1,181,227
	1,397,597	2,004,618
Unearned finance charge on finance leases	(18,568)	(101,356)
Net investment in finance leases	**$1,379,029**	**$1,903,262**
Not later than 1 year	1,169,100	746,325
Later than 1 year and not later than 5 years	209,929	1,156,937
	$1,379,029	**$1,903,262**

At September 30, 2010, there were loans to the value of $166,673 receivable from directors and other key management included in loans to customers. There were no loan balances due from directors and other key management at September 30, 2011.

7 Related Party Balances

	2011	2010
Due from related parties		
AIC Financial Group Limited	6,859,748	12,809,093
AIC (Barbados) Limited	552,689	75,492
	$7,412,437	**$12,884,585**
Due to related parties		
National Commercial Bank Jamaica Limited	1,091,661	480,225
AIC Capital Market Brokers Limited	-	39,607
AIC Financial Group Limited	64,352	-
	$1,156,013	**$ 519,832**

Included in the balance of $12,809,093 due from AIC Financial Group Limited is a five year interest only loan for $6,700,337 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 on National Commercial Bank of Jamaica shares.

8 Receivables and Prepayments

	2011	2010
Vat recoverable	129,912	134,273
Client balances	2,895,270	282,394
Prepayments	347,849	260,711
Registrar Fees Accrued	223,984	-
Deregistration of Equities And Investments Limited	(1,071)	12,180
Broker balances	481,707	1,490,385
Others	286,835	286,925
	$4,364,486	**$2,466,868**
Current	$ 3,962,845	$ 2,081,321
Non-current	$ 401,641	$ 385,547

9 Deferred Taxation

The movements on the deferred income tax accounts are as follows:

	2011	2010
Balance at the beginning of the year	-	1,652,433
Investment revaluation reserve – fair value gains	-	(313,437)
Charge for the year (Note 28)	-	(1,338,996)
Balance at end of the year	$ -	$ -

The deferred income tax assets and liabilities at the end of the year are attributable to the following items:

	2011	2010
Deferred income tax assets		
Finance leases	-	215,636
Tax losses carried forward	-	52,584
Unrealised loss on financial assets	-	-
	-	268,220
Deferred income tax liabilities		
Accelerated tax depreciation	45,867	52,584
Unrealised gain on financial assets	(45,867)	215,636
	-	268,220
Net deferred income tax asset	$ -	$ -

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. The Group has tax losses of $85.6m (2010 - $86.9m) 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.

10 Property, Plant and Equipment

	Leasehold Improvements	Computer Software & Equipment	Furniture and Equipment	Motor Vehicles	Total
Year Ended 30 September 2010					
Opening net book value	3,213,371	1,117,647	1,288,257	190,274	5,809,549
Additions	-	76,961	416,517	-	493,478
Disposal	-	(855)	(65,808)	(34,957)	(101,620)
Depreciation charge	(281,314)	(286,126)	(158,086)	(38,986)	(764,512)
Closing net book value	**$2,932,057**	**$ 907,627**	**$1,480,880**	**$116,331**	**$5,436,895**
At 30 September 2010					
Cost	3,740,195	2,891,466	2,022,595	210,004	8,864,260
Accumulated depreciation	(808,138)	(1,983,839)	(541,715)	(93,673)	(3,427,365)
Net book value	**$2,932,057**	**$ 907,627**	**$1,480,880**	**$116,331**	**$5,436,895**
Year Ended 30 September 2011					
Opening net book value	2,932,057	907,627	1,480,882	116,330	5,436,896
Additions	146,270	194,459	58,139	-	389,868
Disposal	-	-	(46,419)	(53,383)	(99,802)
Write Offs	(721,111)	(244,463)	-	-	(965,574)
Depreciation charge	(205,279)	(243,326)	(168,928)	(19,666)	(637,199)
Closing net book value	**$2,151,937**	**$614,297**	**$1,323,674**	**$43,281**	**$4,133,189**
At 30 September 2011					
Cost	3,165,354	2,836,281	1,980,438	156,621	8,138,694
Accumulated depreciation	(1,013,417)	(2,221,984)	(656,764)	(113,340)	(4,005,505)
Net book value	**$2,151,937**	**$614,297**	**$1,323,674**	**$43,281**	**$4,133,189**

11 Goodwill

Goodwill of $2,437,144 which arises on the consolidation of AIC Securities Limited was assessed to determine the need for an impairment provision as of 30 September 2010, in accordance with IFRS 3 – Business Combinations. This assessment included the review and consideration of the cash flows and profitability of AIC Securities Limited. Based on the results of the assessment, the goodwill was deemed be fully impaired.

		2011	2010
12	**Customers' Deposits**		
	Term deposit balances	76,545,071	85,503,843
	Accrued interest	1,092,833	1,880,131
		$77,637,904	**$87,383,974**
	Sectoral analysis		
	Individuals	53,533,889	54,021,721
	Corporations	23,011,182	31,482,122
		$76,545,071	**$85,503,843**

Deposits include $600,000 invested by AIC Financial Group Ltd, a related party (2010: $100,000 invested by AIC TT Mutual funds). Interest rates on term deposit balances are fixed throughout the term of the deposit.

13 Medium Term Notes

	2011	2010
Medium term notes	-	6,732,822
Accrued Interest	-	41,573
	$ -	**$ 6,774,395**

As of 30 September 2010, the Company has in issue Medium Term Notes in the amount of US$402,221 and TT$4,202,773. As 30 September 2011 same loan was fully repaid.

14 Other Borrowed Funds

	2011	2010
Loans payable	500,000	500,000
Accrued interest	712	1,041
Bank overdraft	13,403,791	11,273,652
	$13,904,503	**$11,774,693**

Loan payable

This unsecured loan is from a director and is repayable on demand. Interest is incurred at a rate of 3.25% (2010 – 4.75%) per annum.

Bank overdrafts

This comprises of:
Republic Bank Limited overdraft limit of $2,000,000 is at base customer rate plus 2% secured by:

- Lien over 75,000 Unit Trust Corporation Second Scheme Shares in the name of AIC Securities Limited, market value $1,500,000 stamped to cover $1,800,000.
- Lien over Republic Bank Limited Deposit held in the account of AIC Securities X Trading to the value of $2,000,000. Expiry date 1 April 2012.

RBC Royal Bank overdraft limit $200,000 is at 9% secured by an assignment of 1,340 units of Roytrin USD Income Fund shares.

The interest rate on margin accounts with foreign brokers range from 4.75% to 5.875%. These are secured by the cash value of equity and bonds in the portfolios.

	2011	2010
15 Payables and Accruals		
Vat payable	33,169	84,207
Withholding tax payable	164,136	-
Client and broker balances	5,600,480	8,743,081
Accruals	643,102	853,350
Unpresented cheques	278,599	257,973
	$6,719,486	**$ 9,938,611**

16 Share Capital

Authorised
An unlimited number of shares of no par value

	2011	2010
Issued and fully paid		
56,351,926 (2010:56,351,926) ordinary shares of no par value	62,351,925	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 Non-controlling Interests

This represents the non-controlling interests in AIC Securities Limited of 30% (2010: 6%).

19 Interest Income

	2011	2010
Financial assets - available-for-sale	934,993	605,710
Fair value through profit or loss	178,598	329,497
Due from related parties	619,936	663,610
Cash	226,440	72,083
Loans to customers	2,129,163	2,101,907
	$4,089,130	**$3,772,807**

20 Interest Expense

	2011	2010
Customers' deposits	3,772,041	4,963,520
Medium term notes	-	818,925
Other borrowed funds	468,136	410,984
Due to related parties	113,416	22,928
	$4,353,593	**$6,216,357**

		2011	2010
21	**Net Trading Gain**		
	Net gain (loss) on disposal of financial assets	3,498,313	204,380
	Foreign exchange earnings	3,066,933	3,789,824
	Net gain (loss) on revaluation of financial assets at fair value through profit or loss	(1,106,443)	5,785,305
		$5,458,803	**$ 9,779,509**
22	**Fees and Commissions**		
	Arrangement fees	2,109,800	2,739,176
	Commitment fees	128,131	136,525
	Trust fees	690,839	303,369
	Registrar fees	476,375	31,517
	Commissions	3,563,851	2,035,225
	Other fees	210,314	21,932
		$7,179,310	**$ 5,267,744**
23	**Dividend and Other Income**		
	Dividend income	1,048,720	1,705,265
	Other income	196,978	336,417
		$1,245,698	**$ 2,041,682**
24	**Impairment Expense**		
	Participation investment certificates	-	1,660,838
	Equity securities - quoted	-	1,012,388
	Goodwill (Note 11)	-	2,437,144
		$ -	**$ 5,110,370**
25	**General Administrative Expenses**		
	Advertising expenses	300,830	160,123
	Employee benefit expense	7,088,882	7,932,988
	Repairs and maintenance	486,404	652,384
	Rental of premises	824,680	1,182,752
	Write offs	1,577,077	853,039
	Office Expense	1,548,312	2,013,215
		$11,826,185	**$12,794,501**

		2011	2010
26	**Other Operating Expenses**		
	Depreciation	637,199	764,512
	Legal and professional	684,381	799,434
	Irrecoverable VAT	262,972	412,285
	Withholding Tax	164,136	-
	Networking	282,471	393,348
	Telephone	304,955	296,871
	Others	701,267	831,498
		$3,037,381	**3,497,948**

27 Loss Before Taxation

Loss before taxation is arrived at after charging:		
Depreciation on property plant and equipment	$ 637,199	$ 764,512
Deposit insurance premium (see below)	$ 156,313	$ 195,962
Directors' fees	$ 60,786	$ 60,555
Employee benefits	$ 10,004,717	$ 7,932,988

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.

28 Taxation

Business & Green Fund levy	42,399	26,366
Prior year under (over) provision	276	46,111
Deferred taxation (Note 9)	-	1,338,996
	$ 42,675	**$1,411,473**

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

Loss before taxation	(1,207,962)	(2,931,572)
Tax calculated at 25%	(301,990)	(732,893)
Income not subject to tax	(1,550,702)	(388,671)
Business levy	27,232	26,366
Green fund levy	15,167	-
Tax losses not recognised	1,872,684	2,460,560
Prior year under (over) provision	276	46,111
Temporary differences	(19,992)	-
	$ 42,675	**1,411,473**

29 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 balance sheet and in Notes 5, 6, 7, 8 and 12.

The significant related party income and expenses for the year are as follows:

	2011	2010
Interest income - due from related parties		
AIC Financial Group Limited	483,435	663,610
AIC Capital Market Brokers Limited	-	-
Equities And Investment Limited	-	-
AIC Advisory Limited	-	-
	$ 483,435	**$ 663,610**
Dividend and other income		
Dividends – National Commercial Bank Jamaica Limited	927,020	1,439,826
Lease rental – AIC Financial Group Limited	-	-
	$ 927,020	**$1,439,826**
Net trading loss		
Realised gain on disposal of shares - NCBJ	**$3,498,313**	**$ -**
Interest expense - medium term notes		
AIC Capital Market Brokers Limited	**$ -**	**$ (818,925)**
Interest expense – other borrowed funds		
Director	**$ (23,421)**	**$ (34,507)**
Interest expense - due to related parties		
AIC Financial Group Limited	-	-
AIC Capital Market Brokers Limited	-	(22,928)
AIC Securities BVI Limited	-	-
	$ -	**$ (22,928)**
Other operating expenses		
Key management compensation	(3,170,151)	(3,516,660)
Directors' fees	(56,054)	(60,555)
	$(3,226,205)	**($3,577,215)**
Effect on Statement of Comprehensive Income	**$ 1,659,142**	**($2,350,139)**

30 Financial Risk Management

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

a. Risk management structure

Board of Directors

The Board of Directors is ultimately responsible for the establishment and oversight of the Group'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 Group'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 authorization 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 risks of the investment portfolio of the Group. 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 Group's statement of financial position by allocating capital with the aim of maximizing returns while minimizing the cost of funds. This Committee is an integral part of the overall risk management framework of the Group.

30 Financial Risk Management (Continued)

a. Risk management structure (continued)

Risk measurement and reporting systems

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

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

Information compiled is examined and processed in order to identify, analyze 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 Group 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 Group's liquidity management process is carried out by the Group 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 cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date.

	Up to One Year	One to Five Years	Total
At 30 September 2011			
Customers' deposits	64,375,615	13,262,289	77,637,904
Medium term notes	-	-	-
Other borrowed funds	13,904,503	-	13,904,503
Due to related parties	1,156,013	-	1,156,013
Payables and accruals	6,719,486	-	6,719,486
Total Liabilities	**$86,155,617**	**$13,262,289**	**$99,417,906**
Assets held for managing			
Liquidity risk	**$56,848,621**	**$ 1,398,300**	**$58,246,921**

30 Financial Risk Management (Continued)

b. Liquidity risk (continued)

	Up to One Year	One to Five Years	Total
At 30 September 2010			
Customers' deposits	73,364,457	15,268,355	88,632,812
Medium term notes	-	6,836,380	6,836,380
Other borrowed funds	11,774,693	-	11,774,693
Due to related parties	519,832	-	519,832
Payables and accruals	9,938,611	-	9,938,611
Total Liabilities	**$ 95,597,593**	**$22,104,735**	**$117,702,328**
Total Assets	**$ 60,350,824**	**$10,462,645**	**$ 70,813,478**

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 installment loans, mortgage loans, finance leases and trade financing. The Group has adopted a policy of dealing only with customers demonstrating excellent credit profiles.

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

Portfolio management is the key in monitoring performance of the installment 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

	2011	**2010**
Due from banks	48,759,921	40,072,728
Statutory deposit with central bank	6,261,300	6,461,280
Financial assets at fair value through profit or loss	11,050,407	18,286,577
Financial assets available-for-sale	4,321,353	5,427,383
Installment loans	12,319,898	4,744,909
Finance leases	1,042,865	1,684,412
Trade financing	2,960,985	2,296,442
Mortgage loans	7,693,922	8,998,747
Due from related parties	7,412,437	12,884,585
Receivables	3,886,725	1,898,892
	$105,709,813	**$102,755,955**

30 Financial Risk Management (Continued)

c. Credit risk (continued)

(i) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

The above table represents a worst case scenario of credit risk exposure to the Group as at 30 September 2011 and 30 September 20 without taking into account any collateral held. The Group 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.

(ii) Financial assets are summarized as follows:

30 September 2011

	Neither Past Due Nor Impaired	Past Due But Not Impaired	Impaired	Total
Due from banks	48,759,921	-	-	48,759,921
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
- Participation investment certificates	6,616,384	-	1,660,838	8,277,222
	10,976,429	-	1,660,838	12,637,267
Less: Allowance for impairment		-	(1,660,838)	(1,660,838)
	10,976,429	-	-	10,976,429
Available-for-sale				
- Debt securities	73,978	-	-	73,978
- Income and growth funds	4,321,353	-	-	4,321,353
	4,395,331	-	-	4,395,331
Loans to customers				
Installment loans	8,572,720	3,410,738	667,355	12,650,813
Mortgage loans	7,356,163	337,760	32,002	7,725,925
Trade financing	-	3,300,779	339,794	3,640,573
Finance leases	671,559	262,111	463,926	1,397,596
	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	3,886,725	-	-	3,886,725

30 Financial Risk Management (Continued)

c. Credit risk (continued)

(ii) Financial assets are summarized as follows:

30 September 2010

	Neither Past Due Nor Impaired $	Past Due But Not Impaired $	Impaired $	Total $
Due from banks	40,072,728			40,072,728
Statutory deposits with Central bank	6,461,280			6,461,280
Financial assets				
Fair value through profit or loss:				
- Debt securities	2,243,583	-	-	2,243,583
- Participation investment certificates	16,042,994	-	1,660,838	17,703,832
	18,286,577	-	1,660,838	19,947,415
Less: allowance for impairment	-	-	(1,660,838)	(1,660,838)
	18,286,577	-	-	18,286,577
Available-for-sale				
- Debt securities	1,479,586			1,479,586
- Income and growth funds	3,947,797	-	-	3,947,797
	5,427,383	-	-	5,427,383
Loans to customers				
Installment loans	574,090	3,406,354	1,444,966	5,425,410
Mortgage loans	7,601,173	1,395,939	69,676	9,066,788
Trade financing	1,830,069	466,373	451,456	2,747,898
Finance leases	1,061,478	110,302	776,127	1,947,907
	11,066,810	5,378,968	2,742,225	19,188,003
Less: allowance for impairment	-	-	(1,433,493)	(1,433,493)
	11,066,810	5,378,968	1,308,732	17,754,510
Due from related parties	12,884,585	-	-	12,884,585
Receivables	1,898,892	-	-	1,898,892

30 Financial Risk Management (Continued)

c. Credit risk (continued)

iii Loans to customers - past due but not impaired

	Installment Loans	Finance Leases	Mortgage Loans	Trade Financing	Total
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	3,996,324
	$3,410,738	**$ 262,111**	**$ 337,760**	**$3,300,779**	**$7,311,388**
At 30 September 2010					
Past due up to 29 days	3,274,773	32,492	329,625	-	3,636,890
Past due 30-59 days	110,919	45,220	-	-	156,139
Past due 60-182 days	17,620	32,590	203,583	-	253,793
Over 182 days	3,042	-	862,731	466,373	1,332,146
	$3,406,354	**$ 110,302**	**$1,395,939**	**$ 466,373**	**$5,378,968**

iv. Loans to customers - impaired

	Installment Loans	Finance Leases	Mortgage Loans	Trade Financing	Total
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**

	Installment Loans	Finance Leases	Mortgage Loans	Trade Financing	Total
At 30 September 2010					
Individually impaired	**$ 1,444,966**	**$ 776,127**	**$ 69,676**	**$ 451,456**	**$ 2,742,225**
Fair value of collateral	**$ 512,807**	**$ 436,759**	**$ 265,463**	**$ -**	**$ 1,215,029**

v. Repossessed collateral

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

d. Market risk

i. **Interest rate risk**

Interest Sensitivity of Assets and Liabilities

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

Included in the table are the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

30 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					
Cash and cash equivalents	48,759,921	-	-	27,157	48,787,078
Statutory deposit with central bank	-	-	-	6,261,300	6,261,300
Financial assets	5,044,419	5,984,247	4,343,093	11,435,759	26,807,518
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	712,100	7,412,437
Receivables and prepayments	-	-	-	4,364,486	4,364,486
Total Financial Assets	**$61,284,825**	**$17,779,924**	**$14,735,619**	**$23,850,121**	**$117,650,489**
Customers' deposits	63,282,782	13,262,289	-	1,092,833	77,637,904
Medium term notes	-	-	-	-	-
Other borrowed funds	13,903,791	-	-	712	13,904,503
Due to related parties	-	-	-	1,156,013	1,156,013
Payables and accruals	-	-	-	6,719,486	6,719,486
Total Financial Liabilities	**$77,186,573**	**$13,262,289**	**-**	**$8,969,044**	**$99,417,906**
Interest Sensitivity Gap	**($15,901,748)**	**$4,517,635**	**$14,735,619**		
At 30 September 2010					
Total Financial Assets	**$60,330,991**	**$10,462,654**	**$20,629,316**	**$40,719,757**	**$132,142,718**
Total Financial Liabilities	**$83,297,584**	**$20,752,340**	**$ -**	**$12,341,581**	**$116,391,505**
Interest Sensitivity Gap	**($22,966,593)**	**($10,289,686)**	**$ 20,629,316**		

The table below summarises the Group's sensitivity analyses 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 2011	Effect On Net Profit 2010
Change in interest rate		
+ 1%	($33,515)	($126,260)
- 1%	$33,515	$126,260

ii. Foreign exchange risk

The Group 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 recognized assets and liabilities denominated in a currency that is not the Group's functional currency. The Group has the following significant currency positions:

30 Financial Risk Management (Continued)

d. Market risk (continued)

ii. Foreign exchange risk (continued)

The following information is expressed in TT dollars.

30 September 2011

		US	Others	Total
Cash and cash equivalents		9,040,135	282,965	9,323,100
Statutory deposit with central bank		-	-	-
Financial assets		9,410,731	213,824	9,624,555
Loans to customers		-	-	-
Due from related parties		2,100,337	552,689	2,653,026
Receivables and prepayments		2,774,951	-	2,774,951
Total Financial Assets		**$23,326,154**	**$1,049,478**	**$24,375,632**
Customers' deposits		8,486,340	-	8,486,340
Medium term notes		-	-	-
Other borrowed funds		9,959,591	-	9,959,591
Due to related parties		1,091,661	-	1,091,661
Payables and accruals		138,948	-	138,948
Total Financial Liabilities		**$19,676,540**	**$ -**	**$19,676,540**
Net Financial Position		**$ 3,649,614**	**$1,049,540**	
30 September 2010				
Total Financial Assets	**$107,043,990**	**$24,736,715**	**$ 362,013**	**$132,142,718**
Total Financial Liabilities	**$ 95,805,684**	**$20,305,510**	**$ 280,311**	**$116,391,505**
Net Balance Sheet Position	**$ 11,238,306**	**$ 4,431,205**	**$ 81,702**	**$ 15,751,213**

The table below summaries the Group's sensitivity on net profit to a reasonable change in the United States dollar and other currencies with all other variables held constant.

	US Effect on Net Profit		**Others Effect on Net Profit**	
	2011	**2010**	**2011**	**2010**
Change in currencies rate				
+1%	$36,496	$44,312	$13,643	$ 817
-1%	($36,496)	($44,312)	($13,643)	($ 817)

iii Price risk

The Group 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	
	%	**2011**	**2010**
Change in price	+20	$3,739,956	$5,706,472
	-20	($3,739,956)	($5,706,472)

30 Financial Risk Management (Continued)

e. Capital management

The Group'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 Group 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 Group 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 Group's systems.

The regulatory qualifying capital ratios for the licensed entities in the Group are:

	2011 '000	**2010 '000**
Qualifying capital	$28,914	$ 32,092
Risk adjusted assets	$46,641	$137,197
Capital ratio	53.31%	26.36%

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%.

f. Fair value hierarchy

The following table analyses within the fair value hierarchy the Group's financial assets measured at fair value 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
Available-for-sale				
Income and growth funds	4,321,353	-	-	4,321,353
Equity securities	7,263,008	-	3,468,756	10,731,764
Debt securities	-	73,978	-	73,978
	$12,288,356	**$4,434,023**	**$10,085,140**	**$26,807,519**
	46%	**17%**	**38%**	**100%**

30 Financial Risk Management (Continued)

f. Fair value hierarchy (continued)

The following table analyses within the fair value hierarchy the Group's financial assets measured at fair value at 30 September 2010:

	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss:				
Equity securities	16,761,485	-	-	16,761,485
Debt securities	-	2,243,582	-	2,243,582
Participation investment certificates	-	-	16,042,995	16,042,995
Available-for-sale				
Income and growth funds	3,947,797	-	-	3,947,797
Equity securities	8,572,034		3,435,435	12,007,469
Debt securities	-	1,479,586	-	1,479,586
	$29,281,316	**$3,723,168**	**$19,478,430**	**$52,482,914**
	56%	**7%**	**37%**	**100%**

Reconciliation of Level 3 Items

Financial assets at fair value through profit and loss

	Participation Investment Certificates	Equity Securities	Total
At 1 October 2010	16,042,994	3,435,434	19,478,428
Purchases	24,544,452	-	24,544,452
Sales	(33,971,062)	33,322	(33,937,740)
At 30 September 2011	**$6,616,384**	**$3,468,756**	**$10,085,140**

	Participation Investment Certificates	Equity Securities	Total
At 1 October 2009	2,963,674	4,305,718	7,269,392
Purchases	37,014,376	-	37,014,376
Sales	(22,274,218)	-	(22,274,218)
Revaluation of Fair Value	-	(870,284)	(870,284)
Impairment expense	(1,660,838)	-	(1,660,838)
At 30 September 2010	**$16,042,994**	**$3,435,434**	**$19,478,428**

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 and corporate 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 and unquoted equity securities where data was not available to determine their measurable value.

31 Contingent Liabilities

The Group 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 Group's financial position

32 Capital Commitments

The Group has no capital commitments

33 Subsequent Events

Management has evaluated the possibility of subsequent events existing in the Group's financial statements through the date the financial statements were available to be issued. Management has determined that there are no material events that would require adjustment to or disclosure in the Group's financial statement, other than those listed below.

Subsequent to year end, the Group received a capital injection of $5,000,000 from its parent company in respect of the issuance of 5,000,000 ordinary shares and $2,500,000 from non-controlling interest in respect of the issuance of shares in the subsidiary.