

NCB Global Finance Limited

Financial Statements

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

NCB Global Finance Limited

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NCB Global Finance Limited

Statement of Management's Responsibilities

The Financial Institutions Act, 2008 (The Act), requires that management prepare and acknowledge responsibility for the following:

- Preparing and fairly presenting the accompanying financial statements of NCB Global Finance Limited (the Company) which comprise the statement of financial position as at 30 September 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of Company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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



Chief Executive Officer
30 November 2016



Finance Manager
30 November 2016



Independent Auditor's Report

To the shareholders
of NCB Global Finance Limited

Report on the financial statements

We have audited the accompanying financial statements of NCB Global Finance Limited, which comprise the statement of financial position as at 30 September 2016, income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NCB Global Finance Limited as at 30 September 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

8 December 2016
Port of Spain
Trinidad, West Indies

**BA Hackett (Senior Partner), L Awai, F Aziz Mohammed, H Mohammed, NA Panchoo,
SW Ramirez, A West**

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NCB Global Finance Limited

Income Statement

(Expressed in Trinidad and Tobago Dollars)

		Year ended 30 September	
	Notes	2016 \$	2015 \$
Operating income			
Interest income		8,194,048	4,747,445
Interest expense		<u>(2,668,406)</u>	<u>(1,441,642)</u>
Net interest income	4	<u>5,525,642</u>	<u>3,305,803</u>
Fee and commission income	5	<u>446,867</u>	<u>427,616</u>
Fee and commission income		<u>446,867</u>	<u>427,616</u>
Gain on foreign currency and investment activities	6	10,352,703	6,580,133
Dividend income		201,927	421,474
Other operating income/(losses)		<u>77,262</u>	<u>(1,238)</u>
		<u>10,631,892</u>	<u>7,000,369</u>
		<u>16,604,401</u>	<u>10,733,788</u>
Operating expenses			
Staff costs	7	6,426,616	3,637,989
Net provision/(recoveries) on credit losses	13	1,119,247	(51,608)
Depreciation, amortisation and adjustments		245,677	794,451
Other operating expenses	8	<u>4,707,291</u>	<u>4,488,686</u>
		<u>12,498,831</u>	<u>8,869,518</u>
Operating profit		<u>4,105,570</u>	<u>1,864,270</u>
Profit before taxation		4,105,570	1,864,270
Taxation	9	<u>2,640,004</u>	<u>1,193,542</u>
Net profit after tax		<u>6,745,574</u>	<u>3,057,812</u>

The notes on pages 8 to 42 are an integral part of these financial statements.

NCB Global Finance Limited

Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

	Year ended 30 September	
	2016	2015
	\$	\$
Net profit after tax	<u>6,745,574</u>	<u>3,057,812</u>
Other comprehensive income, net of tax		
Unrealised losses on available-for-sale investments	<u>(49,586)</u>	<u>(372,735)</u>
Total other comprehensive loss	<u>(49,586)</u>	<u>(372,735)</u>
Total comprehensive income	<u>6,695,988</u>	<u>2,685,077</u>

The notes on pages 8 to 42 are an integral part of these financial statements.

NCB Global Finance Limited

Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

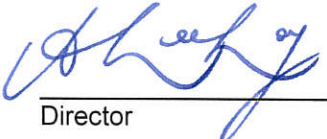
		As at 30 September	
	Notes	2016	2015
		\$	\$
Assets			
Cash in hand and balances at Central Bank	10	12,467,710	6,721,559
Due from other banks		45,588,735	38,365,512
Investment securities at fair value through profit or loss	11	6,083,465	11,394,242
Investment securities classified as available-for-sale	12	48,580,909	14,117,289
Loans and advances, net of provisions for credit losses	13	98,103,180	58,643,220
Intangible asset	14	84,604	87,661
Property, plant and equipment	15	817,383	891,270
Deferred income tax asset	16	4,194,000	1,396,601
Other assets	17	<u>2,936,690</u>	<u>716,473</u>
Total assets		<u>218,856,676</u>	<u>132,333,827</u>
Liabilities			
Customer deposits	18	159,747,242	83,843,029
Other liabilities	19	<u>6,966,636</u>	<u>3,043,988</u>
Total liabilities		<u>166,713,878</u>	<u>86,887,017</u>
Equity			
Share capital	20	82,921,789	82,921,789
Fair value reserve		(506,587)	(457,001)
Statutory reserve fund	21	5,643,352	4,968,795
Retained deficit		<u>(35,915,756)</u>	<u>(41,986,773)</u>
Total equity		<u>52,142,798</u>	<u>45,446,810</u>
Total equity and liabilities		<u>218,856,676</u>	<u>132,333,827</u>

The notes on pages 8 to 42 are an integral part of these financial statements.

Approved for issue by the Board of Directors on 30 November 2016 and signed on its behalf by:



Director



Director

NCB Global Finance Limited

Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

	Share capital \$	Fair value reserve \$	Statutory reserve fund \$	Retained deficit \$	Total \$
Balance at 1 October 2014	82,921,789	(84,266)	4,663,014	(44,738,804)	42,761,733
Comprehensive income/(loss)	--	(372,735)	--	3,057,812	2,685,077
Transfer to statutory reserve fund	--	--	305,781	(305,781)	--
Balance at 30 September 2015	<u>82,921,789</u>	<u>(457,001)</u>	<u>4,968,795</u>	<u>(41,986,773)</u>	<u>45,446,810</u>
Balance at 1 October 2015	82,921,789	(457,001)	4,968,795	(41,986,773)	45,446,810
Comprehensive income/(loss)	--	(49,586)	--	6,745,574	6,695,988
Transfer to statutory reserve fund	--	--	674,557	(674,557)	--
Balance at 30 September 2016	<u>82,921,789</u>	<u>(506,587)</u>	<u>5,643,352</u>	<u>(35,915,756)</u>	<u>52,142,798</u>

The notes on pages 8 to 42 are an integral part of these financial statements.

NCB Global Finance Limited

Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

		Year ended 30 September	
	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Net profit after taxation		6,745,574	3,057,812
Adjustments to reconcile net profit to net cash provided by/(used in) operating activities	22	<u>33,208,238</u>	<u>(16,366,527)</u>
Net cash provided by/(used in) operating activities		39,953,812	(13,308,715)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(243,252)	(954,225)
Acquisition of intangible asset - computer software		(22,477)	(105,193)
Purchases of investment securities		(63,847,847)	--
Proceeds from sales/maturities of investment securities		<u>37,129,138</u>	<u>19,367,416</u>
Net cash (used in)/provided by by investing activities		<u>(26,984,438)</u>	<u>18,307,998</u>
Net increase in cash and cash equivalents		12,969,374	4,999,283
Cash and cash equivalents at beginning of period		<u>45,087,071</u>	<u>40,087,788</u>
Cash and cash equivalents at end of period		<u>58,056,445</u>	<u>45,087,071</u>
Comprising:			
Cash in hand and balances at Central Bank	10	12,467,710	6,721,559
Due from other banks		<u>45,588,735</u>	<u>38,365,512</u>
		<u>58,056,445</u>	<u>45,087,071</u>

The notes on pages 8 to 42 are an integral part of these financial statements.

NCB Global Finance Limited

Notes to the Financial Statements

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

1 Incorporation and business activities

NCB Global Finance Limited (formerly AIC 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. 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 13 December 2013, NCB Capital Markets Limited (the "Parent") acquired 100% of the shareholding of AIC Finance Limited from AIC Financial Group Limited (AICFG). NCB Capital Markets Limited is a 100% owned subsidiary of National Commercial Bank Jamaica Limited ("the Bank") which is incorporated in Jamaica and is a 51.82% (2015 – 46.82%) subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc. Incorporated in Canada and controlled by Hon. Michael A. Lee-Chin, OJ, Chairman of the Bank.

The Bank is listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange. As part of the sale agreement, AIC Finance Limited transferred its 43% shareholding in AIC Securities Limited to AIC Financial Group Limited on 12 December 2013.

NCB Global Finance Limited is authorised to carry on the following classes of business: finance company, confirming house/acceptance house, leasing corporation, mortgage institution, merchant bank, trust company, unit trust and financial services.

In January 2016, the Company was issued a Broker-Dealer license from the Trinidad and Tobago Securities and Exchange Commission which allows the entity to conduct the following activities: (1) Broker-Dealer as agent; (2) Broker-Dealer as principal; (3) Investment adviser and (4) Underwriter.

The Company's registered office is located at 68 Ariapita Avenue, Woodbrook, Trinidad and Tobago.

2 Summary of significant accounting policies

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

a. *Basis of preparation*

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(i) 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 1 October 2015 that were adopted and had a material impact on the Company.

(ii) New standards, amendments and interpretations not yet 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:

- IFRS 9, 'Financial instruments' – (effective 1 January 2018)
- IFRS 15, 'Revenue from Contracts with Customers' – (effective 1 January 2017)
- IAS 1, 'Presentation of financial statements' on the disclosure initiative (effective 1 January 2016)
- IAS 7, 'Statement of cash flows' on disclosure initiative (effective 1 January 2017)
- IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses (effective 1 January 2017)
- IFRS 16, 'Leases' – (effective 1 January 2019)
- Annual Improvements to IFRSs 2012-2014 cycle (effective 1 January 2016)

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.

b. Foreign currency translation

(i) 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.

(ii) 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.

c. 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 liquid investments.

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

d. *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 based on the purpose for which they were acquired at initial recognition.

(i) *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 in "Gain on foreign currency and investment activities". 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 de-recognition.

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.

(ii) *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 "Net provisions/ (recoveries) on credit losses".

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

d. *Financial assets (continued)*

(iii) *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 are 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 asset 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.

(iv) *Recognition*

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

e. *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 and advances, net provisions for credit losses". 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.

f. *Impairment of financial assets*

(i) *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.

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

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as default or delinquency in payments;
- 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;

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

f. Impairment of financial assets

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

- it becoming probable that the issuer or debtor will enter bankruptcy or other financial re-organisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- 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.

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 net provision/(recoveries) on credit losses .

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

f. *Impairment of financial assets (continued)*

(ii) *Financial assets carried at fair value (continued)*

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.

(iii) *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.

g. *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.

h. *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.

In order to conform with the Group's policy, in November 2014 the Company changed its depreciation method from reducing balance to a straight line basis that will write off the carrying value of each asset over its expected useful life.

The change in depreciation method resulted in an additional depreciation charge of \$669,699 in the prior year ended 30 September 2015.

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

h. *Property, plant and equipment (continued)*

The expected useful life of the assets are as follows:

Leasehold improvements	-	shorter of period of lease or useful life of asset.
Furniture, equipment & Motor Vehicles	-	5 years
Computer Hardware	-	5 years

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.

i. *Intangible asset*

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Depreciation is charged on a straight line basis at annual rates that will write off the carrying value of the asset over its expected useful life. The expected useful life for computer software is 3-5 years.

j. *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.

k. *Share capital*

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

l. *Reverse repurchase agreements*

Securities purchased subject to repurchase agreements ('repos') are included in the financial statements under Reverse Repurchase Agreements. The difference between the purchase price and the repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

m. *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. Provisions are not recognised for future operating losses. 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.

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

n. *Income tax*

(i) *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 unrealised gains on available-for-sale investment).

(ii) *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 in the foreseeable future against which the temporary differences can be utilised.

o. *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.

p. *Fees and commissions*

Arrangement fees

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 over the period the service is provided.

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

p. *Fees and commissions (continued)*

Origination fees

Fees relating to the creation or acquisition of a financial asset other than under IAS 39 classified as a financial asset 'at fair value through profit or loss' are amortised over the expected life of the instrument using the effective interest rate method.

q. *Dividend income*

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

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

3 Critical accounting estimates and judgements

The Company's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgements, 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 estimates 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 judgements for certain items are especially critical for the Company's results and financial situation due to their materiality.

a. *Income and deferred income taxes*

Significant judgement is required in determining the provision for income taxes and deferred 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.

The Company recognises deferred tax assets on temporary differences from accelerated tax depreciation, revaluation of financial assets and losses carried forward to the extent that there are probable future taxable profits in the foreseeable future in which the temporary differences can be utilised.

b. *Impairment losses on loans and advances*

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 judgements 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 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.

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

4	Net interest income	2016	2015
		\$	\$
	<i>Interest income</i>		
	Loans and advances	5,469,952	3,211,812
	Investment securities		
	- Available-for-sale	2,398,937	1,114,604
	- Fair value through profit or loss	280,988	413,868
	Reverse repurchase agreements	--	2,260
	Deposits and other	<u>44,171</u>	<u>4,901</u>
		<u>8,194,048</u>	<u>4,747,445</u>
	<i>Interest expense</i>		
	Customer deposits	(2,540,579)	(1,441,642)
	Repurchase agreements	<u>(127,827)</u>	<u>--</u>
		<u>(2,668,406)</u>	<u>(1,441,642)</u>
	Net Interest Income	<u>5,525,642</u>	<u>3,305,803</u>
5	Fee and commission income		
	Loan commitment fees	163,589	184,754
	Registrar, trustee and paying agent fees	142,389	174,600
	Other fees	<u>140,889</u>	<u>68,262</u>
		<u>446,867</u>	<u>427,616</u>
6	Gain on foreign currency and investment activities		
	Net foreign exchange gains	9,765,113	6,596,307
	Gains/(losses) on investment securities		
	Realised gain on debt securities	807,562	1,542,782
	Unrealised loss on debt securities	(126,933)	(294,564)
	Realised loss on equity securities	--	(173,395)
	Unrealised loss on equity securities	<u>(93,039)</u>	<u>(1,090,997)</u>
		<u>10,352,703</u>	<u>6,580,133</u>

Net foreign exchange gains include gains and losses arising from translation of assets and liabilities denominated in foreign currencies as well as those arising from foreign currency dealing activities.

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

7	Staff costs	2016	2015
		\$	\$
	Wages, salaries, allowances and benefits	6,252,197	3,489,175
	Payroll taxes	<u>174,419</u>	<u>148,814</u>
		<u>6,426,616</u>	<u>3,637,989</u>
8	Other operating expenses		
	Auditor's remuneration	462,915	338,475
	Insurance	165,399	150,447
	Irrecoverable value added tax	257,018	237,478
	License and transaction processing fees	295,333	249,155
	Marketing, advertising and donations	219,354	181,950
	Property lease rental	978,628	650,456
	Property maintenance and utilities	350,495	239,549
	Stationery	24,665	27,631
	Technical, consultancy and professional fees	320,852	439,316
	Travelling, courier and telecommunication	497,766	526,954
	Service Level Agreement (IT Support)	508,842	490,115
	Loans directly written off	228,127	73,845
	Other expenses	<u>397,897</u>	<u>883,315</u>
		<u>4,707,291</u>	<u>4,488,686</u>
9	Taxation		
	Business levy and green fund levy	140,866	50,725
	Deferred tax (Note 15)	<u>(2,780,870)</u>	<u>(1,244,267)</u>
		<u>(2,640,004)</u>	<u>(1,193,542)</u>

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

Profit before taxation	4,105,570	1,864,270
Tax calculated at a tax rate of 25%	1,026,393	466,067
Income not subject to tax or in respect of which tax has been remitted	(18,341)	(9,677)
Expenses not deductible for tax purposes	187,110	199,183
Previously unrecognised tax losses recognised (Note 16)	(2,780,870)	(1,244,267)
Previously unrecognised tax losses utilised	<u>(1,054,296)</u>	<u>(604,848)</u>
	<u>(2,640,004)</u>	<u>(1,193,542)</u>

NCB Global Finance Limited

Notes to the Financial Statements (continued) 30 September 2016

(Expressed in Trinidad and Tobago Dollars)

10	Cash in hand and balances at Central Bank of Trinidad and Tobago	2016	2015
		\$	\$
	Cash in hand	5,410	10,979
	Statutory deposit with Central Bank of Trinidad and Tobago	<u>12,462,300</u>	<u>6,710,580</u>
		<u>12,467,710</u>	<u>6,721,559</u>
	<p>The Statutory Deposit represents the required ratio of prescribed liabilities to be maintained with the Central Bank of Trinidad and Tobago. The reserve account is non-interest bearing and is not available for investment, lending or other use by the Company.</p>		
11	Investment securities at fair value through profit or loss		
	Government of Trinidad and Tobago debt securities	4,787,550	5,185,648
	Corporate bonds	--	1,912,504
	Quoted equity securities	1,156,192	4,041,637
	Unquoted equity securities	<u>130,715</u>	<u>171,151</u>
		6,074,457	11,310,940
	Allowance for impairment	<u>(103,356)</u>	<u>(105,211)</u>
		5,971,101	11,205,729
	Interest receivable	<u>112,364</u>	<u>188,513</u>
		<u>6,083,465</u>	<u>11,394,242</u>
	<i>Allowance for impairment</i>		
	Balance at beginning of year	(105,211)	(1,918,800)
	Decrease in impairment allowance	<u>1,855</u>	<u>1,813,589</u>
	Balance at the end of year	<u>(103,356)</u>	<u>(105,211)</u>
12	Investment securities classified as available-for-sale		
	Debt securities		
	Government of Trinidad and Tobago	10,211,822	3,359,829
	Foreign governments	--	5,713,298
	Corporate bonds	<u>37,743,600</u>	<u>4,824,739</u>
		47,955,422	13,897,866
	Interest receivable	<u>625,487</u>	<u>219,423</u>
	Total	<u>48,580,909</u>	<u>14,117,289</u>
	Current	--	--
	Non-current	<u>48,580,909</u>	<u>14,117,289</u>
	Total	<u>48,580,909</u>	<u>14,117,289</u>

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

13 Loans and advances	2016 \$	2015 \$
Instalment loans	47,324,171	33,511,666
Mortgage loans	20,009,922	14,846,531
Trade financing	9,421,510	291,374
Finance leases	<u>22,655,008</u>	<u>10,208,251</u>
	99,410,611	58,857,822
Provision for credit losses	<u>(1,494,335)</u>	<u>(362,070)</u>
	97,916,276	58,495,752
Interest receivable	<u>186,904</u>	<u>147,468</u>
	<u>98,103,180</u>	<u>58,643,220</u>
Current	25,598,167	24,153,228
Non-current	<u>72,505,013</u>	<u>34,489,992</u>
	<u>98,103,180</u>	<u>58,643,220</u>
<i>Finance leases</i>		
Not later than 1 year	2,384,975	596,293
Later than 1 year and not later than 5 years	19,694,322	9,611,958
Over 5 years	<u>575,711</u>	<u>--</u>
Net investment in finance leases	<u>22,655,008</u>	<u>10,208,251</u>
<i>The movement in the provision for credit losses is as follows:</i>		
Balance at beginning of year	362,070	342,110
Provided during the year	1,163,095	19,960
Recoveries	<u>(30,830)</u>	<u>--</u>
Balance at end of year	<u>1,494,335</u>	<u>362,070</u>
Specific provision	1,003,185	322,204
General provision	<u>491,150</u>	<u>39,866</u>
	<u>1,494,335</u>	<u>362,070</u>
<i>During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired loans:</i>		
Recoveries from loans directly written off	13,018	71,568
Reversal of provisions	30,830	--
Provided during the year	<u>(1,163,095)</u>	<u>(19,960)</u>
	<u>(1,119,247)</u>	<u>51,608</u>

NCB Global Finance Limited

Notes to the Financial Statements (continued) 30 September 2016

(Expressed in Trinidad and Tobago Dollars)

14 Intangible assets	Computer software	
	2016 \$	2015 \$
Net book value at beginning of year	87,661	102,421
Additions	22,477	105,193
Amortisation charge	(25,534)	(19,666)
Change in method of amortisation	--	(100,287)
Net book value at end of year	<u>84,604</u>	<u>87,661</u>
Cost	1,445,604	1,423,126
Accumulated amortisation	<u>(1,361,000)</u>	<u>(1,335,465)</u>
Net book value	<u>84,604</u>	<u>87,661</u>

The intangible asset is being amortised using the straight line method.

15 Property, plant and equipment	Furniture, equipment and motor vehicles \$
Cost	
At 1 October 2014	2,069,793
Additions	954,225
Disposals/write offs	<u>(86,396)</u>
At 30 September 2015	<u>2,937,622</u>
Additions	243,252
Disposals/write offs	(84,818)
Reclassification and adjustments	<u>(96,996)</u>
At 30 September 2016	<u>2,999,060</u>
Accumulated depreciation	
At 1 October 2014	1,450,958
Charge for the year	105,086
Disposals/write offs	(79,104)
Change in method of depreciation	<u>569,412</u>
At 30 September 2015	<u>2,046,352</u>
Charge for the year	220,143
Disposals/write offs	(84,818)
Reclassification and adjustments	<u>--</u>
At 30 September 2016	<u>2,181,677</u>
Net book value	
30 September 2016	<u>817,383</u>
30 September 2015	<u>891,270</u>

NCB Global Finance Limited

Notes to the Financial Statements (continued) 30 September 2016

(Expressed in Trinidad and Tobago Dollars)

16 Deferred income tax	2016 \$	2015 \$
Deferred tax at beginning of year	(1,396,601)	--
Deferred tax credited in the income statement (Note 9)	(2,780,870)	(1,244,267)
Deferred tax credited to other comprehensive income	<u>(16,529)</u>	<u>(152,334)</u>
Net asset at end of year	<u>(4,194,000)</u>	<u>(1,396,601)</u>
Deferred income tax assets:		
Accelerated depreciation	221,292	494,267
Fair value on investment securities- available-for-sale	168,863	152,334
Tax losses	<u>3,803,845</u>	<u>750,000</u>
Net asset at end of year	<u>4,194,000</u>	<u>1,396,601</u>
The amounts recognised in the income statement were due to:		
Accelerated tax depreciation	(272,975)	494,267
Tax losses	<u>3,053,845</u>	<u>750,000</u>
	<u>2,780,870</u>	<u>1,244,267</u>
The amount recognised in other comprehensive income was due to:		
Unrealised losses on available-for-sale investments	(16,529)	(152,334)

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable in the foreseeable future. The Company has recorded tax losses of \$69,883,109 (2015: \$71,657,632) to carry forward against future taxable profits. The losses can be carried forward indefinitely and have no expiry date. The losses were incurred prior to the acquisition by NCB Capital Markets Limited (the Parent) of 100% of the share capital of the Company in December 2013 and were due mainly to losses on disposal of financial assets. While the amount of the losses are still subject to the approval of the Board of Inland Revenue (BIR) through the normal tax review and assessment process, the Company did seek and the BIR did advise during the year that they were satisfied that the change in ownership in December 2013 was not effected with a view to avoiding or reducing any liability to tax which is the key hurdle to overcome in utilising tax losses accumulated under different ownership.

The Company has concluded that based on its assessment of taxable profits it is forecasted to generate in the foreseeable future, a deferred tax asset up to \$3,803,845 (2015: \$750,000) should be recognised as at 30 September 2016. Due to the uncertain timing of recovery of the full amount of losses available, this assessment will be performed annually at the Company's financial reporting year end and adjustments will be made as appropriate.

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

17	Other assets	2016	2015
		\$	\$
	Client balances	272,644	200,174
	Prepayments	179,298	170,747
	Intercompany receivables	585,574	--
	Vat recoverable	<u>1,899,174</u>	<u>345,552</u>
		<u>2,936,690</u>	<u>716,473</u>
18	Customer deposits		
	Deposit balances	158,772,791	83,200,248
	Accrued interest	<u>974,451</u>	<u>642,781</u>
		<u>159,747,242</u>	<u>83,843,029</u>
19	Other liabilities		
	Accrued staff benefits	1,297,325	--
	Client balances	4,597,067	1,465,079
	Accrued other operating expenses	857,546	939,008
	Intercompany payables	--	493,367
	Other	<u>214,698</u>	<u>146,533</u>
		<u>6,966,636</u>	<u>3,043,987</u>
20	Share capital		
	Authorised		
	An unlimited number of shares of no par value		
	Issued and fully paid		
	92,698,531 ordinary shares of no par value	<u>82,921,789</u>	<u>82,921,789</u>

21 **Statutory reserve fund**

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.

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

22 Adjustments to reconcile net profit to net cash provided/(used in) by operating activities

	Notes	2016 \$	2015 \$
Depreciation of property, plant and equipment	15	220,143	674,498
Amortisation of intangible asset	14	25,534	119,953
Net provision on credit losses	13	1,132,265	19,960
Loss on write off on loans		228,127	73,845
Interest income		(8,194,048)	(4,747,445)
Interest expense		2,668,406	1,441,642
Income tax credit		(2,640,004)	(1,193,542)
Unrealised revaluation exchange gain on investments		(1,713,875)	(177,544)
Loss on disposal of property, plant and equipment		--	4,850
Loss on write off of property plant and equipment		--	2,442
Net impairment receivables		--	348
Net gain on disposal of financial assets		(807,562)	(1,369,387)
Loss on investment securities at fair value through profit or loss		219,972	1,385,561
Changes in operating assets and liabilities:			
Increase in loans to customers		(40,552,789)	(34,111,038)
Increase in customers deposits		75,572,543	12,321,288
(Increase)/decrease in other assets		(2,220,217)	4,027,468
Increase in other liabilities		<u>3,922,648</u>	<u>1,730,447</u>
Interest received		27,861,143	(19,796,654)
Interest paid		7,824,697	4,889,810
Income taxes paid		<u>(2,336,736)</u>	<u>(1,408,958)</u>
Net cash provided by/(used in) operating activities		<u>33,208,238</u>	<u>(16,366,527)</u>

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

23 Related party

	The parent and entities with significant influence over the entity		Directors and key management personnel (and their families)	
	2016 \$	2015 \$	2016 \$	2015 \$
<i>Loans and advances</i>				
Balance at 1 October	--	--	767,515	82,767
Issued during the year	--	--	843,000	817,380
Repayment during the year	--	--	(465,566)	(132,632)
Balance at 30 September	--	--	1,144,949	767,515
<i>Reverse repurchase agreements</i>				
Balance at 1 October	--	844,719	--	--
Net movement during the year	--	(844,719)	--	--
Balance at 30 September	--	--	--	--
Other assets	585,574	--	--	--
Other liabilities	--	493,367	--	--
Interest income earned	--	2,260	34,861	12,971
Interest expense	127,827	--	--	--
Other operating expenses	508,842	490,115	--	--

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties as none of the outstanding balances are considered impaired.

Key management compensation

	2016 \$	2015 \$
Salaries and other short term benefits	3,200,580	2,316,490

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 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.

Risk limits and benchmarks are integral to the risk management process, as they characterise the Board's risk tolerance and also that of the Regulator. Limits are established for:

- Credit and Counterparty risk - exposures to individuals, group, counterparty, country
- Market risk - rate gap exposure, currency exposure, market value exposure
- Liquidity risk - liquidity gaps, funding exposures/liability diversification and liquid assets levels.

Limits and benchmarks are monitored on an ongoing basis and reported to the relevant governance committees.

Policies and procedures

Policies and operational procedures are established throughout the organisation and are approved by the relevant management personnel and/or governance committees.

These policies and procedures incorporate requirements for compliance monitoring, maintenance of contingency plans and the provision of reports to management and the relevant governance committees and/ or the Board of Directors.

a. *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 credit appraisal governed by 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.

Authorisation limits are established for different credit facilities with approval levels for Group Risk Management Division, the Risk Management Committee and the Board.

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.

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 Financial risk management (continued)

a. Credit risk (continued)

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

Credit risk exposures relating to on balance sheet assets are as follows:

	2016 \$	2015 \$
Balances with Central Bank of Trinidad and Tobago	12,462,300	6,710,580
Due from other banks	45,588,735	38,365,512
Investment securities at fair value through profit or loss	4,899,914	7,286,665
Investment securities classified as available-for-sale	48,580,909	14,117,289
Loans and advances, net of provision for credit losses	<u>98,103,180</u>	<u>58,643,220</u>
	<u>209,635,038</u>	<u>125,123,266</u>

Credit risk

The credit quality of loans is summarised as follows:

Neither past due nor impaired	88,507,009	44,632,756
Past due but not impaired	9,710,531	13,779,542
Impaired	<u>1,193,071</u>	<u>445,524</u>
	99,410,611	58,857,822
Less: provision for credit losses	<u>(1,494,335)</u>	<u>(362,070)</u>
Net	<u>97,916,276</u>	<u>58,495,752</u>

The ageing analysis of past due but not impaired loans was as follows:

Less than 30 days	7,071,800	2,368,273
31 to 60 days	1,935,265	2,839,237
61 to 90 days	703,466	8,248,726
Greater than 90 days	<u>--</u>	<u>323,306</u>
	<u>9,710,531</u>	<u>13,779,542</u>

Of the aggregate amount of gross past due but not impaired loans, \$8,771,674 was secured (2015 : \$13,743,851).

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 Financial risk management (continued)

a. Credit risk (continued)

Credit exposures

(i) Loans

The following table summarises the credit exposure to businesses and government by sector:

	2016	2015
	Loans and	Loans and
	advances	advances
	\$	\$
Agriculture	9,973,248	9,822,740
Central government	9,421,510	291,374
Construction and land development	1,910,692	1,933,744
Other financial institutions	867,198	1,545,808
Distribution	15,481,828	12,158,172
Manufacturing	11,497,096	11,467,977
Personal	13,890,470	8,113,859
Professional and other services	10,540,770	2,801,356
Tourism	2,166,799	2,234,267
Transportation, storage and communication	1,963,511	1,554,040
Other	<u>21,697,489</u>	<u>6,934,485</u>
	<u>99,410,611</u>	<u>58,857,822</u>

(ii) Debt securities

The following table summarises the Company's credit exposure for debt securities at their carrying amounts, as categorised by issuer:

Government of Trinidad and Tobago	14,999,372	8,545,477
Foreign government	--	5,713,299
Corporate	<u>37,743,600</u>	<u>6,737,242</u>
	<u>52,742,972</u>	<u>20,996,018</u>
Interest receivable	<u>737,851</u>	<u>407,481</u>
	<u>53,480,823</u>	<u>21,403,499</u>

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 Financial risk management (continued)

(ii) Debt securities (continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available).

External credit ratings (Standard and Poor's)

	2016	2015
	\$	\$
A	--	3,359,829
A-	20,572,567	--
BBB+	--	2,207,665
BB+	--	1,756,517
BB	1,668,590	1,331,253
BB-	--	2,174,380
B	2,077,772	--
Unrated	<u>23,636,493</u>	<u>3,068,222</u>
	<u>47,955,422</u>	<u>13,897,866</u>

Debt securities at fair value through profit or loss

A	--	5,185,648
A-	4,787,550	--
Unrated	<u>--</u>	<u>1,912,504</u>
	<u>4,787,550</u>	<u>7,098,152</u>

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.
- Use of Liquidity Gap analysis

NCB Global Finance Limited

Notes to the Financial Statements (continued) 30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 Financial risk management (continued)

b. *Liquidity risk (continued)*

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the financial liabilities based on the remaining period.

As at 30 September 2016

	Within 1 month \$	2 to 3 months \$	4 to 12 months \$	1 to 5 years \$	Over 5 years \$	Total \$
Liabilities						
Customers deposits	4,158,874	29,038,211	111,891,587	17,189,108	--	162,277,780
Payables and accruals	5,896,242	--	--	--	--	5,896,242
Total financial liabilities (contractual maturity dates)	10,055,116	29,038,211	111,891,587	17,189,108	--	168,174,022
Assets held for managing liquidity risk	59,239,996	--	--	21,660,016	31,820,807	112,720,819

As at 30 September 2015

	Within 1 month \$	2 to 3 months \$	4 to 12 months \$	1 to 5 years \$	Over 5 years \$	Total \$
Liabilities						
Customers deposits	3,555,979	6,984,021	60,801,365	13,900,626	--	85,241,991
Due to related parties	493,367	--	--	--	--	493,367
Payables and accruals	2,300,180	--	--	--	--	2,300,180
Total financial liabilities (contractual maturity dates)	6,349,526	6,984,021	60,801,365	13,900,626	--	88,035,538
Assets held for managing liquidity risk	49,820,682	--	6,880,054	13,897,866	--	70,598,602

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 Financial risk management (continued)

c. *Market risk*

The Company takes on exposure to market risk, which is defined as the potential for loss arising from changes in the market value of the organisation's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads.

The Company incurs market risk primarily in treasury, trading and structural banking activities. The Company manages the risk in accordance with the Group's risk management framework. This includes:

- Oversight provided by the relevant governance committees.
- An independent market risk oversight function.
- Limit setting mechanisms and a monitoring process.

(i) *Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Company takes an open position in a currency. To control this exchange risk, the Company has approved limits for net open positions in each currency for both intra-day and overnight.

The Company also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to be settled. The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

NCB Global Finance Limited

Notes to the Financial Statements (continued) 30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 Financial risk management (continued)

c. *Market risk (continued)*

(i) *Currency risk (continued)*

The tables below summarises the Company's exposure to foreign currency exchange rate risk as at the date of the statement of financial position.

As at September 2016

Assets

Cash and balances at Central Bank of Trinidad and Tobago

	TTD \$	JMD \$	US\$ \$	CAN\$ \$	Other \$	Total \$
	12,467,710	--	--	--	--	12,467,710
	27,687,152		17,885,058	3,311	13,214	45,588,735

Due from other banks

	5,391,527	27,359	664,579	--	--	6,083,465
--	-----------	--------	---------	----	----	-----------

Investment securities – fair value through profit or loss

	26,585,873	--	21,995,036	--	--	48,580,909
--	------------	----	------------	----	----	------------

Investment securities – available-for-sale

	80,366,976	--	17,736,204	--	--	98,103,180
--	------------	----	------------	----	----	------------

Loans and advances net of provision

	2,150,702	--	785,988	--	--	2,936,690
--	-----------	----	---------	----	----	-----------

Other

	154,649,940	27,359	59,066,865	3,311	13,214	213,760,689
--	-------------	--------	------------	-------	--------	-------------

Total assets

Liabilities

Customer deposits

	138,874,644	--	20,872,598	--	--	159,747,242
--	-------------	----	------------	----	----	-------------

Other

	4,180,189	--	2,786,447	--	--	6,966,636
--	-----------	----	-----------	----	----	-----------

Total liabilities

	143,054,833	--	23,659,045	--	--	166,713,878
--	-------------	----	------------	----	----	-------------

Net on-balance sheet position

	11,595,107	27,359	35,407,820	3,311	13,214	47,046,812
--	------------	--------	------------	-------	--------	------------

NCB Global Finance Limited

Notes to the Financial Statements (continued) 30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 Financial risk management (continued)

c Market risk (continued)

(i) Currency risk (continued)

As at September 2015

Assets

Cash and balances at Central Bank of Trinidad and Tobago

6,721,559

27,681,470

5,823,573

--

49,585,222

716,473

90,528,297

71,047

39,202,654

7,073

149,224

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129,958,295

6,721,559

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NCB Global Finance Limited

Notes to the Financial Statements (continued) 30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 Financial risk management (continued)

c. Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The following table indicates the currencies to which the Company has significant exposures on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for changes in foreign currency rates. The sensitivity analysis includes loans and advances to customers, investment securities and deposits.

Currency	% Change in currency rate 2016	Effect on net profit 2016 \$	Effect on equity 2016 \$	% Change in currency rate 2015	Effect on net profit 2015 \$	Effect on equity 2015 \$
USD	4%	1,416,313	1,416,313	4%	1,202,441	1,202,441
USD	-10%	(3,540,782)	(3,540,782)	-10%	(3,006,102)	(3,006,102)

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 Financial risk management (continued)

c. *Market risk (continued)*

(ii) *Interest rate risk*

Interest rate risk arises when the Company's principal and interest cash flows from balance sheet items have mismatched re-pricing dates. The short-term impact is experienced on the Company's net interest income and long term impact is felt on its equity.

The Company incurs interest rate mismatches from its interest bearing assets and liabilities with the size of such exposure being heavily dependent on the direction and degree of interest rate movements in addition to the size and maturity structure of the mismatched position. The Company's policy requires that such mismatches are managed. Accordingly, a comprehensive system of limits and gap analysis is used to manage the Company's exposure.

NCB Global Finance Limited

Notes to the Financial Statements (continued) 30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 Financial risk management (continued)

c. Market risk (continued)

(ii) Interest rate risk (continued)

As at 30 September 2016:

Assets

	Within 1 month \$	2 to 3 months \$	4 to 12 months \$	1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Cash and balances at Central Bank of Trinidad and Tobago	--	--	--	--	--	12,467,710	12,467,710
Due from other banks	45,588,735	--	--	--	--	--	45,588,735
Investment securities fair value through profit or loss	--	--	--	4,787,550	--	1,295,915	6,083,465
Investment securities -- available-for-sale	--	--	--	16,609,317	31,346,105	625,487	48,580,909
Loans and advances net of provision	947,652	214,482	24,436,033	50,386,122	22,245,888	(126,997)	98,103,180
Other	--	--	--	--	--	2,936,690	2,936,690
Total assets	46,536,387	214,482	24,436,033	71,782,989	53,591,993	17,198,805	213,760,689

Liabilities

Customers deposits	4,100,520	28,728,326	109,610,000	16,333,945	--	974,451	159,747,242
Other	--	--	--	--	--	6,966,636	6,966,636
Total liabilities	4,100,520	28,728,326	109,610,000	16,333,945	--	7,941,087	166,713,878
On balance sheet interest sensitivity gap	42,435,867	(28,513,844)	(85,173,967)	55,449,044	53,591,993		
Cumulative interest sensitivity gap	42,435,867	13,922,023	(71,251,944)	(15,802,900)	37,789,093		

NCB Global Finance Limited

Notes to the Financial Statements (continued) 30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 Financial risk management (continued)

c. Market risk (continued)

(ii) Interest rate risk (continued)

As at 30 September 2015:

	Within 1 month \$	2 to 3 months \$	4 to 12 months \$	1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Assets							
Cash and balances at Central Bank of Trinidad and Tobago	--	--	--	--	--	6,721,559	6,721,559
Due from other banks	38,365,512	--	--	--	--	--	38,365,512
Investment securities fair value through profit or loss	218,325	--	--	6,880,054	--	4,295,863	11,394,242
Loans and advances net of provision	--	--	--	--	13,897,866	219,423	14,117,289
Investment securities – available for sale	22,412	6,527,240	6,317,355	30,182,850	15,529,309	64,054	58,643,220
Other	--	--	--	--	--	716,473	716,473
Total assets	38,606,249	6,527,240	6,317,355	37,062,904	29,427,175	12,017,372	129,958,295
Liabilities							
Customers deposits	3,497,596	6,888,088	59,610,415	13,204,149	--	642,781	83,843,029
Other	--	--	--	--	--	3,043,988	3,043,988
Total liabilities	3,497,596	6,888,088	59,610,415	13,204,149	--	3,686,769	86,887,017
On balance sheet interest sensitivity gap	35,108,653	(360,848)	(53,293,060)	23,858,755	29,427,175		
Cumulative interest sensitivity gap	35,108,653	34,747,805	(18,545,255)	5,313,500	34,740,675		

NCB Global Finance Limited

Notes to the Financial Statements (continued) 30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 Financial risk management (continued)

c. Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statement and stockholders' equity.

	Effect on net profit 2016 \$	Effect on net equity 2016 \$	Effect on net profit 2015 \$	Effect on net equity 2015 \$
Change in basis points				
-200 bps	(755,782)	(755,782)	(694,814)	(694,814)
+200 bps	755,782	755,782	694,814	694,814

(iii) Other price risk

The Company is exposed to equity securities price risk because of investments held classified as fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

	Effect on net profit 2016 \$	Effect on net equity 2016 \$	Effect on net profit 2015 \$	Effect on net equity 2015 \$
Percentage change in share price				
10% decrease	(118,355)	(118,355)	(404,164)	(404,164)
10% increase	118,355	118,355	404,164	404,164

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

24 Financial risk management (continued)

d. 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.

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:

	2016 \$'000	2015 \$'000
Qualifying capital	52,634	45,488
Risk adjusted assets	122,761	68,476
Capital ratio	29.97%	40.74%

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%. On 13 December 2013, the date of the acquisition of NCB Global Finance Limited by NCB Capital Markets Limited, the Central Bank of Trinidad and Tobago (CBTT) stated that the Company's minimum capital ratio should not fall below 10%.

25 Fair value estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following tables provide an analysis of financial instruments held as at the date of the statement of financial position that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3, based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs)

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

25 Fair value estimation (continued)

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 30 September 2016				
<i>Financial assets</i>				
<i>Investment securities classified as available-for-sale</i>				
Government of the Republic of Trinidad and Tobago debt securities	--	10,211,822	--	10,211,822
Corporate debt securities	--	28,638,651	9,104,949	37,743,600
		<u>38,850,473</u>	<u>9,104,949</u>	<u>47,955,422</u>
<i>Investment securities at fair value through profit or loss</i>				
Government of the Republic of Trinidad and Tobago debt securities	--	4,787,550	--	4,787,550
Quoted equity securities	1,156,192	--	--	1,156,192
Unquoted equity securities	--	--	27,359	27,359
	<u>1,156,192</u>	<u>4,787,550</u>	<u>27,359</u>	<u>5,971,101</u>
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 30 September 2015				
<i>Financial assets</i>				
<i>Investment securities classified as available-for-sale</i>				
Government of the Republic of Trinidad and Tobago debt securities	--	3,359,829	--	3,359,829
Foreign government debt securities	--	5,713,298	--	5,713,298
Corporate debt securities	--	4,824,739	--	4,824,739
		<u>13,897,866</u>	<u>--</u>	<u>13,897,866</u>
<i>Investment securities at fair value through profit or loss</i>				
Government of the Republic Trinidad and Tobago debt securities	--	5,185,875	--	5,185,875
Corporate debt securities	--	1,912,504	--	1,912,504
Quoted equity securities	4,041,637	--	--	4,041,637
Unquoted equity securities	--	--	65,941	65,941
	<u>4,041,637</u>	<u>7,098,379</u>	<u>65,941</u>	<u>11,205,957</u>

NCB Global Finance Limited

Notes to the Financial Statements (continued)

30 September 2016

(Expressed in Trinidad and Tobago Dollars)

25 Fair value of financial instruments (continued)

The movement in the Company's financial assets classified as Level 3 during the year was as follows

	2016 \$	2015 \$
At start of year	65,941	69,792
Acquisitions	9,104,949	--
Foreign exchange gain recognised in arriving at net profit or loss	(4,972)	(3,851)
Impairment recognised	<u>(33,610)</u>	<u>--</u>
At end of year	<u>9,132,308</u>	<u>65,941</u>

26 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.

27 Lease rentals

The Company leased the premises under an operating lease arrangement and the future lease obligations are summarised below:

	2016 \$	2015 \$
Not later than 1 year	1,372,140	978,628
Later than 1 year and not later than 5 years	<u>2,299,968</u>	<u>3,672,108</u>
	<u>3,672,108</u>	<u>4,650,736</u>

28 Capital commitments

The Company has no capital commitments.

29 Subsequent events

Management evaluated all events that occurred from 1 October 2016 through to 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.