

# **NCB Global Finance Limited**

Financial Statements

30 September 2015

*(Expressed in Trinidad and Tobago Dollars)*

# NCB Global Finance Limited

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## Statement of Management's Responsibility


The Financial Institutions Act, 2008 (The Act), requires that management prepare and acknowledge responsibility for preparation of financial statements annually, establish and maintain an adequate internal control structure and procedures for financial reporting, safeguarding the assets of the Company as well as ensuring compliance with the Act.

It is management's responsibility to apply the appropriate accounting policies and make accounting estimates that are reasonable. Management is responsible for ensuring that the statements presented are a fair and true presentation of the state of affairs of the Company which includes ensuring that the information from which the statements are derived are designed and properly monitored in a manner which would allow accurate information to be provided. In addition, management is responsible for ensuring that the information presented is free from material misstatement whether due to fraud or error.

Management accepts responsibility for the annual financial statements as well as the responsibility for the maintenance of the accounting records and internal controls which form the basis of the financial statements. The financial statements of NCB Global Finance Limited (the "Company") are prepared in accordance with International Financial Reporting Standards and the appropriate accounting policies have been established and applied in a manner which gives a true and fair view of the Company's financial position and operating results.

In addition, it is noteworthy to mention that 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 date of this statement.

  
\_\_\_\_\_  
Chief Executive Officer  
9 December 2015

  
\_\_\_\_\_  
Finance Manager  
9 December 2015



## 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 2015, 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 2015, 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'.

11 December 2015  
Port of Spain  
Trinidad, West Indies

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**CB Wharfe (Senior Partner), L Awai, F Aziz Mohammed, BA Hackett, 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	2015 \$	2014 \$
<b>Operating income</b>			
Interest income		4,747,445	3,417,793
Interest expense		(1,441,642)	(1,509,848)
Net interest income	3	<u>3,305,803</u>	<u>1,907,945</u>
Fee and commission income	4	<u>427,616</u>	<u>332,235</u>
Fee and commission income		<u>427,616</u>	<u>332,235</u>
Gain on foreign currency and investment activities	5	6,580,133	4,685,947
Dividend income	6	421,474	363,688
Other operating income	7	<u>70,330</u>	<u>295,486</u>
		<u>7,071,937</u>	<u>5,345,121</u>
		<u>10,805,356</u>	<u>7,585,301</u>
<b>Operating expenses</b>			
Staff costs	8	3,637,989	3,217,458
Net provision/ (recoveries) on credit losses	17	19,960	(166,752)
Depreciation, amortisation and adjustments	18,19	794,451	654,566
Impairment losses on securities	9	--	111,415
Other operating expenses	10	<u>4,488,686</u>	<u>3,735,405</u>
		<u>8,941,086</u>	<u>7,552,092</u>
<b>Operating profit</b>		<u>1,864,270</u>	<u>33,209</u>
<b>Profit before taxation</b>		1,864,270	33,209
Taxation	11	<u>1,193,542</u>	<u>(31,760)</u>
<b>Net profit after tax</b>		<u>3,057,812</u>	<u>1,449</u>

The notes set out on pages 8 to 44 are an integral part of these financial statements.

# NCB Global Finance Limited

## Statement of Comprehensive Income

*(Expressed in Trinidad and Tobago Dollars)*

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	Year ended 30 September	
	2015 \$	2014 \$
<b>Net profit after tax</b>	<u>3,057,812</u>	<u>1,449</u>
<b>Other comprehensive income, net of tax</b>		
Unrealised losses on available-for-sale investments	<u>(372,735)</u>	<u>(84,266)</u>
<b>Total other comprehensive income</b>	<u>(372,735)</u>	<u>(84,266)</u>
<b>Total comprehensive income</b>	<u><u>2,685,077</u></u>	<u><u>(82,817)</u></u>

The notes set out on pages 8 to 44 are an integral part of these financial statements.

# NCB Global Finance Limited

## Statement of Financial Position

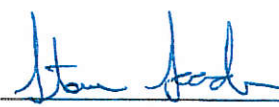
(Expressed in Trinidad and Tobago Dollars)

		30 September	
	Notes	2015	2014
		\$	\$
<b>Assets</b>			
Cash in hand and balances at Central Bank	12	6,721,559	5,573,673
Due from other banks	13	38,365,512	33,669,396
Investment securities at fair value through profit or loss	14	11,394,242	16,334,008
Investment securities classified as available-for-sale	15	14,117,289	29,245,469
Reverse repurchase agreements	16	--	844,719
Loans and advances, net of provisions for credit losses	17	58,643,220	24,431,869
Intangible assets	18	87,661	102,421
Property, plant and equipment	19	891,270	618,835
Deferred income tax asset	20	1,396,601	--
Other assets	21	716,473	4,743,941
<b>Total assets</b>		<u>132,333,827</u>	<u>115,564,331</u>
<b>Liabilities</b>			
Customer deposits	22	83,843,029	71,489,057
Other liabilities	23	3,043,988	1,313,541
<b>Total liabilities</b>		<u>86,887,017</u>	<u>72,802,598</u>
<b>Stockholders' equity</b>			
Share capital	24	82,921,789	82,921,789
Fair value reserve		(457,001)	(84,266)
Statutory reserve fund	25	4,968,795	4,663,014
Retained deficit		(41,986,773)	(44,738,804)
<b>Total stockholders' equity</b>		<u>45,446,810</u>	<u>42,761,733</u>
<b>Total equity and liabilities</b>		<u>132,333,827</u>	<u>115,564,331</u>

The notes set out on pages 8 to 44 are an integral part of these financial statements.

Approved for issue by the Board of Directors on 9 December 2015 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
	\$	\$	\$	\$	\$
<b>Balance at 1 October 2013</b>	77,321,789	--	4,662,869	(44,740,108)	37,244,550
Total comprehensive loss	--	(84,266)	--	1,449	(82,817)
Transfer to statutory reserve fund	--	--	145	(145)	--
Issue of ordinary shares	5,600,000	--	--	--	5,600,000
<b>Balance at 30 September 2014</b>	<u>82,921,789</u>	<u>(84,266)</u>	<u>4,663,014</u>	<u>(44,738,804)</u>	<u>42,761,733</u>
<b>Balance at 1 October 2014</b>	82,921,789	(84,266)	4,663,014	(44,738,804)	42,761,733
Total comprehensive income	--	(372,735)	--	3,057,812	2,685,077
Transfer to statutory reserve fund	--	--	305,781	(305,781)	--
<b>Balance at 30 September 2015</b>	<u>82,921,789</u>	<u>(457,001)</u>	<u>4,968,795</u>	<u>(41,986,773)</u>	<u>45,446,810</u>

The notes set out on pages 8 to 44 are an integral part of these financial statements.

# NCB Global Finance Limited

## Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Note	30 September	
		2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Net profit after taxation		3,057,812	1,449
Adjustments to reconcile net profit to net cash provided by operating activities	26	(16,366,527)	(13,427,168)
Net cash used in operating activities		(13,308,715)	(13,425,719)
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(954,225)	(2,750)
Acquisition of intangible asset- computer software		(105,193)	--
Proceeds from disposal of property, plant and equipment		--	35,000
Proceeds from disposal of associates		--	1,628,695
Purchases of investment securities		--	(26,344,009)
Proceeds from sales/maturities of investment securities		19,367,416	19,268,596
Net cash provided/(used in) by investing activities		18,307,998	(5,414,468)
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		--	5,600,000
Net cash provided by financing activities		--	5,600,000
Net increase/(decrease) in cash and cash equivalents		4,999,283	(13,240,187)
Cash and cash equivalents at beginning of period		40,087,788	53,327,975
<b>Cash and cash equivalents at end of period</b>		<b>45,087,071</b>	<b>40,087,788</b>
<b>Comprising:</b>			
Cash in hand and balances at Central Bank		6,721,559	5,573,673
Due from other banks		38,365,512	33,669,396
Reverse repurchase agreements		--	844,719
		<b>45,087,071</b>	<b>40,087,788</b>

The notes set out on pages 8 to 44 are an integral part of these financial statements.



# NCB Global Finance Limited

## Notes to the Financial Statements 30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 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% (2014 – 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.

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

### 2 Significant accounting policies

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

#### 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2r.

# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### a. Basis of preparation (continued)

##### (i) New and amended standards adopted by the Company

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the company's financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment did not have a significant impact on the company's financial statements.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

##### (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 01 January 2018)
- IFRS 15, 'Revenue from Contracts with Customers' – (effective 1 January 2017)

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.



# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### b. *Foreign currency translation*

##### *Functional and presentation currency*

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

##### *Transactions and balances*

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

#### 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.

#### 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.

# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### (d) Financial assets (continued)

##### (i) Financial assets at fair value through profit or loss (continued)

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".

##### (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.



# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### 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;
- 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.



# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### f. *Impairment of financial assets (continued)*

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

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 statement of comprehensive income in the impairment charge for credit losses.

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

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets carried at fair value is impaired if its carrying amount is greater than its estimated recoverable amount based on the present value of expected future cash flows discounted at the current market rate of interest. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income is removed and is recognised in the statement of comprehensive income. If in a subsequent period, the fair value of a financial asset classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

##### (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.

# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### 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 current year

The expected useful life of the assets are as follows:

Leasehold improvements	-	shorter of period of lease or useful life of asset.
Furniture and equipment	-	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.



# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### i. *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.

#### 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 against which the temporary differences can be utilised.

# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

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.

*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.

r. *Critical accounting estimates and judgments*

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

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best 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 judgments for certain items are especially critical for the Company's results and financial situation due to their materiality.



# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### r. Critical accounting estimates and judgments (continued)

##### (i) Income and deferred income taxes

Significant judgment 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 which the temporary differences can be utilised.

##### (ii) 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 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.

##### (iii) 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 2015

(Expressed in Trinidad and Tobago Dollars)

3 Net interest income	2015	2014
	\$	\$
<b>Interest income</b>		
Loans and advances	3,211,812	1,756,711
Investment securities		
- Available for sale	1,114,604	991,748
- Fair value through profit or loss	413,868	320,732
Reverse repurchase agreements	2,260	8,031
Deposits and other	4,901	340,571
	<u>4,747,445</u>	<u>3,417,793</u>
<b>Interest expense</b>		
Customers' deposits	(1,441,642)	(1,509,848)
<b>Net interest income</b>	<u>3,305,803</u>	<u>1,907,945</u>
<b>4 Fee and commission income</b>		
Loan commitment fees	184,754	132,515
Registrar, trustee and paying agent fees	174,600	142,201
Other fees	68,262	57,519
	<u>427,616</u>	<u>332,235</u>
<b>5 Gain on foreign currency and investment activities</b>		
Net foreign exchange gains	6,596,307	3,803,763
<b>Gains/(losses) on investment activities</b>		
Debt securities	1,248,219	277,803
Equity securities	(1,264,393)	604,381
	<u>6,580,133</u>	<u>4,685,947</u>
<b>6 Dividend income</b>		
Dividend income	421,474	363,688
	<u>421,474</u>	<u>363,688</u>
<b>7 Other operating income</b>		
Bad debt recoveries	74,568	244,217
Other income	(1,238)	51,269
	<u>70,330</u>	<u>295,486</u>

# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

8	<b>Staff costs</b>	<b>2015</b>	<b>2014</b>
		\$	\$
	Wages, salaries, allowances and benefits	3,489,175	3,075,812
	Payroll taxes	148,814	141,646
		<u>3,637,989</u>	<u>3,217,458</u>
9	<b>Impairment losses on securities</b>		
	There were no impairment losses on securities in the current financial year (2014 – \$111,415).		
10	<b>Other operating expenses</b>		
	Auditor's remuneration	338,475	210,669
	Insurance	150,447	161,152
	Irrecoverable value added tax	237,478	167,219
	License and transaction processing fees	249,155	195,158
	Marketing, advertising and donations	181,950	81,294
	Property lease rental	650,456	497,023
	Property maintenance and utilities	239,549	303,799
	Stationery	27,631	41,003
	Technical, consultancy and professional fees	439,316	569,621
	Travelling, courier and telecommunication	526,954	709,314
	Other expenses	1,447,275	799,153
		<u>4,488,686</u>	<u>3,735,405</u>
11	<b>Taxation</b>		
	Business levy and green fund levy	50,725	31,760
	Deferred tax (note 20)	(1,244,267)	--
		<u>(1,193,542)</u>	<u>31,760</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	<u>1,864,270</u>	<u>33,209</u>
Tax calculated at a tax rate of 25%	466,067	8,302
Income not subject to tax or in respect of which tax has been remitted	(9,677)	(36,088)
Expenses not deductible for tax purposes	199,183	164,892
Previously unrecognised tax losses recognised	(1,244,267)	--
Previously unrecognised tax losses utilised	(604,848)	(105,346)
	<u>(1,193,542)</u>	<u>31,760</u>

# NCB Global Finance Limited

## Notes to the Financial Statements (continued) 30 September 2015

(Expressed in Trinidad and Tobago Dollars)

12	<b>Cash in hand and balances at Central Bank of Trinidad and Tobago</b>	<b>2015</b> \$	<b>2014</b> \$
	Cash in hand	10,979	8,523
	Statutory deposit with Central Bank of Trinidad and Tobago	6,710,580	5,565,150
		<u>6,721,559</u>	<u>5,573,673</u>
13	<b>Due from other banks</b>		
	Placements with other Banks	38,365,512	33,669,396
		<u>38,365,512</u>	<u>33,669,396</u>
14	<b>Investment securities at fair value through profit or loss</b>		
	Government of Trinidad and Tobago debt securities	5,185,648	5,971,768
	Corporate bonds	1,912,504	1,835,654
	Quoted equity securities	4,041,637	8,256,750
	Unquoted equity securities	171,151	181,148
	Participation certificates	--	1,807,385
		<u>11,310,940</u>	<u>18,052,705</u>
	Allowance for impairment	(105,211)	(1,918,800)
		<u>11,205,729</u>	<u>16,133,905</u>
	Interest receivable	188,513	200,103
		<u>11,394,242</u>	<u>16,334,008</u>
	<b>Allowance for impairment</b>		
	Balance at beginning of year	(1,918,800)	(1,807,385)
	Decrease/ (increase) in impairment allowance	1,813,589	(111,415)
	Balance at the end of year	<u>(105,211)</u>	<u>(1,918,800)</u>

# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

15 Investment securities classified as available-for-sale	2015 \$	2014 \$
Debt securities		
Government of Trinidad and Tobago	3,359,829	3,425,625
Foreign governments	5,713,298	5,927,561
Corporate bonds	4,824,739	14,882,943
Mutual funds	--	4,539,325
	<u>13,897,866</u>	<u>28,775,454</u>
Interest receivable	219,423	470,015
<b>Total</b>	<u><u>14,117,289</u></u>	<u><u>29,245,469</u></u>
Current	--	5,009,340
Non-current	14,117,289	24,236,129
<b>Total</b>	<u><u>14,117,289</u></u>	<u><u>29,245,469</u></u>
<b>16 Reverse repurchase agreements</b>		
<p>The Company enters into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. All of the repurchase agreements have an original maturity date of less than 90 days and are backed either by Government or Corporate Debt Securities.</p> <p>During the year all the reverse repurchase agreements were redeemed.</p>		
Reverse Repurchase Agreements with an original maturity date of less than 90 days	--	844,719
	<u>                    </u>	<u>                    </u>
<b>17 Loans and advances</b>		
Instalment loans	33,511,666	11,967,428
Mortgage loans	14,846,531	3,708,515
Trade financing	291,374	291,374
Finance leases	10,208,251	8,779,467
	<u>58,857,822</u>	<u>24,746,784</u>
Provision for credit losses	(362,070)	(342,110)
	<u>58,495,752</u>	<u>24,404,674</u>
Interest receivable	147,468	27,195
	<u>58,643,220</u>	<u>24,431,869</u>
Current	24,153,228	3,708,561
Non-current	34,489,992	20,723,308
	<u><u>58,643,220</u></u>	<u><u>24,431,869</u></u>

# NCB Global Finance Limited

## Notes to the Financial Statements (continued) 30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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17	Loans and advances (continued)	2015 \$	2014 \$
	<b>Finance leases</b>		
	Not later than 1 year	596,293	346,969
	Later than 1 year and not later than 5 years	9,611,958	8,432,498
	Net investment in finance leases	<u>10,208,251</u>	<u>8,779,467</u>

The movement in the provision for credit losses is as follows:

Balance at beginning of year	342,110	508,862
Net provision/(recoveries) on credit losses	19,960	(166,752)
Balance at end of year	<u>362,070</u>	<u>342,110</u>
Specific provision	322,204	291,374
General provision	39,866	50,736
	<u>362,070</u>	<u>342,110</u>



# NCB Global Finance Limited

## Notes to the Financial Statements (continued) 30 September 2015

(Expressed in Trinidad and Tobago Dollars)

18	Intangible assets	Computer Software \$	Total \$
<b>Year ended 30 September 2015</b>			
	Net book value at beginning of year	102,421	102,421
	Additions	105,193	105,193
	Amortisation charge	(19,666)	(19,666)
	Reclassification and adjustments	(100,287)	(100,287)
	Net book value at end of year	<u>87,661</u>	<u>87,661</u>
	Cost	1,423,126	1,423,126
	Accumulated amortisation	<u>(1,335,465)</u>	<u>(1,335,465)</u>
	Net book value	<u>87,661</u>	<u>87,661</u>
<b>Year ended 30 September 2014</b>			
	Net book value at beginning of year	132,148	132,148
	Amortisation charge	<u>(29,727)</u>	<u>(29,727)</u>
	Net book value at end of year	<u>102,421</u>	<u>102,421</u>
	Cost	1,361,034	1,361,034
	Accumulated amortisation	<u>(1,258,613)</u>	<u>(1,258,613)</u>
	Net book value	<u>102,421</u>	<u>102,421</u>

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

# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

### 19 Property, plant and equipment

	Leasehold improvements	Furniture, equipment & motor vehicles	Total
	\$	\$	\$
<b>Cost</b>			
<b>At 01 October 2013</b>	4,142,690	2,402,003	6,544,693
Additions	--	2,750	2,750
Disposals/write offs	(4,142,690)	(334,960)	(4,477,650)
<b>At 30 September 2014</b>	--	2,069,793	2,069,793
Additions	--	954,225	954,225
Disposals/write offs	--	(86,396)	(86,396)
<b>At 30 September 2015</b>	--	2,937,622	2,937,622
<b>Accumulated depreciation</b>			
<b>At 01 October 2013</b>	3,604,389	1,660,676	5,265,065
Charge for the year	538,301	86,538	624,839
Disposals/write offs	(4,142,690)	(296,256)	(4,438,946)
<b>At 30 September 2014</b>	--	1,450,958	1,450,958
<b>Charge for the year</b>	--	105,086	105,086
Disposals/write offs	--	(79,104)	(79,104)
Reclassification and adjustments	--	569,412	569,412
<b>At 30 September 2015</b>	--	2,046,352	2,046,352
<b>Net book value</b>			
<b>30 September 2014</b>	--	618,835	618,835
<b>30 September 2015</b>	--	891,270	891,270

In the prior year, the Company relocated its head office to 68 Ariapita Avenue, Woodbrook. This resulted in the above write off of leasehold improvements done at the previous location.

# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

20	<b>Deferred income tax</b>	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
	Deferred tax at beginning of year	--	
	Deferred tax (credited) in the income statement (Note11)	(1,244,267)	--
	Deferred tax (credited) in fair value reserve	(152,334)	--
	Net asset at end of year	<u>(1,396,601)</u>	<u>--</u>
	Deferred income tax assets:		
	Property, plant and equipment	494,267	--
	Investment securities- available-for-sale	152,334	--
	Tax losses	750,000	--
	Net asset at end of year	<u>1,396,601</u>	<u>--</u>
	The amount recognised in the income statement was due to:		
	<b>Deferred income taxes</b>		
	Accelerated tax depreciation	494,267	
	Tax losses	750,000	--
		<u>1,244,267</u>	<u>--</u>

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. The Company has tax losses of \$64m (2014 - \$70.5m) to carry forward against future taxable income. These losses have not yet been agreed by the Board of Inland Revenue. As at September 2015, the Company limited its recognition of the deferred tax asset in respect of these losses to \$750,000 due to the uncertain timing of its recovery.

21	<b>Other assets</b>		
	Client balances	200,174	4,450,893
	Prepayments	170,747	20,634
	Intercompany receivables	--	146,246
	Other	345,552	126,168
		<u>716,473</u>	<u>4,743,941</u>



# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

22	<b>Customers' deposits</b>	<b>2015</b>	<b>2014</b>
		\$	\$
	Deposit balances	83,200,248	70,878,960
	Accrued interest	642,781	610,097
		<u>83,843,029</u>	<u>71,489,057</u>
23	<b>Other liabilities</b>		
	Client balances	1,465,079	331,778
	Accrued other operating expenses	939,008	373,750
	Intercompany payables	493,367	490,564
	Other	146,533	117,449
		<u>3,043,987</u>	<u>1,313,541</u>
24	<b>Share capital</b>		
	<b>Authorised</b>		
	An unlimited number of shares of no par value		
	<b>Issued and fully paid</b>		
	92,698,531 (2014:92,698,531) ordinary shares of no par value	<u>82,921,789</u>	<u>82,921,789</u>
25	<b>Statutory reserve fund</b>		

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 2015

(Expressed in Trinidad and Tobago Dollars)

26	<b>Adjustments to reconcile net profit to net cash provided by operating activities</b>	<b>Notes</b>	<b>2015 \$</b>	<b>2014 \$</b>
	Depreciation of property, plant and equipment	19	674,498	624,838
	Amortisation of intangible asset	18	119,953	29,727
	Impairment losses on securities	9	--	111,415
	Net provision/(recoveries) on credit losses	17	19,960	(166,752)
	Loss on write off on loans		73,845	23,485
	Interest income		(4,747,445)	(3,417,793)
	Interest expense		1,441,642	1,509,848
	Income tax (credit) expense		(1,193,542)	31,760
	Unrealised revaluation exchange (gain)/loss on investments		(177,544)	345,983
	Loss/ (gain) on disposal of property, plant and equipment		4,850	(35,000)
	Loss on write off of property plant and equipment		2,442	38,703
	Net impairment receivables/payables		348	(16,313)
	Net gain on disposal of financial assets		(1,369,387)	(42,033)
	Loss/ (gain) on investment securities at fair value through profit or loss		1,385,561	(840,150)
	<b>Changes in operating assets and liabilities:</b>			
	Increase in loans to customers		(34,111,038)	(6,708,559)
	Increase/(decrease) in customers' deposits		12,321,288	(2,933,109)
	Decrease in other assets		4,027,468	203,353
	Increase/(decrease) in other liabilities		1,730,447	(3,811,222)
	<b>Net cash used in operations</b>		(19,796,654)	(15,051,819)
	Interest received		4,889,810	3,333,524
	Interest paid		(1,408,958)	(1,677,113)
	Income taxes paid		(50,725)	(31,760)
			<u>(16,366,527)</u>	<u>(13,427,168)</u>

# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

### 27 Related party

	The parent & entities with significant influence over the entity		Directors and key management personnel (and their families)	
	2015 \$	2014 \$	2015 \$	2014 \$
<b>Loans and advances</b>				
Balance at 1 October	--	--	82,767	94,294
Issued during the year	--	--	817,380	42,000
Repayment during the year	--	--	(132,632)	(53,527)
Balance at 30 September	--	--	767,515	82,767
<b>Reverse repurchase agreements</b>				
Balance at 1 October	844,719	543,131	--	--
Net movement during the year	(844,719)	301,588	--	--
Balance at 30 September	--	844,719	--	--
<b>Other assets</b>	--	146,246	--	--
<b>Other liabilities</b>	493,367	490,564	--	--
<b>Interest income earned (reverse repo)</b>	2,260	8,031	--	--
<b>Other operating expenses</b>	490,115	765,182	--	--



# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 28 Financial risk management

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

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 2015

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### a. Credit risk (continued)

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

	2015 \$	2014 \$
<b>Credit risk exposures relating to on balance sheet assets are as follows:</b>		
Balances with Central Bank of Trinidad and Tobago	6,710,580	5,565,150
Due from other banks	38,365,512	33,669,396
Investment securities at fair value through profit or loss	7,286,665	8,007,525
Investment securities classified as available-for-sale	14,117,289	29,245,469
Reverse repurchase agreements	--	844,719
Loans and advances, net of provision for credit losses	58,643,220	24,431,869
	<u>125,123,266</u>	<u>101,764,128</u>

#### Credit risk

The credit quality of loans is summarised as follows:

Neither past due nor impaired	44,632,756	19,953,586
Past due but not impaired	13,779,542	4,501,824
Impaired	445,524	291,374
	<u>58,857,822</u>	<u>24,746,784</u>
Less: provision for credit losses	(362,070)	(342,110)
Net	<u>58,495,752</u>	<u>24,404,674</u>

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

Less than 30 days	2,368,273	2,197,833
31 to 60 days	2,839,237	--
61 to 90 days	8,248,726	606,392
Greater than 90 days	323,306	1,697,599
	<u>13,779,542</u>	<u>4,501,824</u>

Of the aggregate amount of gross past due but not impaired loans, \$13,743,851 was secured (2014 -\$4,496,086).

# NCB Global Finance Limited

## Notes to the Financial Statements (continued) 30 September 2015

(Expressed in Trinidad and Tobago Dollars)

### 28 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

	<b>2015</b>	<b>2014</b>
	<b>Loans and advances</b>	<b>Loans and advances</b>
	<b>\$</b>	<b>\$</b>
Agriculture	9,822,740	934,208
Central government	291,374	291,374
Construction and land development	1,933,744	1,001,799
Other financial institutions	1,545,808	1,047,018
Distribution	12,158,172	6,845,984
Manufacturing	11,467,977	1,684,564
Personal	8,113,859	9,151,934
Professional and other services	2,801,356	2,334,330
Tourism	2,234,267	621,869
Transportation, storage and communication	1,554,040	810,077
Other	6,934,485	23,627
	<u>58,857,822</u>	<u>24,746,784</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	8,545,477	9,397,393
Foreign government	5,713,299	5,927,561
Corporate	6,737,242	16,718,597
	<u>20,996,018</u>	<u>32,043,551</u>
Interest receivable	407,481	670,118
	<u>21,403,499</u>	<u>32,713,669</u>



# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 28 Financial risk management (continued)

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.

# NCB Global Finance Limited

## Notes to the Financial Statements (continued) 30 September 2015

(Expressed in Trinidad and Tobago Dollars)

### 28 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 2015

	Within 1 month	2 to 3 months	4 to 12 months	2 to 5 years	Over 5 years	Total
\$	\$	\$	\$	\$	\$	\$
<b>Liabilities</b>						
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
<b>Total financial liabilities (contractual maturity dates)</b>	<b>6,349,526</b>	<b>6,984,021</b>	<b>60,801,365</b>	<b>13,900,626</b>	<b>--</b>	<b>88,035,538</b>
<b>Assets held for managing liquidity risk</b>	<b>49,820,682</b>	<b>--</b>	<b>6,880,054</b>	<b>13,897,866</b>	<b>--</b>	<b>70,598,602</b>

#### As at 30 September 2014

	Within 1 month	2 to 3 months	4 to 12 months	2 to 5 years	Over 5 years	Total
\$	\$	\$	\$	\$	\$	\$
<b>Liabilities</b>						
Customers deposits	4,328,247	6,155,458	41,660,401	20,647,879	111,262	72,903,247
Due to related parties	490,564	--	--	--	--	490,564
Payables and accruals	822,977	--	--	--	--	822,977
<b>Total financial liabilities (contractual maturity dates)</b>	<b>5,641,788</b>	<b>6,155,458</b>	<b>41,660,401</b>	<b>20,647,879</b>	<b>111,262</b>	<b>74,216,788</b>
<b>Assets held for managing liquidity risk</b>	<b>52,883,864</b>	<b>--</b>	<b>--</b>	<b>8,856,380</b>	<b>23,187,170</b>	<b>84,927,414</b>

# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 28 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 2015

(Expressed in Trinidad and Tobago Dollars)

### 28 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 2015

	TTD \$	JMD \$	US\$ \$	CAN\$ \$	Other \$	Total \$
<b>Assets</b>						
Cash and balances at Central Bank of Trinidad and Tobago	6,721,559	--	--	--	--	6,721,559
Due from other banks	27,681,470	5,106	10,522,639	7,073	149,224	38,365,512
Investment securities – fair value through profit or Loss	5,823,573	65,941	5,504,728	--	--	11,394,242
Investment securities – available for sale	--	--	14,117,289	--	--	14,117,289
Loans and advances net of provision	49,585,222	--	9,057,998	--	--	58,643,220
Other	716,473	--	--	--	--	716,473
<b>Total assets</b>	<b>90,528,297</b>	<b>71,047</b>	<b>39,202,654</b>	<b>7,073</b>	<b>149,224</b>	<b>129,958,295</b>
<b>Liabilities</b>						
Customer deposits	(74,701,390)	--	(9,141,639)	--	--	(83,843,029)
Other	(3,043,988)	--	--	--	--	(3,043,988)
<b>Total liabilities</b>	<b>(77,745,378)</b>	<b>--</b>	<b>9,141,639</b>	<b>--</b>	<b>--</b>	<b>(86,887,017)</b>
<b>Net on-balance sheet position</b>	<b>12,782,919</b>	<b>71,047</b>	<b>30,061,015</b>	<b>7,073</b>	<b>149,224</b>	<b>43,071,278</b>

# NCB Global Finance Limited

## Notes to the Financial Statements (continued) 30 September 2015

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### c Market risk (continued)

##### (i) Currency risk (continued)

#### As at September 2014

#### Assets

Cash and balances at Central Bank of Trinidad and Tobago

Due from other banks

Investment securities – fair value through profit or loss

Reverse repurchase agreements

Loans and advances net of provision

Investment securities – available for sale

Other

**Total assets**

	TTD \$	JMD \$	US\$ \$	CAN\$ \$	Other \$	Total \$
Cash and balances at Central Bank of Trinidad and Tobago	5,573,673	--	--	--	--	5,573,673
Due from other banks	16,694,712	5,590	16,803,628	16,189	149,277	33,669,396
Investment securities – fair value through profit or loss	6,651,729	69,792	9,612,487	--	--	16,334,008
Reverse repurchase agreements	--	--	844,719	--	--	844,719
Loans and advances net of provision	23,121,786	--	1,310,083	--	--	24,431,869
Investment securities – available for sale	4,539,325	--	24,706,144	--	--	29,245,469
Other	4,743,941	--	--	--	--	4,743,941
<b>Total assets</b>	<b>61,325,166</b>	<b>75,382</b>	<b>53,277,061</b>	<b>16,189</b>	<b>149,277</b>	<b>114,843,075</b>

#### Liabilities

Customer deposits

Other

#### Total liabilities

#### Net on-balance sheet position

Customer deposits	(63,345,951)	--	(8,143,106)	--	--	(71,489,057)
Other	(1,313,541)	--	--	--	--	(1,313,541)
<b>Total liabilities</b>	<b>(64,659,492)</b>	<b>--</b>	<b>(8,143,106)</b>	<b>--</b>	<b>--</b>	<b>(72,802,598)</b>
<b>Net on-balance sheet position</b>	<b>(3,334,326)</b>	<b>75,382</b>	<b>45,133,955</b>	<b>16,189</b>	<b>149,277</b>	<b>42,040,477</b>

# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

### 28 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.

	% Change in currency rate	Effect on net profit	Effect on equity	% Change in currency rate		Effect on net profit	Effect on equity
				2015	2014		
		\$	\$			\$	\$
Currency:							
USD	4%	1,202,441	1,202,441	4%		1,348,457	1,348,457
USD	-10%	(3,006,102)	(3,006,102)	-10%		(3,371,142)	(3,371,142)



# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 28 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 2015

(Expressed in Trinidad and Tobago Dollars)

### 28 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 \$
<b>Assets</b>							
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
Investment securities – available for sale	--	--	--	--	13,897,866	219,423	14,117,289
Loans and advances net of provision	22,412	6,527,240	6,317,355	30,182,850	15,529,309	64,054	58,643,220
Other	--	--	--	--	--	716,473	716,473
<b>Total assets</b>	<b>38,606,249</b>	<b>6,527,240</b>	<b>6,317,355</b>	<b>37,062,904</b>	<b>29,427,175</b>	<b>12,017,372</b>	<b>129,958,295</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>3,497,596</b>	<b>6,888,088</b>	<b>59,610,415</b>	<b>13,204,149</b>	<b>--</b>	<b>3,686,769</b>	<b>86,887,017</b>
<b>On balance sheet interest sensitivity gap</b>	<b>35,108,653</b>	<b>(360,848)</b>	<b>(53,293,060)</b>	<b>23,858,755</b>	<b>29,427,175</b>		
<b>Cumulative interest sensitivity Gap</b>	<b>35,108,653</b>	<b>34,747,805</b>	<b>(18,545,255)</b>	<b>5,313,500</b>	<b>34,740,675</b>		

# NCB Global Finance Limited

## Notes to the Financial Statements (continued) 30 September 2015

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

c. *Market risk (continued)*

(ii) *Interest rate risk (continued)*

As at 30 September 2014:

	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>							
Cash and balances at Central Bank of Trinidad and Tobago	--	--	--	--	--	5,573,673	5,573,673
Due from other banks	33,669,396	--	--	--	--	--	33,669,396
Investment securities fair value through profit or loss	--	--	--	5,971,767	1,835,654	8,526,587	16,334,008
Reverse repurchase agreements	844,206	--	--	--	--	513	844,719
Loans and advances net of provision	6,007	5,738	3,696,816	16,271,316	4,445,193	6,799	24,431,869
Investment securities – Available For Sale	--	--	--	2,884,613	21,351,516	5,009,340	29,245,469
Other	--	--	--	--	--	4,743,941	4,743,941
<b>Total assets</b>	<b>34,519,609</b>	<b>5,738</b>	<b>3,696,816</b>	<b>25,127,696</b>	<b>27,632,363</b>	<b>23,860,853</b>	<b>114,843,075</b>
<b>Liabilities</b>							
Customers deposits	4,270,887	6,063,454	40,874,968	19,569,651	100,000	610,097	71,489,057
Other	--	--	--	--	--	1,313,541	1,313,541
<b>Total liabilities</b>	<b>4,270,887</b>	<b>6,063,454</b>	<b>40,874,968</b>	<b>19,569,651</b>	<b>100,000</b>	<b>1,923,638</b>	<b>72,802,598</b>
<b>On balance sheet interest sensitivity gap</b>	<b>30,248,722</b>	<b>(6,057,716)</b>	<b>(37,178,152)</b>	<b>5,558,045</b>	<b>27,532,363</b>		
<b>Cumulative interest sensitivity gap</b>	<b>30,248,722</b>	<b>24,191,006</b>	<b>(12,987,146)</b>	<b>(7,429,101)</b>	<b>20,103,262</b>		

# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

### 28 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 2015 \$	Effect on net equity 2015 \$	Effect on net profit 2014 \$	Effect on net equity 2014 \$
<b>Change in basis points</b>				
-200 bps	(694,814)	(694,814)	(402,065)	(402,065)
+200 bps	694,814	694,814	402,065	402,065

##### (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 2015 \$	Effect on net equity 2015 \$	Effect on net profit 2014 \$	Effect on net equity 2014 \$
<b>Percentage change in share price</b>				
10% decrease	(404,164)	(404,164)	(825,675)	(825,675)
10% increase	404,164	404,164	825,675	825,675



# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 28 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:

	2015 \$'000	2014 \$'000
Qualifying capital	45,488	42,813
Risk adjusted assets	68,476	55,148
Capital ratio	40.74%	33.43%

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%.

### 29 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 2015

(Expressed in Trinidad and Tobago Dollars)

### 29 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
	\$	\$	\$	\$
<b>As at 30 September 2015</b>				
<b>Financial assets</b>				
<b>Investment securities classified as available for sale</b>				
Government 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
	--	13,897,866	--	13,897,866
<b>Investment securities at fair value through profit or loss</b>				
Government of 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
	4,041,637	7,098,379	65,941	11,205,957
<b>As at 30 September 2014</b>				
<b>Financial assets</b>				
<b>Investment securities classified as available for sale</b>				
Government of Trinidad and Tobago debt securities	--	3,425,625	--	3,425,625
Foreign government debt securities	--	5,927,561	--	5,927,561
Corporate debt securities	--	14,882,943	--	14,882,943
Mutual funds	--	4,539,325	--	4,539,325
	--	28,775,454	--	28,775,454
<b>Investment securities at fair value through profit or loss</b>				
Government of Trinidad and Tobago debt securities	--	5,971,768	--	5,971,768
Corporate debt securities	--	1,835,654	--	1,835,654
Quoted equity securities	8,256,750	--	--	8,256,750
Unquoted equity securities	--	--	69,792	69,792
	8,256,750	7,807,422	69,792	16,133,964

# NCB Global Finance Limited

## Notes to the Financial Statements (continued)

30 September 2015

(Expressed in Trinidad and Tobago Dollars)

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### 29 Fair value of financial instruments (continued)

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

	2015	2014
	\$	\$
At start of year	69,792	200,617
Acquisitions	--	--
Foreign exchange gains recognised in arriving at net profit or loss	(3,851)	(19,410)
Impairment recognised	--	(111,415)
At end of year	<u>65,941</u>	<u>69,792</u>

### 30 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.

### 31 Capital commitments

The Company has no capital commitments.

### 32 Subsequent events

Management evaluated all events that occurred from October 1, 2015 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.