Financial Statements of

DEVELOPMENT FINANCE LIMITED

December 31, 2015
(Expressed in Thousands Trinidad and Tobago Dollars)

DEVELOPMENT FINANCE LIMITED

December 31, 2015

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KPMG

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Independent Auditors' Report to the shareholders of Development Finance Limited

We have audited the accompanying financial statements of Development Finance Limited (the Company), which comprise the statement of financial position as at December 31, 2015 and the statements of income, 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.

Auditors' 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 accompanying financial statements present fairly, in all material respects the financial position of Development Finance Limited as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants

February 15, 2016
Port of Spain
Trinidad and Tobago

DEVELOPMENT FINANCE LIMITED

Statement of Financial Position

December 31, 2015
(Expressed in Trinidad and Tobago Dollars)

	Notes	2015	2014
		$'000	$'000
ASSETS			
Cash and cash equivalents	7	72,652	63,084
Investment securities	8	207,755	180,509
Loans and advances to customers	9	119,393	105,301
Due from related parties	10	1,206	7,477
Computer software	11	85	93
Property and equipment	13	692	28,103
Other assets	14	1,983	3,910
Retirement benefit asset	15	26,014	28,571
Total assets		429,780	417,048
EQUITY AND LIABILITIES			
Equity			
Stated capital	16	136,639	136,639
Reserves	17	21,275	37,849
Retained earnings (accumulated deficit)		2,308	(30,420)
Total equity		160,222	144,068
Liabilities			
Debt securities	18	248,728	263,910
Customer's deposits	19	18,752	6,432
Other liabilities		2,078	2,638
Total liabilities		269,558	272,980
Total equity and liabilities		429,780	417,048

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

These financial statements have been approved for issue by the Board of Directors on February 15, 2016 and signed on its behalf by:

Director ____________ Director ____________

DEVELOPMENT FINANCE LIMITED

Statement of Income

Year ended December 31, 2015
(Expressed in Trinidad and Tobago Dollars)

	Notes	2015	2014
		$'000	$'000
Interest income	20	19,406	19,888
Interest expense	21	(9,696)	(10,833)
Net interest income		9,710	9,055
Fee and commission income		496	134
Fee and commission expense		(124)	(55)
Net fee and commission expenses		372	79
Other income	22	4,013	1,948
Revenue		14,095	11,082
Reversal of provision for impairment	23	15,716	11,660
Recoveries		270	719
General overheads and corporate expenses	24	(9,891)	(5,324)
Profit before taxation		20,190	18,137
Taxation	25	(40)	(26)
Profit after taxation		20,150	18,111

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

DEVELOPMENT FINANCE LIMITED

Statement of Comprehensive Income

Year ended December 31, 2015
(Expressed in Trinidad and Tobago Dollars)

	Note	2015	2014
		$'000	$'000
Profit after taxation		20,150	18,111
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit asset	15	(3,598)	196
Items that are or may be reclassified to profit or loss			
Unrealised gains on revaluation of available-for-sale investments		425	-
Other comprehensive income		(3,173)	196
Total comprehensive income for the year		16,977	18,307

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

DEVELOPMENT FINANCE LIMITED

Statement of Changes in Equity

Year ended December 31, 2015
(Expressed in Trinidad and Tobago Dollars)

	Ordinary Shares $'000	Preference Shares $'000	Statutory Reserves $'000	Revaluation Reserve $'000	Contingency for General Banking Risks $'000	Retained Earnings/ Accumulated Deficit $'000	Total $'000
Balance at December 31, 2014							
Balance at January 1, 2014	**90,039**	**46,600**	**16,424**	**19,014**	**600**	**(46,916)**	**125,761**
Transfer to Statutory Reserve	-	-	1,811	-	-	(1,811)	-
	90,039	46,600	18,235	19,014	600	(48,727)	125,761
Total comprehensive income for the year							
Profit after taxation	-	-	-	-	-	18,111	18,111
Other comprehensive income	-	-	-	-	-	196	196
Total comprehensive income for the year	-	-	-	-	-	18,307	18,307
Balance at December 31, 2014	90,039	46,600	18,235	19,014	600	(30,420)	144,068
Balance at December 31, 2015							
Balance at January 1, 2015	**90,039**	**46,600**	**18,235**	**19,014**	**600**	**(30,420)**	**144,068**
Transfer from Revaluation Reserve	-	-	-	(19,014)	-	18,191	(823)
Transfer to Statutory Reserve	-	-	2,015	-	-	(2,015)	-
	90,039	46,600	20,250	-	600	(14,244)	143,245
Total comprehensive income for the year							
Profit after taxation	-	-	-	-	-	20,150	20,150
Other comprehensive income	-	-	-	425	-	(3,598)	(3,173)
Total comprehensive income for the year	-	-	-	425	-	16,552	16,977
Balance at December 31, 2015	90,039	46,600	20,250	425	600	2,308	160,222

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

DEVELOPMENT FINANCE LIMITED

Statement of Cash Flows

Year ended December 31, 2015
(Expressed in Trinidad and Tobago Dollars)

	Note	2015	2014
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		20,190	18,137
Adjustments for non-cash items in operating activities	26	(35,160)	(21,864)
Cash flows before changes in operating assets		(14,970)	(3,727)
Change in loans and advances to customer		(12,741)	12,952
Change in related party balances		(61)	(16,536)
Change in other assets		24,795	11,143
Change in other liabilities		(560)	434
		11,433	7,993
Interest received		18,055	20,743
Interest paid		(8,118)	(9,317)
Taxation paid		(40)	(26)
		9,897	11,400
Net cash from operating activities		6,360	15,666
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(18,887)	(8,851)
Proceeds from sale of investment securities		91	7
Proceeds from sale of fixed assets		26,856	-
Additions to property and equipment and computer software		(413)	(305)
Net cash from (used in) investing activities		7,647	(9,149)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of debt securities		(4,439)	(26,168)
Net cash used in financing activities		(4,439)	(26,168)
Net increase (decrease) in cash and cash equivalents		9,568	(19,651)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		63,084	82,735
CASH AND CASH EQUIVALENTS AT END OF YEAR		72,652	63,084

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

1. General Information

Development Finance Limited (DFL or the Company) is an independent private limited liability company with the following shareholding:

DFL Caribbean Holdings Limited	0.50%
Minister of Finance (Corporation Sole)	49.75%
Maritime General Insurance Company Limited	33.17%
Maritime Life (Caribbean) Limited	16.58%

The address of the Company's registered office is 10 Cipriani Boulevard, Port of Spain.

The Company's principal activities are those of lenders, debt and equity capital market arrangers, securities dealers and financial advisors to commercial, corporate, industrial and sovereign entities in Trinidad and Tobago and the wider Caribbean region.

Development Finance Limited was incorporated as a private limited liability company in the Republic of Trinidad and Tobago and is registered under the Companies Act, 1995 and under the Securities Industry Act (2012) as a reporting issuer and an underwriter. The Company has been granted authorised dealer status under the Exchange Control Act and can accept deposits, grant credit facilities and otherwise deal in foreign currency as it is licensed under the Financial Institutions Act (FIA) 2008 to carry out the classes of business listed below:

i	acceptance/confirming house	ii	finance house
iii	leasing	iv	merchant banking
v	mortgage lending	vi	financial services.

2. Basis of Preparation

(a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Net defined benefit asset is measured as the fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 3(j).
- Investments in equity securities are stated at fair value through profit or loss.
- Available-for-sale financial assets are measured at fair value

2. Basis of Preparation (continued)

(c) Functional and presentation currency

Items included in the financial statements 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 Company's functional and presentation currency. Except as otherwise indicated, financial information presented has been rounded to the nearest thousand.

(d) Use of critical estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 5.

3. Significant Accounting Policies

The Company has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements.

(a) Foreign currency

Transactions denominated in foreign currencies are translated into the respective functional currencies at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3. **Significant Accounting Policies** (continued)

(a) ***Foreign currency*** (continued)

Foreign exchange differences 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 profit or loss.

(b) ***Financial instruments***

Financial instruments comprise balances with related parties, cash and cash equivalents, investment securities, loans and advances to customers, staff loans, EIB loans and debt securities.

(i) *Recognition and initial measurement*

The Company initially recognises loans and advances to customers, deposits and debt securities issued on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the settlement date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) *Classification*

Financial assets

The Company classifies its financial assets into one of the following categories:

- loans and receivables;
- held-to-maturity;
- available-for-sale; and
- fair value through profit or loss; and within this category as:
  - held for trading; or
  - designated at fair value through profit or loss.

Financial liabilities

The Company classifies its financial liabilities, including loan commitments, as measured at amortised cost or fair value through profit or loss.

3. **Significant Accounting Policies** (continued)

(b) Financial instruments (continued)

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of:

(i) the consideration received (including any new asset obtained less any new liability assumed); and

(ii) any cumulative gain or loss that had been recognized in other comprehensive income (OCI)

is recognised in profit or loss.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, or cancelled or expired.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3. **Significant Accounting Policies** (continued)

(b) Financial instruments (continued)

(vi) Fair value measurement (continued)

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably. (See Note 3(d)(ii): Classification of impaired loans).

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a Company of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In general, the Company considers a decline of 20% to be 'significant' and a period of nine months to be 'prolonged'. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

3. **Significant Accounting Policies** (continued)

(b) ***Financial instruments*** (continued)

(vii) Identification and measurement of impairment (continued)

The Company considers evidence of impairment for loans and advances and held-to-maturity investment securities at a specific asset level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses on assets measured at amortised cost are recognised in profit or loss and reflected in an allowance account against loans and advances and/or investment securities.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Company writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Board of Directors determines that there is no realistic prospect of recovery.

(viii) Designation at fair value through profit or loss

The Company has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 8 sets out the amount of each class of financial asset or financial liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

(c) ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at banks and other short-term highly liquid investments with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3. Significant Accounting Policies (continued)

(d) Loans and advances to customers

(i) Recognition

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments, other than investment securities, that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans and advances to customers are classified as loans and receivables. Loans and advances are initially measured at fair value plus incremental direct transaction costs and subsequent to initial recognition loans and advances are measured at amortised cost using the effective interest method.

(ii) Classification of impaired loans

A loan or any other financial asset is classified as impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact (that can be estimated reliably) on the future cash flows. An impaired loan is a loan where the outstanding amount of the loan (without loan loss provisions) is greater than its fair value measured on the basis of expected cash flows in accordance with the contracted terms of the loan.

Impairment indicates that it is probable that the lender will be unable to collect all amounts due according to the terms of the loan agreement. Unless the loan is fully secured by readily marketable collateral and there is objective evidence that provides reasonable assurance of timely repayment of principal and interest, the Company will determine whether there is objective evidence of an impairment loss by using the following criteria to determine that there is objective evidence of an impairment loss:

- Arrears of either principal or interest for more than 3 months (90 days)
- Indications of insolvency proceedings
- Un-resolved breaches in loan covenants
- Adverse economic conditions that correlate historically with defaults in the Company affecting a group of assets including deterioration in the value of collateral.

A loan that is in the process of collection may be classified separately in "Collateral-dependent loans" as it is not impaired if the collection process is intended to be irreversible and the loan is fully secured by readily marketable collateral that based on objective, independent evidence provides adequate assurance of recovery of the loan. The present value of the estimated future cash flows of a collateral dependent loan includes the cash flows that may result from the realisation of collateral, net of expenses.

3. Significant Accounting Policies (continued)

(d) Loans and advances to customers (continued)

(ii) Classification of impaired loans (continued)

Impaired loans may be reclassified as unimpaired based on events occurring after impairment was recognised that justify a reasonable expectation that payments of principal and interest will be made in a timely manner based on a detailed evaluation of the borrower's financial condition by Management and evidence that:

(a) Payment of all past due principal and interest has been received and none of the principal and interest is due and unpaid.

(b) Payments have been received regularly for a reasonable period of time and payments are expected to be made as scheduled.

Loans that are subject to impairment assessment and whose terms have been renegotiated in accordance with standard terms for new loans are no longer considered past due but are treated as new loans.

(iii) Loans with re-negotiated terms

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

3. **Significant Accounting Policies** (continued)

(d) Loans and advances to customers (continued)

(iv) Specific provision for loan losses

All loans are carried at amortised cost and where required are reduced to that amount by specific provisions for loan losses. Impaired loans are assessed annually at net realisable value discounted to present value based on the contracted loan rate and the expected receipts of regular and terminal cash flows. Statutory and other regulatory or probable loan loss or operational risk requirements, if any, which exceed the amount of specific provisions, are dealt with in the contingency for general banking risks.

(e) Investment securities

Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss or available-for-sale.

(i) Held-to-maturity

'Held-to-maturity investments' are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Company has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

3. **Significant Accounting Policies** (continued)

(e) ***Investment securities*** (continued)

(ii) Fair value through profit or loss

The Company designates the equity securities at fair value, with fair value changes recognised immediately in profit or loss.

Investment securities primarily comprise government bonds and other registered securities that are being held-to-maturity. A portion of investment securities is set aside within Bond Redemption Fund to provide for partial redemption of bonds issued by the Company up to 2030. These securities are managed by Trustees by way of Trust Deeds and are not available for other use by the Company.

(iii) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

(f) ***Property and equipment***

Land and buildings are shown at fair value less subsequent depreciation for buildings. The fair value is based on periodic valuations by external independent valuers at least every 5 years, or earlier, if there is an indication of significant changes in market value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

3. Significant Accounting Policies (continued)

(f) Property and equipment (continued)

All other property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. 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. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Leasehold land is shown at cost. The initial term of the lease was 199 years.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the profit and loss. Revaluation surpluses are transferred directly to retained earnings upon derecognition of the respective asset.

Land is not depreciated. Depreciation on other assets is computed on the reducing balance method over the estimated useful lives of the related assets at the following rates:

Building	-	2%
Furniture and equipment	-	12½ % - 25%.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

(g) Computer software

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. The amortisation of computer software is computed on the reducing balance method over the estimated useful lives of the related assets at the rate of 25%. Amortisation methods, useful lives and residual values of assets are reviewed and adjusted if appropriate at each reporting date.

3. Significant Accounting Policies (continued)

(h) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Debt securities

Debt securities are the Company's source of debt funding. Debt securities are initially measured at fair value minus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss.

Preference shares with mandatory redemptions are classified as a financial liability and are reported at fair value through profit or loss. The Company's preference shares are included in equity.

(j) Employee benefits

Retirement benefits for employees are provided by a defined benefit scheme, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by contributions from the Company and the employees taking account the recommendations of independent qualified actuaries.

(i) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

3. **Significant Accounting Policies** (continued)

(j) ***Employee benefits*** (continued)

(i) *Defined benefit plans* (continued)

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(ii) *Other long-term employee benefits*

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(iii) *Termination benefits*

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

3. Significant Accounting Policies (continued)

(j) Employee benefits (continued)

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Defined contribution plan

The Company also operates a defined contribution pension plan which covers employees employed during 2015. The Company's contribution expense in relation to this plan for the year amounts to $70,685 (2014: NIL).

(k) Other assets and liabilities

Other assets and liabilities, not classified as financial instruments, are initially recognised and subsequently measured at amortised cost in the statement of financial position with relevant costs recognised in profit or loss.

(l) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability and is not revised subsequently. When calculating the effective interest rate, the Company estimates the future cash flows considering all contractual terms of the financial instrument, but not the future credit losses.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Interest income is recognised on an accrual basis in the period in which it is due and in accordance with the underlying loan contract terms and conditions except for loans classified as impaired or for loans classified as non-accrual when in management's judgment there was a deterioration in credit quality that if continued would lead to impairment.

Interest income and expenses presented in the statement of income include interest on financial assets and liabilities measured at amortised cost calculated on an effective interest basis.

3. **Significant Accounting Policies** (continued)

(m) Fees and commissions

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, fund management fees, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expense relate mainly to transactions and service fees which are expensed as the services are received.

(n) Taxation

The Company is exempt from taxation under the Corporation Tax Act, Chapter 75.02 as amended. However, the Company is required to pay Green Fund Levy which is disclosed as taxation in the statement of income.

(o) Dividends

Dividends are recognised as a liability in the financial statements in the period in which the dividends are approved by the Board of Directors.

(p) New standards or amendments and forthcoming requirements

(i) New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on or after January 1, 2015:

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not material.

- 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.

3. Significant Accounting Policies (continued)

(p) New standards or amendments and forthcoming requirements (continued)

(ii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, although they are not mandatory until a later period, and have not been applied in preparing these financial statements. Those that may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

- IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

  IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

  The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

  Given the nature of the Company's operations, this standard is expected to have a pervasive impact on the Company's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

- IFRS 15 *Revenue from Contracts with Customers*

  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

  IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2017, with early adoption permitted

  The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

3. Significant Accounting Policies (continued)

(p) New standards or amendments and forthcoming requirements (continued)

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(q) Contingency for general banking risks

The contingency for general banking risks is an appropriation of retained earnings that is not available for distribution to shareholders.

4. Financial Risk Management

Introduction and overview

The Company's Mission, and the characteristics of the economies in which it operates, makes credit concentrations unavoidable, in particular, risk inherent in small and medium-sized enterprises (SME risk). Capital risk management is a critical component of financial soundness and cost of capital.

The Company has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risk.

This note presents information about the Company's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Board of Directors ensures that suitably qualified management and senior staff review and implement the Company's risk management policies that are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits and report to the Board of Directors which has overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Company's Audit and Risk Committee oversees responsibility for risk management, reviews the adequacy of the risk management framework in relation to the risks faced by the Company and reports to the Board on compliance with the Company's risk management policies and procedures.

4. Financial Risk Management (continued)

Risk management framework (continued)

(i) Small and medium sized enterprises (SME) risk

The Company's risk profile is elevated because its loans are mainly in small and medium-sized enterprises (SME). These are vulnerable to interruptions in the supply chain due to transport facilities, weather, utilities, licensing regimes and natural disasters such as hurricanes and flooding as well as changes in customer preferences due to global influences and variable household incomes. Cash flow is often affected by the slow receipt of receivables from larger entities, including Governments.

This risk is highly correlated with "Country risk" in terms of governance, economic conditions and the operation of markets. The correlation between SME risk and Country risk arises from the inability of some Caribbean countries to increase competitiveness due to delays in improving infrastructure, in delivering appropriately trained entrants to the work force and in creating conditions that allow markets to function effectively. This reduces sustained access by SME to markets and operating finance.

The Company manages "Country risk" (as defined above) using conventional country assessments to provide country ratings that are indexed to its assessment of its home country. This relative risk rating provides a loan pricing scale.

(ii) Credit risk management

The Company's Board is responsible for managing credit risk along with the Chief Executive Officer who is responsible for implementing the credit and risk management policy approved by the Board which relies on oversight by the Board's Audit and Risk Committee. Specific management measures include:

- Ensuring that suitably qualified staff is adequately trained in various aspects of credit risk management and providing advice, guidance and specialist skills and training to business units to promote sound techniques and practices.

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

- The authorisation structure for the approval of credit and related decisions.

- Limitation of credit concentrations, industry and country risk exposure and reviewing compliance of business units with agreed exposure limits and the credit quality of local portfolios and ensuring that appropriate corrective action is taken where required.

4. **Financial Risk Management** (continued)

Risk management framework (continued)

(ii) Credit risk management (continued)

- Developing and maintaining the Company's risk rating and pricing systems and its procedures for determining impairment loss.

Credit risk in the Company refers mainly to "Business enterprise risk" which is the probability that an enterprise might fail and not be able to meet its obligations because of poor management or poor judgment or inadequate execution of plans.

Management deals with that risk as follows:

- Management evaluates business proposals using a three-tiered approach that centers on the business enterprise, the environment in which it will operate and the likely effects of global factors related to the industry and to the enterprise as well as reassessment of Key Success Factors and credit criteria. The results of the evaluations and management's insights and judgements provide inputs for a risk rating model that takes Country Risk into account. The model centers on a normal risk threshold. There are two ratings above this level and two ratings below. The score explicitly takes into account likely loss given default based on exposure at default. Loan pricing is based on the risk level which is a composite rating of Enterprise, Industry and Country risk. Results based on scores that are higher than statistically derived normal ranges are subject to independent review.

- Management monitors "Business enterprise risk" by regularly reviewing the performance of companies in its portfolio.

- The Company's credit risk is managed primarily at source by the Management and reviewed by Board and monitored through the Enterprise Risk Management framework managed by senior management.

- DFL has its own internal self-assessment and risk management controls. Loan operations and loan management services are segregated from loan origination and enterprise appraisal responsibilities.

(a) Restructured loans

Loans that are temporarily impaired may be re-scheduled or re-structured when sources of payment are identified and the enterprises are re-structured to remove the causes of loan impairment thus improving viability. Loans that are re-scheduled or re-structured are not impaired loans.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk management (continued)

(a) Restructured loans (continued)

Loans that have been re-structured on concessionary terms resulting in an impairment loss are classified separately as "Loans with re-negotiated terms". Concessionary terms refer to extended capital repayment periods with a moratorium on capital repayment. These concessions may sometimes create an impairment loss unless the interest rate is adjusted to increase the effective interest and maintain the fair value of the loan. Any significant changes in these exposures that arise from abnormal risk during the year or any change in the methods used to measure risk in these exposures are disclosed and reported separately.

(b) Credit concentration risk

A risk concentration refers to aggregate exposure to any group of counterparties having similar characteristics that would cause their ability to meet contractual obligations to be affected by similar events including changes in market, industry or economic or other conditions.

While concentrations can improve yields, such aggregate exposure could produce losses large enough to threaten the financial soundness of the Company. Accordingly, concentration of risk in the loan portfolio is measured in terms of capital and reserves. The probability of incidence and likely impact arising from risk concentrations are both variable and uncertain especially since most of its loans and investments are long term. Risk concentrations are unavoidable because of the structure, size and characteristics of Caribbean economies and the limitations of small and medium-sized enterprises.

The Company's concentration risk management strategy includes the following measures:

1. Identification of likely areas of concentration and assessment of the joint probabilities of default using suitable methodologies and data, where available, and appropriate judgment based on reasonableness in the light of experience.

4. **Financial Risk Management** (continued)

Risk management framework (continued)

(ii) Credit risk management (continued)

(b) Credit concentration risk (continued)

2. The Board approves aggregate credit limits, in terms of capital and reserves, based on objective criteria and analyses regarding:

    a. Significant exposures to an individual counterparty or group of related counterparties;

    b. Credit exposures to counterparties in the same economic or industry sector;

    c. Credit exposures within the same national economies

3. Establishment of appropriate capital structures and risk-sharing arrangements to carry on lending and investment operations in national economies that have vulnerabilities or resource constraints.

4. The Company's technical capability and availability of resources to manage its traditional portfolio concentration are reviewed periodically, including access to industry-specific expertise.

5. Sectors or industries that have an intrinsic probability of default above average are subject to a specific regime of risk management approved by the Board. The tourism industry falls into this class. The regime of risk management in the tourism industry refers mainly to hotels and includes the following measures:

    a. A risk management framework identifies the types of risk and sets out internal procedures for the origination and management of hotel loans including the segregation of duties internally and the use of industry consultants.

    b. A hotel risk model is used to express loan limits on a "per room" basis related to the class of hotel, current room revenue and occupancy rates and debt service ratios.

    c. The tourism portfolio limit for periods in excess of one year is set at the lower of 33% of total assets and 67% of the Total Loan Portfolio.

    d. Initial loan-to-value ratios are based on specific country regulations and business practices that affect recovery rates on impaired assets.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk management (continued)

(b) Credit concentration risk (continued)

The following table shows that tourism continues to constitute a major economic sector risk concentration in the loan portfolio but the Company has sought to balance its portfolio by increasing advances in the industrial and commercial services sector.

	2015		**2014**	
	$'000	%	$'000	%
Manufacturing	7,179	6	7,821	8
Tourism	26,883	23	55,225	52
Real estate	36,323	30	1,423	1
Industrial and commercial services	49,008	41	40,832	39
Total outstanding	119,393		105,301	

(c) Geographical concentrations of assets and liabilities

	As at December 31, 2015			
	Total Assets		**Total Liabilities**	
	$'000	%	$'000	%
Trinidad and Tobago	322,241	75	211,514	79
Eastern Caribbean	29,219	7	11,968	4
Guyana and Suriname	15,644	4	-	0
European Union	27,310	6	46,075	17
Other	35,366	8	1	0
Total	429,780		269,558	

4. **Financial Risk Management** (continued)

Risk management framework (continued)

(ii) ***Credit risk management*** (continued)

(c) *Geographical concentrations of assets and liabilities* (continued)

	As at December 31, 2014			
	Total Assets		**Total Liabilities**	
	$'000	%	$'000	%
Trinidad and Tobago	309,886	74	199,519	73
Eastern Caribbean	15,566	4	15,046	6
Guyana and Suriname	24,554	6	-	-
European Union	27,427	7	58,415	21
Other	39,615	9	-	-
Total	417,048		272,980	

	2015	2014
	$'000	$'000
Sectoral analysis of loan commitments		
Industrial and commercial services	4,914	6,881
Total outstanding	4,914	6,881

4. Financial Risk Management (continued)

(ii) Credit risk management (continued)

(d) Credit quality analysis

	Loans and Advances to Customers		Investment Securities	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Carrying amount	119,393	105,301	207,755	180,509
Individually impaired				
Gross amount	44,450	93,585	-	-
Allowance for impairment	(21,070)	(44,142)	-	-
Carrying amount	23,380	49,443	-	-
Past due but not impaired				
Carrying amount	28,457	23,065	-	-
Past due comprises:				
30-60 days	21,955	13,230	-	-
60-90 days	107	2,365	-	-
90-180 days	1,500	688	-	-
180 days +	4,895	6,782	-	-
Carrying amount	28,457	23,065	-	-
Neither past due nor impaired				
Carrying amount	67,556	32,793	207,755	180,509

Maximum credit exposure

All loans and advances to customers and investment securities are measured at amortised cost.

4. **Financial Risk Management** (continued)

(ii) ***Credit risk management*** (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

The maximum exposure to credit risk in the Company (loans plus commitments) at December 31, 2015 without taking account of any collateral held or other credit enhancements was $403 million (2014: $388 million).

Collateral held as security generally includes charges on freehold property and equipment.

Loans that were neither past due nor impaired as at December 31, 2015 amounted to 56% of the total portfolio (2014: 31%).

Loans past due but not impaired as at December 31, 2015 amounted to 24% of the total portfolio (2014: 22%).

In addition to the above, the Company had entered into lending commitments of $4.9 million (2014: $6.9 million) with counterparties.

The Company has not issued any financial guarantee contracts in respect of debtors. The maximum amount payable by the Company, assuming all guarantees are called on, is NIL (2014: NIL).

Impaired loans and investment debt securities

The Company regards loans and advances or investment debt securities as impaired in the following circumstances:

- There is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset such that it does not expect to collect all principal and interest due according to the contractual terms of the loan/investment security agreement(s).

- A loan is overdue for 90 days or more. Impaired loans and advances are in 90 days and over category in the Company's internal credit risk grading system.

4. **Financial Risk Management** (continued)

(ii) ***Credit risk management*** (continued)

(d) Credit quality analysis (continued)

Past due but not impaired loans and investment debt securities

Past due but not impaired loans and investment debt securities, other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but the Company believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Company.

Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3 (d)(iii).

The Company renegotiates loans to customers in financial difficulties (referred to as 'restructuring activities') to maximize collection opportunities and minimize the risk of default. Under the Company's restructuring loan policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the loan restructuring policy. Restructured loans are reported to the Audit and Risk Committee along with the non-performing loans.

For the purposes of disclosures in these financial statements, 'loans with renegotiated terms' are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Company has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Company had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, earlier repayment or until it is written off.

4. **Financial Risk Management** (continued)

(ii) ***Credit risk management*** (continued)

(d) Credit quality analysis (continued)

Loans with renegotiated terms (continued)

Irrespective of whether loans with renegotiated terms have been derecognised or not, they remain disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

In respect of some of these loans the Company has made concessions that it would not otherwise consider. During 2015, there were no loans with renegotiated terms or a loan which was re-scheduled or restructured (2014: 1 loan).

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be impaired when there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Allowances for impairment

The Company establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan and investment debt security portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortised cost. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Write-off policy

The Company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the Board of Directors determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

The Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

4. Financial Risk Management (continued)

(ii) Credit risk management (continued)

(d) Credit quality analysis (continued)

Write-off policy (continued)

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral usually is not held against investment securities, and no such collateral was held at December 31, 2015 (2014: no collateral held).

An estimate made at the time of borrowing of the fair value of collateral and other security enhancements held against loans and advances to customers is $434 million (2014: $555 million).

Details of financial and non-financial assets obtained by the Company during the year by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements and held at the year ended December 31, 2015 is NIL (2014: NIL).

The Company's policy is to pursue timely realisation of the collateral in an orderly manner. The Company generally does not use the non-cash collateral for its own operations.

(e) Offsetting financial assets and liabilities

There were no financial assets and liabilities offset during the year (2014: NIL).

(iii) Operational risk

Operational risk refers to the probability of financial loss from causes associated with the functioning of the Company's business processes, personnel, technology and infrastructure and also from external factors other than credit, market and liquidity risks. Operational risk is an inevitable consequence of the execution of the Company's business processes.

The management of operational risk involves making appropriate judgments that balance risk and return by taking positive measures and instituting controls to avoid financial losses and damage to the Company's reputation while maintaining overall cost effectiveness.

The Company employs an overall system management approach to maintain a culture of integrity, diligence and alertness while avoiding control procedures that restrict initiative and creativity. This requires a commitment by senior management to openness and honesty and to the implementation of controls designed to address operational risk.

4. **Financial Risk Management** (continued)

(iii) Operational risk (continued)

This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Adherence to business philosophies and corporate values;
- Compliance monitoring and reporting;
- Internal self-assessment and operational reviews;
- Reporting and analysis of operational losses including "near misses";
- Training and professional development in internal control systems and procedures;
- Development of contingency plans;
- Segregation of duties in critical aspects of loan management, information systems and expense control including the independent authorisation of transactions and access to systems; and
- Independent investigations by senior managers with professional experience in relevant fields.

Compliance with standards is supported by Board overview of a programme of systematic, periodic assessment of areas of likely operational risks identified and prioritised by management responsible for Enterprise Risk Management and by internal audit (outsourced). The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit and Risk Committee and senior management.

(iv) Risk related to use of financial instruments

(a) Interest rate risk

Interest rate risk is the risk of loss from fluctuations in future cash flows or fair values of financial instruments because of a change in market interest rates.

Interest rate management

Movements in interest rates may adversely or positively affect net interest income which is the difference between interest income and the cost of funding. This risk is mitigated by matching interest rates on assets with interest rates on corresponding liabilities.

4. **Financial Risk Management** (continued)

(iv) ***Risk related to use of financial instruments*** (continued)

(a) ***Interest rate risk*** (continued)

Interest rate management (continued)

Generally, these rates are coordinated by standard asset liability management practices. However this may be altered because of strategy or circumstances. In particular, the Company is exposed to interest rate risk because of movements in interest rates and:

a. differences in the times at which interest rate movement occur (Timing risk);
b. uncorrelated changes in interest rate indices (Index risk); and
c. fixed income debt in US$ on-lent at floating rates (Basis risk).

The following table summarises carrying amounts of assets and liabilities on the statement of financial position, in order to arrive at the Company's interest rate gap on the earlier of contractual repricing or maturity dates:

2015

	Due on Demand	Due in One Year	Due in Two to Five Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Assets					
Cash and cash equivalents	72,652	-	-	-	72,652
Investment securities	-	43,795	86,437	77,523	207,755
Loans and advances to customers	1,939	65,461	1,939	50,054	119,393
Due from related parties	-	1,206	-	-	1,206
Other assets	-	463	-	1,520	1,983
	74,591	110,925	88,376	129,097	402,989
Liabilities					
Debt securities	-	233,848	14,880	-	248,728
Customers' deposits	-	16,972	1,780	-	18,752
Other liabilities	-	2,078	-	-	2,078
	-	252,898	16,660	-	269,558
Net gap	74,591	(141,973)	71,716	129,097	133,431
Cumulative gap	74,591	(67,382)	4,334	133,431	-

4. **Financial Risk Management** (continued)

(iv) ***Risk related to use of financial instruments*** (continued)

(a) Interest rate risk (continued)

Interest rate management (continued)

2014

	Due on Demand	**Due in One Year**	**Due in Two to Five Years**	**Over 5 Years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Cash and cash equivalents	57,650	5,434	-	-	63,084
Investment securities	-	37,547	82,423	60,539	180,509
Loans and advances to customers	-	76,997	-	28,304	105,301
Due from related parties	-	7,477	-	-	7,477
Other assets	-	3,910	-	-	3,910
	57,650	131,365	82,423	88,843	360,281
Liabilities					
Debt securities	-	(242,090)	(21,820)	-	(263,910)
Customers' deposit	-	(6,414)	(18)	-	(6,432)
Other liabilities	-	(2,638)	-	-	(2,638)
	-	(251,142)	(21,838)	-	(272,980)
Net gap	57,650	(119,777)	60,585	88,843	87,301
Cumulative gap	57,650	(62,127)	(1,542)	87,301	-

4. Financial Risk Management (continued)

(iv) Risk related to use of financial instruments (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management

The objective is to ensure that adequate funding is in place to meet its planned portfolio growth requirements, while managing holding costs and interest rate exposures. The Company will maintain minimum liquidity levels.

This is effectively managed by primarily matching long-term borrowings to the bond redemption funds which secure floating rate bonds and also, by new loan disbursements, arranging fixed deposits and maintaining tertiary lines of liquidity where feasible.

The following represents the Company's asset and liability maturity profile highlighting separately the short term of 12 months and less. The profile reflects the Company's business as a long term lender.

As at December 31, 2015

	Carrying Value $'000	*Gross Nominal Inflow (Outflow) $'000	1 to 12 Months $'000	1 to 5 Years $'000	5 to 10 Years $'000	Over 10 Years $'000
Cash and cash equivalents	72,652	72,652	72,652	-	-	-
Investment securities	207,755	284,307	19,658	176,562	55,556	32,531
Loans and advances to customers	119,393	192,219	19,860	55,971	77,551	38,837
Due from related parties	1,206	1,206	1,206	-	-	-
Other assets	1,983	1,983	1,983	-	-	-
Debt securities	(248,728)	(275,154)	(20,561)	(237,982)	(16,611)	-
Customers' deposits	(18,752)	(18,929)	(17,148)	(1,781)	-	-
Other liabilities	(2,078)	(2,078)	(2,078)	-	-	-
Net gap	133,431	256,206	75,572	(7,230)	116,496	71,368

* Undiscounted cash flows include estimated interest payments.

4. Financial Risk Management (continued)

(iv) Risk related to use of financial instruments (continued)

(b) Liquidity risk (continued)

Liquidity risk management (continued)

As at December 31, 2014

	Carrying Value $'000	*Gross Nominal Inflow (Outflow) $'000	1 to 12 Months $'000	1 to 5 Years $'000	5 to 10 Years $'000	Over 10 Years $'000
Cash and cash equivalents	63,084	63,084	63,084	-	-	-
Investment securities	180,509	270,923	17,104	120,555	107,458	25,806
Loans and advances to customers	105,301	155,745	22,863	64,844	68,038	-
Due from related parties	7,477	7,477	7,477	-	-	-
Other assets	3,910	3,910	3,910			
Debt securities	(263,910)	(313,325)	(32,920)	(222,651)	(57,754)	-
Customers' deposits	(6,432)	(6,527)	(6,527)	-	-	-
Other liabilities	(2,638)	(2,638)	(2,638)	-	-	-
Net gap	87,301	178,649	72,353	(37,252)	117,742	25,806

* Undiscounted cash flows include estimated interest payments.

(c) Foreign currency risk

The reporting currency of the Company is the Trinidad and Tobago dollar. The aggregate amount of assets and liabilities denominated in the respective currencies are as follows:

	2015					
	TT $'000	**US $'000**	**EURO $'000**	**GBP $'000**	**GUY $'000**	**Total $'000**
Assets	248,322	178,282	-	2,381	795	429,780
Liabilities	(186,545)	(77,500)	(5,513)	-	-	(269,558)
Net assets	61,777	100,782	(5,513)	2,381	795	160,222

4. **Financial Risk Management** (continued)

(iv) ***Risk related to use of financial instruments*** (continued)

(c) Foreign currency risk (continued)

	2014					
	TT $'000	**US $'000**	**EURO $'000**	**GBP $'000**	**GUY $'000**	**Total $'000**
Assets	247,650	166,014	-	2,440	944	417,048
Liabilities	(174,770)	(90,176)	(8,034)	-	-	(272,980)
Net assets	72,880	75,838	(8,034)	2,440	944	144,068

The management of foreign currency risk against exchange gap limits is not further supplemented by monitoring the sensitivity of the possible impact on net profits before tax and on equity of fluctuations of the US dollar foreign exchange rate relative to the TT dollar.

(d) Capital risk management

The Company's capital risk management policies seeks to achieve several objectives:

- Compliance with capital requirements as set by the Central Bank of Trinidad and Tobago
- Ensure the Company's ability to continue as a going concern
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Company's management. The Company employs techniques derived from the guidelines developed by the Basel Committee on Banking Supervision - Basel I 1998 Capital Accord as implemented by the Central Bank of Trinidad and Tobago. The required information is filed with the regulatory authority on a monthly basis.

4. Financial Risk Management (continued)

(iv) Risk related to use of financial instruments (continued)

(d) Capital risk management (continued)

The following table summarises the composition of regulatory capital and the ratios for the Company as at December 31, 2015. The Company has complied with all the externally imposed capital requirements to which it is subject.

	2015 $'000	2014 $'000
Total risk adjusted assets	270,369	293,890
Total core capital	143,071	106,147
Allowable supplementary capital	17,151	37,921
Qualifying capital	160,222	144,068
Capital ratios		
- Core capital to total risk adjusted assets	52.92%	36.12%
- Total qualifying capital to total risk adjusted	59.26%	49.02%

5. Use of Estimates and Judgments

Management discusses with the Audit and Risk Committee the development, selection and disclosure of the Company's critical accounting policies and their application and assumptions made relating to major estimation uncertainties.

(a) Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(b)(vii) and 3(d)(ii).

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the credit risk function.

5. **Use of Estimates and Judgments** (continued)

   (b) Critical accounting judgments made in applying the Company's accounting policies

   Determining fair values

   The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(b)(vi). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on expected cash flows based on recent history, uncertainty of market factors and other risks affecting the specific instrument.

6. **Fair Value of Financial Instruments**

   The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

   (a) Valuation models

   The Company's accounting policy on fair value measurements is discussed in accounting policy 3(b)(vi).

   The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

   Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

   Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

   Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

6. Fair Value of Financial Instruments (continued)

(b) Financial instruments measured at fair value – fair value hierarchy

The following financial instruments were measured at fair value:

	Level 1	Level 2	Level 3	Fair Value
	$'000	$'000	$'000	$'000
As at December 31, 2015				
Equity securities	3,726	-	-	3,726
Bonds	19,350	-	-	19,350
	23,076	-	-	23,076
As at December 31, 2014				
Equity securities	3,829	-	-	3,829

(c) Financial instruments not measured at fair value

The table below shows the financial assets and liabilities not measured at fair value and analyses them by the level in the fair value hierarchy into which the fair value measurement is categorized. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level 1	Level 2	Level 3	Fair Value	Total Carrying Amount
	$'000	$'000	$'000	$'000	$'000
As at December 31, 2015					
Assets					
Investment securities	182,622	-	-	182,622	182,971
Loans and advances to customers	-	-	147,509	147,509	119,393
Liabilities					
Debt securities	-	(248,728)	-	(248,728)	(248,728)
Customers' deposits	(18,752)	-	-	(18,752)	(18,752)
As at December 31, 2014					
Assets					
Investment securities	182,377	-	-	182,377	175,518
Loans and advances to customers	-	-	152,587	152,587	105,301
Liabilities					
Debt securities	-	(263,910)	-	(263,910)	(263,910)
Customers' deposits	(6,432)	-	-	(6,432)	(6,432)

6. **Fair Value of Financial Instruments** (continued)

(c) ***Financial instruments not measured at fair value*** (continued)

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes interest rates and prepayment rates. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include information obtained from other market participants, which includes observed primary and secondary transactions.

The fair value of debt securities is estimated using discounted cash flow techniques, applying the rates that are offered for debt securities of similar maturities and terms.

The fair value of cash and cash equivalents is the amount payable at the reporting date.

	2015 $'000	2014 $'000
7. Cash and Cash Equivalents		
Cash and balances with banks:		
- Local currency	18,476	25,351
- Foreign currency	54,176	32,299
Short-term deposits:		
- Foreign currency	-	5,434
	72,652	63,084
8. Investment Securities		
Held-to-maturity (a)	182,971	175,518
Available-for-sale (b)	19,350	-
At fair value through profit or loss (c)	3,726	3,829
	206,047	179,347
Accrued interest	1,708	1,162
	207,755	180,509
(a) Held-to-maturity		
Government bonds	13,098	9,760
State-owned entities securities	17,513	27,063
Corporate bonds	152,360	138,695
	182,971	175,518

8. Investment Securities (continued)

(a) Held-to-maturity (continued)

Bond redemption funds

Bond redemption funds of $119,150 (2014: $110,697) secure the floating rate bonds (Note 18) and are invested in local securities issued by the Government of the Republic of Trinidad and Tobago and deposit certificates issued by local commercial banks and other various investments. These funds are managed by the various Trustees for the several Bond Issues and are to be used exclusively for the redemption of specific bonds.

	2015	2014
	$'000	$'000
(b) Available-for-sale		
Government bonds	5,543	-
State-owned entities securities	2,133	-
Corporate bonds	11,674	-
	19,350	-
(c) At fair value through profit or loss		
Equities	3,726	3,829

9. Loans and Advances to Customers

	2015	2014
Principal	140,162	148,589
Provision for loan losses	(21,070)	(44,142)
	119,092	104,447
Accrued interest	301	854
	119,393	105,301
Movement in provision for loan losses		
Balance at beginning of year	44,142	48,136
Write-offs	(7,078)	(5,557)
Specific provision made during the year (Note 23)	334	1,563
Provisions no longer required (Note 23)	(16,328)	-
Balance at end of year	21,070	44,142

There was no collective impairment during the year (2014: NIL).

10. Related Party Transactions

(a) Identity of related parties

The Company has a related party relationship with its affiliates, subsidiary, directors, key management personnel and their immediate relatives.

	2015	2014
	$'000	$'000
(b) Related party balances		
Due from related parties	1,206	7,477

These amounts are analysed as follows:

	2015	2014
Due from		
CDN Management Services Limited (a)	508	502
DevCap Fund Management Limited (b)	2,725	2,725
Cipriani Properties Limited (c)	-	6,277
	3,233	9,504
Provision for impairment	(2,027)	(2,027)
	1,206	7,477

	2015	2014
Movement in provision for loan losses		
Balance at beginning of year	2,027	39,487
Provisions no longer required (Note 23)	-	(13,223)
Write offs	-	(24,237)
Balance at end of year	2,027	2,027

These amounts are unsecured and repayable as disclosed below:

(a) Funds advanced to CDN Management Services Limited will be repaid based on cash settlement of inter-company balances among related parties. These amounts are deemed impaired and have been provided for.

(b) Funds advanced to DevCap Fund Management Limited will be repaid from the sale of property held as security by the Company. A partial provision exists.

(c) In September 2014, DFL acquired 3,447,343 ordinary shares of Caribbean Development Capital Limited and 16,031,500 ordinary shares of Caribbean Microfinance Trinidad and Tobago Limited from DFL Caribbean Holdings Limited. DFL's shareholding in these companies was subsequently sold in December 2014 to Cipriani Properties, a privately owned property holding company.

10. Related Party Transactions (continued)

(c) Related party transactions

A number of transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates and on commercial terms and conditions.

	2015	2014
	$'000	$'000
Income and expenses:		
Interest income (Note 20)	-	150
Specific provisions no longer required (Note 23)	-	(13,223)

Interest income has been paid by the respective related parties.

(d) Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Company during the year as follows:

	2015	2014
	$'000	$'000
Key management personnel compensation for the year comprised:		
Salaries and other short-term benefits	4,024	1,558

Home mortgage loans

Fully secured home mortgage loans provided under a Board approved programme available to all employees have remaining maturities ranging from one to thirty years. Interest rates charged on balances outstanding from related parties are lower than the rates that would be charged in an arm's length transaction.

	2015	2014
	$'000	$'000
Loans outstanding at January 1	1,560	2,052
Loan repayments during the year	(40)	(492)
Loans outstanding at December 31 (Note 14)	1,520	1,560

These amounts are included within other assets.

10. Related Party Transactions (continued)

(d) Transactions with key management personnel (continued)

Home mortgage loans (continued)

No impairment losses have been recorded against balances outstanding during the period with key management personnel and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at year end.

	2015	2014
	$'000	$'000
11. Computer Software		
Opening net book amount at January 1	93	124
Additions	20	-
Amortisation charge	(28)	(31)
Closing net book amount at December 31	85	93

12. Investment in Subsidiary

	2015	2014
Opening balance at January 1	-	8,000
Set-off of inter-company balances	-	(8,000)
Closing balance at December 31	-	-
Cost	-	11,841
Accumulated impairment	-	(11,841)
	-	-

13. Property and Equipment

	Freehold/ Leasehold Land	Building	Furniture and Equipment	Total
	$'000	$'000	$'000	$'000
Year ended December 31, 2015				
Opening net book amount	13,790	12,934	1,379	28,103
Additions	-	-	393	393
Disposal	(13,790)	(12,804)	(818)	(27,412)
Depreciation charge	-	(130)	(262)	(392)
Closing net book amount	-	-	692	692
At December 31, 2015				
Cost/valuation	13,790	15,523	8,477	37,790
Additions	-	-	393	393
Disposal	(13,790)	(12,804)	(817)	(27,411)
Accumulated depreciation	-	(2,719)	(7,361)	(10,080)
Closing net book amount	-	-	692	692
Year ended December 31, 2014				
Opening net book amount	13,790	13,198	1,374	28,362
Additions	-	-	305	305
Depreciation charge	-	(264)	(300)	(564)
Closing net book amount	13,790	12,934	1,379	28,103
At December 31, 2014				
Cost/valuation	13,790	15,523	8,172	37,485
Additions	-	-	305	305
Accumulated depreciation	-	(2,589)	(7,098)	(9,687)
Closing net book amount	13,790	12,934	1,379	28,103

The net book value of freehold/leasehold land and building, excluding fair value adjustment, at end of 2014 was $7.7 million.

	2015 $'000	2014 $'000
14. Other Assets		
Home mortgage loans	1,520	1,560
Motor vehicle and computer loans	-	14
Other receivables and prepayments	741	2,336
	2,261	3,910
Provision for impairment (Note 23)	(278)	-
	1,983	3,910

15. Retirement Benefit Asset

The Plan is funded by the Company and certain employees. The funding requirements are based on the pension fund's actuarial measurement performed by an independent qualified actuary.

The Plan exposes the Company to actuarial risks such as longevity risk, currency risk, interest rate risk and market risk.

The Company is not expected to contribute to the Plan in 2016.

	2015 $'000	2014 $'000
(i) The amounts recognised in the statement of financial position are as follows:		
Present value of obligation	(28,470)	(28,124)
Fair value of plan assets	54,484	56,695
Asset in the statement of financial position	26,014	28,571
(ii) Movement of amounts recognised in the statement of financial position:		
Asset recognised in the statement of financial position January 1	28,571	27,071
Income recognised in profit or loss	1,041	1,304
Actuarial (loss) gain recognised in the statement of comprehensive income	(3,598)	196
Asset in the statement of financial position	26,014	28,571

	2015 $'000	2014 $'000
15. Retirement Benefit Asset (continued)		
(iii) Changes in the fair value of plan assets		
Opening fair value of plan assets	56,695	56,161
Expected return on plan assets	2,798	2,771
Benefits paid	(1,474)	(1,487)
Actuarial loss on plan assets	(3,535)	(750)
Closing fair value of plan assets	54,484	56,695
(iv) Changes in the present value of the obligation		
Opening present value of obligation	28,124	29,090
Current service cost	378	731
Interest cost	1,379	1,436
Benefits paid	(1,474)	(1,487)
Curtailment gain	-	(700)
Actuarial loss (gain)	63	(946)
Closing fair value of obligation	28,470	28,124
(v) The amounts recognised in the statement of income are as follows:		
Current service cost	378	731
Interest cost	1,379	1,436
Expected return on plan assets	(2,798)	(2,771)
Curtailment gain	-	(700)
Total included in employee costs (Note 24)	(1,041)	(1,304)
Expected return on plan assets	2,798	2,771
Actuarial loss on plan assets	(3,535)	(750)
Actual return on plan assets	(737)	2,021

15. Retirement Benefit Asset (continued)

(vi) Actuarial (loss) gain recognised in other comprehensive income

	2015 $'000	2014 $'000
Fair value of plan assets	(3,535)	(750)
Present value of obligation	(63)	946
	(3,598)	196

(vii) The principal actuarial assumptions used were:

There are no asset/liability matching strategies used by the Plan.

	2015	2014
Discount rate	5.00%	5.00%
Future salary increases	5.00%	5.00%
Expected return on plan assets	3.00%	3.00%
Post retirement mortality		
Group annuitants mortality table 1994		
Pre-retirement mortality, withdrawal from service	Nil	Nil
Future pension increases	Nil	Nil
Proportion of employees opting for early retirement Nil	Nil	

The overall expected rate of return is the weighted average of the expected returns of the expected various categories of plan assets held.

(viii) Asset allocation:

	2015	2014
The major categories of the plan assets are:		
Local equities	37%	37%
Government securities	27%	27%
Mutual Funds	4%	12%
Other	32%	24%

15. Retirement Benefit Asset (continued)

	2015 $'000	2014 $'000
(viii) Asset allocation: (continued)		
Actual return on Plan assets	(737)	2,021

All equities have quoted prices in active markets. The fair value of Government and other securities are calculated by discounting expected future proceeds using a constructed yield curve.

(ix) Sensitivity of present value of defined benefit obligation:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	1% increase ($'000)	1% decrease ($'000)
Discount rate	(3,550)	4,461
Salary growth	386	(332)

The weighted average duration of the obligation is 16 years.

(x) Experience history:

Amounts for the current period are as follows:

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Defined benefit obligation	(28,470)	(28,124)	(29,090)	(29,343)	(25,621)
Plan assets	54,484	56,695	56,161	51,560	47,005
Surplus	26,014	28,571	27,071	22,217	21,384
Experience adjustments on Plan liabilities gain (loss)	63	(946)	(1,039)	(2,452)	(1,038)
Remeasurement gain	-	-	-	5,521	-
Net experience adjustments on Plan liabilities gain (loss)	63	(946)	(1,039)	3,069	(1,038)
Experience adjustments on Plan assets (loss) gain	(3,535)	(750)	3,559	4,421	2,928

	2015	2014
	$'000	$'000
16. Stated Capital		
Authorised		
Unlimited number of ordinary shares of no par value		
Issued and fully paid		
60,300,393 ordinary shares of no par value	90,039	90,039
266,000 non-voting - 5% preference shares	26,600	26,600
200,000 non-cumulative, non-voting, convertible preference shares	20,000	20,000
	136,639	136,639

Schedule Item (4d) of the Company's Articles of Incorporation states that the 266,000 non-voting preference shares will not, on a winding up of or other repayment of capital, entitle the holders to have the assets of the Company available for distribution among the preference shareholders. This is taken into account in the computation of net asset value per ordinary share.

The 200,000 non-cumulative, non-voting convertible preference shares carry a fixed non-cumulative preferential dividend at an interest rate of 5% per annum. This payment ranks after the non-redeemable preference shares but in priority to the Company's ordinary shares in the declaration of dividends.

On a winding up, the holders of these preference shares are entitled to receive their share of the assets of the Company available for distribution among shareholders in preference to ordinary shareholders and will be entitled to the repayment of their capital payment in priority to ordinary shareholders.

These preference shares are at the original subscription price of $20 million plus any accrued dividends. The option to redeem or convert can be exercised at any time at the sole discretion of the holders at a price of $1.00 per ordinary share.

Movement in shares issued

	Ordinary Shares		Preference Shares	
	2015	2014	2015	2014
On issue at beginning and end of the reporting period	60,300,393	60,300,393	200,000	200,000

17. Reserves

Statutory reserve

The Financial Institutions Act (2008) requires a financial institution to transfer annually a minimum of 10% of its net profit after taxation to a statutory reserve account until the balance on this reserve is equal to the paid up capital of the financial institution. The reserve is not available for distribution.

Contingency for general banking risks

The contingency for general banking risks is based on a minimum of 0.5% of the year-end loan portfolio allocated to SME portfolio risk.

Revaluation reserve

The revaluation reserve includes the unrealized gain on revaluation of available-for-sale investments. In the previous year it included the net change in the fair value of freehold/leasehold land and building less depreciation.

18. Debt Securities

	2015 $'000	2014 $'000
Short-term borrowings	10,000	10,000
Long-term borrowings (a)	237,249	252,414
Accrued interest	1,479	1,496
	248,728	263,910

The Company's borrowings are mainly long term at amortised cost. Borrowings are covered by various forms of loan agreements. These include Trust Deeds related to bond issues on capital markets and finance contracts with international institutions. The Company has complied with all terms and conditions of all borrowings and all payments have been made as contracted. The finance contracts with international institutions include operational benchmarks related to the purposes of the loan based on projections and assumptions. Changes in market conditions and implementation issues beyond the control of the borrower may delay the achievement of such benchmarks and deadlines.

18. Debt Securities (continued)

(a) *Long-term borrowings*

	Interest Rate %	2015 $'000	2014 $'000
TT$ Floating Rate Bonds	1.50-6.25	161,000	161,000
Euro Fixed Rate Loan	3.00	5,507	8,025
US$ Fixed Rate Loan	2.00	9,374	13,795
US$ Floating Rate Bonds	2.44-6.25	61,368	69,594
		237,249	252,414

19. Customers' Deposits

	2015 $'000	2014 $'000
Customers' deposits	18,654	6,411
Accrued interest	98	21
	18,752	6,432
Sectoral analysis		
Corporations	16,519	6,411
Individuals	2,135	-
	18,654	6,411

20. Interest Income

	2015 $'000	2014 $'000
Loans and cash advances to customers	6,542	7,385
Investment securities	12,864	12,501
Other investment income	-	2
	19,406	19,888

21. Interest Expense

	2015 $'000	2014 $'000
Debt securities	9,492	10,661
Customers' deposits	204	172
	9,696	10,833

	2015 $'000	2014 $'000
22. Other Income		
Net foreign exchange gains (losses)	822	(208)
Gain on trading in foreign exchange	1,424	1,848
Interest income from related parties	-	150
Other income	1,305	171
Brokerage fees	587	-
Fair value losses on equity securities	(125)	(13)
	4,013	1,948

	2015 $'000	2014 $'000
23. Reversal of Provision for Impairment		
Loans		
Specific provisions made during the year (Note 9)	334	1,563
Provision no longer required (Note 9)	(16,328)	-
	(15,994)	1,563
Other assets		
Specific provisions made during the year (Note 14)	278	-
Related parties		
Provisions no longer required (Note 10)	-	(13,223)
Net credit for the year	(15,716)	(11,660)

	2015 $'000	2014 $'000
24. General Overheads and Corporate Expenses		
Included in general overheads and corporate expenses are the following:		
Corporate marketing and business development	51	197
Regulatory and professional fees and expenses	1,951	1,138
Assurance, business process improvement and compliance	119	134
Accommodation and communication	982	964
General corporate and ICT expenses	715	485
Employee costs:		
- Personnel	6,694	3,115
- Pension income (Note 15)	(1,041)	(1,304)
Depreciation and amortisation	420	595
	9,891	5,324

	2015 $'000	2014 $'000

25. Taxation

	2015 $'000	2014 $'000
Taxation comprises Green Fund levy	(40)	(26)

26. Adjustments for Non-Cash Items in Operating Activities

	2015 $'000	2014 $'000
Depreciation and amortisation	420	595
Gain on disposal of property and equipment	(263)	-
Unrealised losses on available-for-sale investments	425	-
Provision for loans and related party balances (Note 23)	(15,716)	(11,660)
Pension fund income (Note 15)	(1,041)	(1,304)
Change in the value of subsidiary investment	-	8,000
Net foreign exchange (gains) losses (Note 22)	(822)	208
Interest income (Note 20)	(19,406)	(19,888)
Interest expense (Note 21)	9,696	10,833
	(26,707)	(13,216)
Net interest credited to bond redemption funds	(8,453)	(8,648)
	(35,160)	(21,864)

27. Contingent Liabilities

During 2015, the Company had not entered into any customs bonds on behalf of its clients neither had it provided contract performance bonds on a fully secured basis with mortgages on properties and other assets (2014: NIL).

28. Events after the Reporting Date

There are no events occurring after the statement of financial position date and before the date of approval of the financial statements by the Board of Directors that require adjustment to or disclosure in these financial statements.