



Chartered Accountants
& Business Advisors

**FIDELITY FINANCE AND LEASING
COMPANY LIMITED**

FINANCIAL STATEMENTS

DECEMBER 31, 2012



Chartered Accountants
& Business Advisors

FIDELITY FINANCE AND LEASING COMPANY LIMITED

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Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

The Shareholders
Fidelity Finance and Leasing Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Fidelity Finance and Leasing Company Limited, which comprise the statement of financial position as at December 31, 2012 and statements of income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

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 whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fidelity Finance and Leasing Company Limited as of December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to Note 23 to the financial statements. The State laid several charges on the Company together with other companies and individuals. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in these financial statements.


Port-of-Spain
TRINIDAD
February 20, 2013

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FIDELITY FINANCE AND LEASING COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2012

	Notes	2012 \$'000	2011 \$'000
Assets			
Cash and cash equivalents	4	15,609	13,181
Deposits with Central Bank	5	5,956	6,180
Sundry debtors and prepayments		1,504	1,339
Investments	6	780	1,832
Loans	7	82,690	87,305
Deferred tax asset	8	878	1,122
Plant and equipment	9	<u>6,308</u>	<u>5,519</u>
Total Assets		<u>113,725</u>	<u>116,478</u>
Liabilities			
Customers' deposits	10	64,628	68,061
Other funding instruments	11	2,098	1,972
Other creditors and accruals		<u>5,283</u>	<u>6,245</u>
Total Liabilities		<u>72,009</u>	<u>76,278</u>
Equity			
Stated capital	12	15,000	15,000
Statutory reserve fund	13	3,196	2,895
General reserve	14	795	795
Retained earnings		<u>22,725</u>	<u>21,510</u>
Total Equity		<u>41,716</u>	<u>40,200</u>
Total Liabilities and Equity		<u>113,725</u>	<u>116,478</u>

These financial statements were approved by the Board of Directors and authorised for issue on February 20, 2013 and signed on their behalf by



 Director



 Director

The notes on pages 6 to 34 form part of these financial statements.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012

	Notes	2012 \$'000	2011 \$'000
Interest income			
Loans		9,384	10,562
Investments		<u>148</u>	<u>215</u>
		9,532	10,777
Interest expense		<u>2,044</u>	<u>2,415</u>
Net interest income		7,488	8,362
Fee and other income		421	462
Income from leases		<u>3,028</u>	<u>4,665</u>
Operating income		<u>10,937</u>	<u>13,489</u>
General administrative expenses	15	6,815	9,243
Provisions for losses on loans and leases		(48)	(163)
Deposit insurance contributions	16	<u>131</u>	<u>134</u>
Operating expenses		<u>6,898</u>	<u>9,214</u>
Net operating income before taxation		4,039	4,275
Taxation	17	<u>1,023</u>	<u>1,083</u>
Net operating income after taxation		<u><u>3,016</u></u>	<u><u>3,192</u></u>

The notes on pages 6 to 34 form part of these financial statements.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

	Stated Capital \$'000	Statutory Reserve Fund \$'000	General Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at December 31, 2010	15,000	2,576	795	20,137	38,508
Net operating income after taxation	-	-	-	3,192	3,192
Transfer from retained earnings	-	319	-	(319)	-
Dividends paid 2011 (10¢)	-	-	-	(1,500)	(1,500)
Balance at December 31, 2011	15,000	2,895	795	21,510	40,200
Net operating income after taxation	-	-	-	3,016	3,016
Transfer from retained earnings	-	301	-	(301)	-
Dividends paid 2012 (10¢)	-	-	-	(1,500)	(1,500)
Balance at December 31, 2012	<u>15,000</u>	<u>3,196</u>	<u>795</u>	<u>22,725</u>	<u>41,716</u>

The notes on pages 6 to 34 form part of these financial statements.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	\$'000	\$'000
Cash Flows from Operating Activities		
Net operating income before taxation	4,039	4,275
Adjustment for items not involving the movement of cash:		
Depreciation	2,387	3,861
Profit on disposal of plant and equipment	(103)	(103)
Provisions for losses on loans and leases (net)	<u>(1,806)</u>	<u>(2,106)</u>
Operating profit before working capital changes	4,517	5,927
Change in deposits with Central Bank	225	11
Change in loans	6,421	(4,333)
Change in sundry debtors and prepayments	232	287
Change in other creditors and accruals	(963)	328
Change in customers' deposits	(3,433)	1,002
Change in other funding instruments	<u>126</u>	<u>46</u>
Cash generated from operations	7,125	3,268
Taxation paid	<u>(1,176)</u>	<u>(1,156)</u>
Cash generated from operating activities	<u>5,949</u>	<u>2,112</u>
Cash Flows from Investing Activities		
Proceeds from sale of plant and equipment	1,141	420
Redemptions of investments	1,052	52
Additions to plant and equipment	<u>(4,214)</u>	<u>(1,680)</u>
Cash used in investing activities	<u>(2,021)</u>	<u>(1,208)</u>
Cash Flows from Financing Activities		
Dividends paid	<u>(1,500)</u>	<u>(1,500)</u>
Cash used in financing activities	<u>(1,500)</u>	<u>(1,500)</u>
Net change in cash and cash equivalents	2,428	(596)
Cash and cash equivalents at the beginning of the year	<u>13,181</u>	<u>13,777</u>
Cash and cash equivalents at the end of the year (Note 4)	<u><u>15,609</u></u>	<u><u>13,181</u></u>

The notes on pages 6 to 34 form part of these financial statements.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

1. Incorporation and Principal Activity

The Company was incorporated in the Republic of Trinidad and Tobago on May 21, 1987 and licensed to carry on business from January 3, 1989. The Company is licensed under the provisions of the Financial Institutions Act, 2008 to operate as a non-bank financial institution and to carry on the business of a finance house or finance company, trust company and leasing corporation. The Company is a wholly owned subsidiary of Maritime Life (Caribbean) Limited for which consolidated financial statements are prepared annually. Its registered office is located at 29 Tenth Avenue, Barataria.

2. Summary of Significant Accounting Policies

(a) Basis of accounting

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in thousands of Trinidad and Tobago dollars. They have been prepared under the historical cost convention. No account is taken of the effects of inflation.

(b) New Accounting Standards and Interpretations

i) The Company has applied the following revised standard, which became effective during the current accounting period:

IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)
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ii) The Company has not applied the amendments to the following standards and interpretations which became effective during the current financial year as either they do not apply to the activities of the Company or have no material impact on the financial statements:

Effective for annual periods beginning on or after 1 July 2011

IFRS 1	First-time Adoption of International Financial Reporting Standards - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'
IFRS 1	First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from severe hyperinflation
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets

FIDELITY FINANCE AND LEASING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

2. Summary of Significant Accounting Policies (continued)

b) New Accounting Standards and Interpretations (continued)

- iii) The Company has not early applied the following standards, revised standards and interpretations which are in issue but not yet effective:

Effective for annual periods beginning on or after 1 July 2012

- | | |
|-------|--|
| IAS 1 | Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented. |
|-------|--|

Effective for annual periods beginning on or after 1 January 2013

- | | |
|----------|--|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards - Government Loans |
| IFRS 7 | Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities |
| IFRS 10 | Consolidated Financial Statements |
| IFRS 11 | Joint Arrangements |
| IFRS 12 | Disclosure of Interests in Other entities |
| IFRS 13 | Fair Value Measurements |
| IAS 19 | Employee benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects |
| IAS 27 | Separate Financial Statements |
| IAS 28 | Investments in Associates and Joint Ventures |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine |

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

2. Summary of Significant Accounting Policies (continued)

b) New Accounting Standards and Interpretations (continued)

iii) Effective for annual periods beginning on or after 1 January 2014

IAS 32	Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities
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Effective for annual periods beginning on or after 1 January 2015

IFRS 7	Financial Instruments: Disclosures - Amendments requiring disclosures about the initial application of IFRS 9
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IFRS 9	Financial Instruments - Classification and measurement of financial assets
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IFRS 9	Financial Instruments - Accounting for financial liabilities and derecognition.
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(c) Comparative figures

Certain comparative figures were restated to facilitate changes in presentation. These changes had no effect on the previously reported surplus.

(d) Cash and cash equivalents

Cash and cash equivalents consist of bank balances and highly liquid investments.

(e) Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

(f) Financial assets

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date on which the Company commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2012****2. Summary of Significant Accounting Policies (continued)****(f) Financial assets (continued)**

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

At the time of initial recognition, the Company classifies financial assets into the following categories depending on the nature and purpose of the assets: held to maturity investments and loans and receivables. Management re-evaluates these classifications at each reporting date.

i) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, purchased with the positive intention and ability to hold to maturity.

They are stated at amortised cost using the effective interest rate method less any provision for impairment.

Interest income is recognised in profit or loss on an effective yield basis. Gains or losses are recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it is reclassified as available for sale and re-measured at fair value.

Whenever there are sales or reclassification of more than an insignificant amount of held to maturity investments, any remaining held to maturity investments are reclassified as available for sale.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These comprise loans and advances.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2012****2. Summary of Significant Accounting Policies (continued)****(f) Financial assets (continued)****ii) Loans and receivables (continued)**

Loans are stated at amortised principal using the effective interest rate method, less provision for impairment losses. Specific provisions are made for potential losses on non-performing loans on the basis of net realisable value. Periodic portfolio reviews are conducted during the course of each year to determine the adequacy of provisions.

Loans are secured by various forms of collateral, including charges over tangible assets, hire purchase agreements, certificates of deposit, assignment of funds and personal guarantees.

(g) Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- i) Significant financial difficulty of the issuer or obligor.
- ii) A breach of contract, such as default or delinquency in interest or principal payments.
- iii) It becoming probable that the borrower will enter in bankruptcy or other financial reorganization.
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2012****2. Summary of Significant Accounting Policies (continued)****(g) Impairment of financial assets (continued)**

- v) Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Company or national or economic conditions that correlate with defaults on assets in the Company.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

i) Financial assets measured at amortised cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been, had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in profit or loss.

ii) Financial assets measured at cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in profit or loss. These losses are not reversed.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

2. Summary of Significant Accounting Policies (continued)

h) Plant and Equipment

- i)** Plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of plant and equipment is recognised as an asset only if it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably.

Cost includes the purchase price and any expenditure directly attributable to the acquisition of the item. Expenditures incurred for repairs and maintenance is recognised in profit or loss as incurred.

The carrying amount of an item of plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of the item is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognised in profit or loss when the item is derecognised.

- ii)** Plant and equipment are stated at historical cost less accumulated depreciation.
- iii)** Plant and equipment are depreciated over their estimated useful lives using the straight line method at the following rates:

Equipment on lease	10%	-	50%
Furniture and equipment	12.5%	-	25%

The depreciation method, useful lives and residual values of plant and equipment are reviewed annually. During the current year no changes were required.

(i) Financial liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2012****2. Summary of Significant Accounting Policies (continued)****(i) Financial liabilities (continued)**

Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in profit or loss.

Financial liabilities comprise accounts payable, customer deposits and other funding instruments.

(j) Provisions

Provisions are recognised when there is a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(k) Revenue recognition

i) Interest income is accounted for using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the carrying amount of the financial instrument.

Accrual of interest income ceases when payment on a loan is contractually ninety days in arrears and will only be recognised on a cash basis when the loan status is determined to be current.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2012****2. Summary of Significant Accounting Policies (continued)****(k) Revenue recognition (continued)****ii) Operating leases**

Rentals under operating leases are recognised on a straight-line basis over the lease term.

Leases which do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Assets leased under operating leases include motor vehicles and other equipment categorised as equipment on lease and included in plant and equipment. The lease terms range from two to five years.

(l) Expenses of management**i) Employee benefits**

Employee benefits are all forms of consideration given by the Company in exchange for service rendered by the employees and include both short term and post-employment benefits.

Short term benefits comprise wages and salaries, bonuses, national insurance contributions, paid annual vacation and sick leave and other non-monetary benefits including group health and group life coverage. They are recognised as a liability, net of payments made and charged as expenses to profit or loss.

The expected cost of accumulating compensated absences for vacation and sick leave not yet taken is measured as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Post-employment benefits: All full time employees of the Company participate in a defined contribution pension plan operated by the parent company. The Company's contribution to this plan for the year is charged to profit or loss.

ii) Other administrative expenses

Other administrative expenses include office, technology, legal and professional fees, advertising and sales promotions and miscellaneous expenses.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2012****2. Summary of Significant Accounting Policies (continued)****(m) Taxation**

- i) Deferred taxation is provided using the liability method for all temporary differences arising between the carrying amounts and tax bases of assets and liabilities using current corporation tax rates. The principal temporary differences arise from depreciation on plant and equipment. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilised.
- ii) Corporation tax is charged annually at 25%.

(n) Administered funds

The assets and liabilities under administration by the Company have not been included in these financial statements. Gross assets under administration at December 31, 2012 amounted to \$26,024,000 (2011: \$25,692,000).

3. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

- (a) The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Company's accounting policies.

These are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are reviewed on an ongoing basis. Actual results could differ from those estimates.

Changes in accounting estimates are recognised in profit or loss in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2012****3. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty (continued)****(b) Critical judgements**

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether investments are classified as held to maturity investments or loans and receivables.
- ii) Whether leases are classified as operating leases or finance leases.
- iii) Which depreciation method for plant and equipment is used.

(c) Key assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Deferred tax assets

Management uses judgement in determining whether it is probable that future taxable profits will be available against which deductible temporary differences can be utilised before deferred tax assets arising there from are recognised.

iii) Plant and equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and the useful lives and residual values of these assets.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

4. Cash and Cash Equivalents

	2012 \$'000	2011 \$'000
Cash at bank	1,622	13,181
Short term bank deposits	<u>13,987</u>	<u>-</u>
	<u>15,609</u>	<u>13,181</u>

5. Deposits with Central Bank

The Financial Institutions Act, 2008 requires that every non-bank financial institution hold and maintain an account with the Central Bank of Trinidad and Tobago to be called a reserve account which, at present, is to be equivalent to 9% of the total liabilities to depositors of the institution. This reserve account is non-interest bearing.

6. Investments

	2012 \$'000	2011 \$'000
Held to maturity		
Trinidad and Tobago Government Bonds	<u>780</u>	<u>1,832</u>

The fair value of held to maturity investments based on listed prices as at December 31, 2012 is \$1,010,846 (December 31, 2011: \$2,040,738).

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

7. Loans

	2012 \$'000	2011 \$'000
(a) Loans		
Amortised loans	38,146	52,375
Hire purchase agreements	47,094	38,676
Premium financing	3,358	4,255
Other loans	<u>40</u>	<u>59</u>
	88,638	95,365
Less: Provision for loan losses	<u>(5,948)</u>	<u>(8,060)</u>
	<u>82,690</u>	<u>87,305</u>
(b) Sectoral analysis of loans		
Consumer	41,171	36,944
Industrial	<u>41,519</u>	<u>50,361</u>
	<u>82,690</u>	<u>87,305</u>
(c) Provision for loan losses		
Provision at beginning of the year	8,060	10,166
Loans written off during the year	(1,594)	(1,943)
Provision for the year	<u>(518)</u>	<u>(163)</u>
Provision at end of the year	<u>5,948</u>	<u>8,060</u>
(d) Non-performing loans		
Net loans and advances on which interest is not being accrued	<u>10,951</u>	<u>7,531</u>
(e) Undrawn loan commitments	<u>9,992</u>	<u>9,343</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

8. Deferred Tax Asset

	2012 \$'000	2011 \$'000
(a) Tax attributable to plant and equipment	<u>878</u>	<u>1,122</u>
(b) Balance brought forward	1,122	1,014
Provision for the year	<u>(244)</u>	<u>108</u>
Balance carried forward	<u>878</u>	<u>1,122</u>

9. Plant and Equipment

	Equipment on Lease \$'000	Furniture/ Equipment \$'000	2012 \$'000	Total 2011 \$'000
Cost				
At beginning of year	20,065	1,693	21,758	26,715
Additions	4,198	16	4,214	1,680
Disposals	<u>(4,007)</u>	<u>-</u>	<u>(4,007)</u>	<u>(6,637)</u>
At end of year	<u>20,256</u>	<u>1,709</u>	<u>21,965</u>	<u>21,758</u>
Depreciation				
At beginning of year	14,646	1,593	16,239	18,698
Charge for the year	2,323	64	2,387	3,861
Disposals	<u>(2,969)</u>	<u>-</u>	<u>(2,969)</u>	<u>(6,320)</u>
At end of year	<u>14,000</u>	<u>1,657</u>	<u>15,657</u>	<u>16,239</u>
Net book value	<u>6,256</u>	<u>52</u>	<u>6,308</u>	<u>5,519</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

10. Customers' Deposits

	2012 \$'000	2011 \$'000
(a) Customers' deposits		
Customers' deposits	63,730	66,949
Interest payable	<u>898</u>	<u>1,112</u>
	<u>64,628</u>	<u>68,061</u>
(b) Customers' deposits - sectoral analysis		
Corporate and commercial sector	28,414	29,085
Other financial institutions	346	594
Personal	<u>34,970</u>	<u>37,270</u>
	<u>63,730</u>	<u>66,949</u>

11. Other Funding Instruments

	2012 \$'000	2011 \$'000
(a) Other funding instruments		
Secured investment certificates	2,079	1,951
Interest payable	<u>19</u>	<u>21</u>
	<u>2,098</u>	<u>1,972</u>
(b) Other funding instruments - sectoral analysis		
Other financial institutions	2,037	1,909
Personal	<u>42</u>	<u>42</u>
	<u>2,079</u>	<u>1,951</u>

- (c) Other funding instruments are secured by specific assets, including Trinidad and Tobago Government Securities.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

12. Stated Capital

	2012	2011
	\$'000	\$'000
Authorised		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
15,000,000 ordinary shares of no par value	<u>15,000</u>	<u>15,000</u>

13. Statutory Reserve Fund

The Financial Institutions Act, 2008 requires that 10% of the net profit after deduction of taxes each year be transferred to a statutory reserve fund until the balance standing to the credit of this reserve is equal to the paid up capital of the Company.

14. General Reserve

The general reserve represents appropriations of retained earnings for any possible unforeseen losses on the loan portfolio for which alternative specific provision is not made. The reserve has been calculated using a percentage of the outstanding loan portfolio at the year end, in accordance with the guidelines issued by the Central Bank of Trinidad and Tobago.

15. General Administrative Expenses

	2012	2011
	\$'000	\$'000
Employee benefits	2,501	2,580
Depreciation	2,387	3,861
Other administrative expenses	<u>1,927</u>	<u>2,802</u>
	<u>6,815</u>	<u>9,243</u>
Pension fund contributions included in employee benefits	<u>80</u>	<u>73</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

16. Deposit Insurance Contributions

Statutory regulations governing the operation of financial institutions stipulate that an annual premium be paid to the Deposit Insurance Fund of 0.2% of average deposit liabilities outstanding at the end of each quarter of the preceding year.

17. Taxation

	2012	2011
	\$'000	\$'000
(a) Corporation tax	765	1,175
Green fund levy	14	16
Deferred taxation	244	(108)
	1,023	1,083
(b) Reconciliation		
Net operating income before taxation	4,039	4,275
Tax calculated at a rate of 25%	1,010	1,069
Tax exempt income	(1)	(2)
Temporary differences	27	27
Other	(27)	(27)
Green fund levy	14	16
	1,023	1,083

18. Operating Leases

The future income due from non-cancellable operating leases is as follows:

	2012	2011
	\$'000	\$'000
Up to one year	2,382	2,227
Two to five years	2,270	1,538
	4,652	3,765

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

19. Related Party Transactions

Related party transactions are transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Related parties include: persons, or a close member of that person's family, who has control, joint control, or significant influence over the Company, including members of the key management personnel; the parent company; all fellow subsidiaries; any associated companies and joint venture partners; and the parent company's post employment benefit plan for the employees of the company.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of the company.

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

Balances and transaction with related parties during the year were as follows:

	2012	2011
	\$'000	\$'000
a) Parent Company		
Balance due to	5	2
Interest expense	-	-
Dividends paid	1,500	1,500
b) Fellow subsidiaries		
Expenses	7	8
c) Post employment benefit plan		
Pension fund contributions	80	73
d) Key management personnel		
Loans - Secured	-	65
Deposits	2,363	2,594
Interest income	8	13
Interest expense	<u>75</u>	<u>35</u>
e) Key management compensation		
Short-term benefits	721	670
Post employment benefits	<u>18</u>	<u>28</u>
	<u>739</u>	<u>698</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2012****20. Financial Risk****(a) Enterprise risk management**

The Company's overall strategy is to move away from traditional risk management to enterprise risk management (ERM), whereby the company assesses, controls, exploits, finances and monitors risks from all sources affecting it for the purpose of increasing stakeholder value, and also within the context of the Group as a whole. This holistic approach allows the Company to mitigate risk and create value. In essence, the Company can increase stakeholder value while maintaining an acceptable level of risk to stakeholders. As a part of the ERM strategy the Company identifies and evaluates all risks in the context of one another as opposed to distinct risks.

The Company is exposed to financial risk including credit risk, liquidity risk and interest rate risk. In particular, the key financial risk is that proceeds from its financial assets are not sufficient to fund obligations arising from financial liabilities.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk arises primarily from traditional lending activities and investments in bonds.

i) Bonds

The Company invests in bonds issued only by governments, financial institutions and corporations with acceptable credit ratings. The Company actively reviews all bond-issuing entities in which investments are being considered. The Company also limits the size of any given bond issue compared to size of its investment portfolio.

ii) Loans

The Company relies heavily on a written Credit Advances Policy Manual, which sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the Company's lending philosophy, provide policy guidelines to team members involved in lending, establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration, as well as create the foundation for a sound credit portfolio.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

20. Financial Risk (continued)

(b) Credit risk (continued)

ii) Loans (continued)

All team members involved with the lending activity are required to be familiar with the contents of the Credit Advances Policy Manual and are required to adhere to the policies therein. Serious breaches results in disciplinary measures being taken. It is the responsibility of the General Manager to ensure that policies are adhered to.

The Company's loan portfolio is adequately secured by collateral and where necessary, provisions have been established for potential credit losses on delinquent accounts.

iii) Concentration

The Company has set an upper limit of total assets that can be invested with any one company or group of related companies so as to avoid any significant concentration of credit risk.

iv) Global economic developments and government policies

The Company actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

v) Maximum exposure to credit risk

The Company's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements is as follows:

	2012 \$'000	2011 \$'000
Maximum exposure to credit risk	<u>106,539</u>	<u>109,837</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2012****20. Financial Risk (continued)****(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company is exposed to daily calls on its available cash resources to settle financial and other liabilities.

i) Risk management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Company. The Company employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Company's assets as well as generating sufficient cash from new and renewed customers' deposits.

To manage and reduce liquidity risk the Company's asset liability committee actively meets to match cash inflows with liability requirements.

ii) Liquidity gap

The Company's exposure to liquidity risk is summarised in the table below which analyses assets and liabilities based on the remaining period at the reporting date to the contractual maturity date.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

20. Financial Risk (continued)

(c) Liquidity risk (continued)

ii) Liquidity gap (continued)

	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Undated \$'000	Total \$'000
December 31, 2012					
Assets					
Cash and cash equivalents	15,609	-	-	-	15,609
Deposits with Central Bank	5,956	-	-	-	5,956
Investments	52	208	520	-	780
Loans	43,576	39,034	80	-	82,690
Other assets	<u>1,504</u>	<u>-</u>	<u>-</u>	<u>7,186</u>	<u>8,690</u>
	<u>66,697</u>	<u>39,242</u>	<u>600</u>	<u>7,186</u>	<u>113,725</u>
Liabilities					
Customers' deposits	50,728	13,900	-	-	64,628
Other funding instruments	2,098	-	-	-	2,098
Other liabilities	<u>2,987</u>	<u>2,296</u>	<u>-</u>	<u>-</u>	<u>5,283</u>
	<u>55,813</u>	<u>16,196</u>	<u>-</u>	<u>-</u>	<u>72,009</u>
Net Liquidity Gap	<u>10,884</u>	<u>23,046</u>	<u>600</u>	<u>7,186</u>	<u>41,716</u>
Cumulative Gap	<u>10,884</u>	<u>33,930</u>	<u>34,530</u>	<u>41,716</u>	

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

20. Financial Risk (continued)

(c) Liquidity risk (continued)

ii) Liquidity gap (continued)

	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Undated \$'000	Total \$'000
December 31, 2011					
Assets					
Cash and cash equivalents	13,181	-	-	-	13,181
Deposits with Central Bank	6,180	-	-	-	6,180
Investments	1,052	208	572	-	1,832
Loans	47,809	39,397	99	-	87,305
Other assets	<u>1,339</u>	<u>-</u>	<u>-</u>	<u>6,641</u>	<u>7,980</u>
	<u>69,561</u>	<u>39,605</u>	<u>671</u>	<u>6,641</u>	<u>116,478</u>
Liabilities					
Customers' deposits	54,969	13,092	-	-	68,061
Other funding instruments	1,972	-	-	-	1,972
Other liabilities	<u>3,534</u>	<u>2,711</u>	<u>-</u>	<u>-</u>	<u>6,245</u>
	<u>60,475</u>	<u>15,803</u>	<u>-</u>	<u>-</u>	<u>76,278</u>
Net Liquidity Gap	<u>9,086</u>	<u>23,802</u>	<u>671</u>	<u>6,641</u>	<u>40,200</u>
Cumulative Gap	<u>9,086</u>	<u>32,888</u>	<u>33,559</u>	<u>40,200</u>	

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2012****20. Financial Risk (continued)****(d) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in bonds, loans, customer deposits and other funding instruments.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

i) Bonds

The Company invests mainly in medium to long term bonds consisting of both floating rate and fixed rate instruments.

The market values of the floating rate bonds are not very sensitive to changes in interest rates. The market values of the fixed rate bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. Because these assets are being held to maturity and are not traded, any changes in market value will not impact profit or loss.

The Company actively monitors bonds with maturities greater than ten years, as well as the interest rate policies of the Central Bank of Trinidad and Tobago.

ii) Loans

The Company generally invests in fixed rate loans for terms not exceeding five years. These are funded mainly by borrowings in the form of customer deposits and other funding instruments which bear interest at market rates.

iii) Interest rate sensitivity gap

The Company's exposure to interest rate risk is summarised in the table below which analyses assets and liabilities at their carrying amounts categorised by the earlier of contractual re-pricing or maturity dates.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

20. Financial Risk (continued)

(d) Interest rate risk (continued)

iii) Interest rate sensitivity gap (continued)

	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Non- interest bearing \$'000	Total \$'000
December 31, 2012					
Assets					
Cash and cash equivalents	15,609	-	-	-	15,609
Deposits with Central Bank	-	-	-	5,956	5,956
Investments	780	-	-	-	780
Loans	46,429	36,181	80	-	82,690
Other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,690</u>	<u>8,690</u>
	<u>62,818</u>	<u>36,181</u>	<u>80</u>	<u>14,646</u>	<u>113,725</u>
Liabilities					
Customers' deposits	50,316	13,416	-	896	64,628
Other funding instruments	2,079	-	-	19	2,098
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,283</u>	<u>5,283</u>
	<u>52,395</u>	<u>13,416</u>	<u>-</u>	<u>6,198</u>	<u>72,009</u>
Net Interest Rate Gap	<u><u>10,423</u></u>	<u><u>22,765</u></u>	<u><u>80</u></u>	<u><u>8,448</u></u>	<u><u>41,716</u></u>
Cumulative Gap	<u><u>10,423</u></u>	<u><u>33,188</u></u>	<u><u>33,268</u></u>	<u><u>41,716</u></u>	

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

20. Financial Risk (continued)

(d) Interest rate risk (continued)

iii) Interest rate sensitivity gap (continued)

	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Non- interest bearing \$'000	Total \$'000
December 31, 2011					
Assets					
Cash and cash equivalents	13,181	-	-	-	13,181
Deposits with Central Bank	-	-	-	6,180	6,180
Investments	1,832	-	-	-	1,832
Loans	53,283	33,923	99	-	87,305
Other assets	-	-	-	7,980	7,980
	<u>68,296</u>	<u>33,923</u>	<u>99</u>	<u>14,160</u>	<u>116,478</u>
Liabilities					
Customers' deposits	54,328	12,621	-	1,112	68,061
Other funding instruments	1,951	-	-	21	1,972
Other liabilities	-	-	-	6,245	6,245
	<u>56,279</u>	<u>12,621</u>	<u>-</u>	<u>7,378</u>	<u>76,278</u>
Net Interest Rate Gap	<u>12,017</u>	<u>21,302</u>	<u>99</u>	<u>6,782</u>	<u>40,200</u>
Cumulative Gap	<u>12,017</u>	<u>33,319</u>	<u>33,418</u>	<u>40,200</u>	

(e) Other risks

The Company is not exposed to currency, equity price or commodity price risks.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2012****21. Fair Values**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

(a) Current assets and liabilities

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

(b) Loans

Loans are net of specific provisions for losses. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

(c) Investments

The fair values of investments are determined on the basis of quoted market prices available at December 31, 2012.

(d) Customer deposits and other funding instruments

Customer deposits and other funding instruments bear interest at rates that are not significantly different from current rates and are assumed to have discounted cash flow values which approximate carrying values.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

22. Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The Company's overall strategy remains unchanged from 2011.

The capital structure of the Company consists of equity attributable to shareholders, which comprises issued capital, reserves and retained earnings.

The management uses the guidelines developed by the Basel Committee as implemented by the Central Bank of Trinidad and Tobago (the Central Bank), the supervisory authority in the country, in the daily monitoring of its capital resources. These ratios are reported monthly to the Central Bank.

The Central Bank requires each financial institution to:

- (a) hold a minimum of \$15,000,000 in share capital
- (b) maintain a ratio of qualifying capital to risk-weighted assets at or above 8%.

The table below summarizes the composition of regulatory capital and the capital adequacy ratios of the Company for the years ended 31 December.

	2012 \$'000	2011 \$'000
Total risk adjusted assets	<u>94,491</u>	<u>97,891</u>
Total core capital	37,905	36,213
Allowable supplementary capital	<u>3,811</u>	<u>3,987</u>
Qualifying capital	<u>41,716</u>	<u>40,200</u>
Capital ratios		
- Core capital to total risk adjusted assets	40.11%	36.99%
- Total qualifying capital to total risk adjusted assets	44.15%	41.07%

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2012****23. Contingent Liabilities**

- (a) During the period from March to June 2002 the State laid several charges indictably on several individuals and companies, including this Company. The charges cover offences that are alleged to have occurred between the period from July 1, 1996 to December 21, 2000 and constitute for the greater part the following:
- i) corruptly receiving significant funds on account of and paying such funds to and on behalf of an individual who was at the time performing duties in which the public had an interest;
 - ii) aiding and abetting the said individual to misbehave in public office; and
 - iii) conspiring to convert funds that the State alleges the Company had reasonable grounds to suspect were part proceeds of another offence.

On January 7, 2008, the Chief Magistrate discharged all of the accused persons, including the Company, in respect of all of the original charges preferred against them. Thereafter, the Chief Magistrate committed all of the accused persons including the Company, to stand trial on new and substituted charges all of which are denied by the accused.

On April 4, 2008, Fidelity Finance and Leasing Company Limited together with another company made an application for Leave for Judicial review. Having been refused leave, the companies have lodged an appeal with the Court of Appeal, which is currently pending.

- (b) Additionally, on May 20, 2004, Fidelity Finance and Leasing Company Limited was charged, together with other companies with the offence of conspiring with other persons to obtain contracts and payments or settlements thereafter, of a total face value of up to \$1,600,000,000 contrary to Section 34 (1) of the Larceny Chapter 11:12. The Company has been advised by its attorneys that this offence is not known to the law.
- (c) All of these matters are currently before the Courts. No provision has been made in these financial statements in respect to any of the alleged charges. Legal fees in connection with these matters are expensed as incurred.