

CHAIRMAN'S REPORT
(for the financial year ended 31 March 2014)

Dear Shareholders

Though showing some early signs of a tepid recovery, the global economy remained largely under pressure over the past year, and this continued to weigh heavily on the performance of many Caribbean economies and corporate entities. In such an environment, compounded by large institutional investors' seeming indifference toward the need for independent assessments, and in the absence of a regulatory framework mandating credit ratings, generation of new ratings is challenging. Notwithstanding this the company completed ratings for 22 new entities in the year, compared to 9 in the prior year, bringing the total number of entities rated since inception to 122. Ratings in the public domain, which are subject to on-going surveillance, increased to 25 in the year under review, compared to 21 in the prior year, with a further 3 remaining under private surveillance. The company's ratings span diverse sectors and originate from 14 countries across the Caribbean, reflecting the growing regional footprint of the institution. Tables 1-4 in Appendix 1 (attached) provide more details of the ratings completed to date.

Important Role in Capital Market Development

Apart from expanding its core business of sovereign and corporate credit ratings throughout the region, the company continued its efforts to commercialise its Small and Medium Enterprise (SME) Ratings product that was introduced in 2010. SME Ratings were developed by CariCRIS to improve access to appropriately priced credit by the small and medium enterprise sector, by offering SME lenders a comprehensive and independent risk assessment and performance grading of each SME. The SME Rating and its accompanying rating report clearly identifies the company's strengths and areas for improvement, thereby assisting the SME to improve its operations and become more creditworthy. Widespread use of SME Ratings will help to strengthen the credit profile of the SME sector as a whole, facilitating its sustainable growth and development. With support from the Multilateral Investment Fund, during the year the company entered into a project with 4 commercial banks in Trinidad and Tobago to provide independent SME Ratings for 60 of their clients seeking funding. The participating banks have agreed to formally utilise the ratings as an integral part of their loan appraisal process. Also during the year CariCRIS expanded its operations in the Caribbean in this important sector, by entering into joint projects with Compete Caribbean in Barbados to provide independent credit assessments for selected SME clients, and with the Jamaica Manufacturers' Association to provide SME Ratings to 10 selected manufacturers in Jamaica seeking funding for expansion. The institution also marketed its bond valuation service during the year, addressing the need for independence and uniformity in the valuation of regional fixed income securities. This service contributes to increased investor confidence and better price discovery in the market.

Credit Risk Training

CariCRIS executed several credit risk training programmes across the region during the year, hosting successful credit risk workshops in Barbados, Trinidad and Tobago, Dominica, St. Kitts (in partnership with the Eastern Caribbean Securities Exchange) and Jamaica (in partnership with the Jamaica Stock Exchange). CariCRIS' workshops are well attended by representatives from banks, finance companies, insurance companies, credit unions and corporate entities. The resultant improvement in the analytical skills of these finance executives and risk analysts across the region, will lead to more informed credit and investment decision-making, which will redound to the benefit of all market participants.

Institutional Strengthening/Capacity Building

Recognising the importance of on-going investment in skills upgrade, during the year the company hired the services of a highly experienced ex Standard & Poor's Consultant to provide specialised credit risk training to the company's analysts and rating committee members, as well as to conduct a comprehensive review of the institution's rating process, rating criteria and rating methodologies. The 3-month long intervention, funded by the Multilateral Investment Fund, will result in a more efficient and collaborative rating process, as well as a more concise and risk-focused rating report.

Financial Performance and Position

Revenue from operations for the year ended 31 March 2014 amounted to USD 837,206, 6% higher than that of the prior year of USD 791,218. The increase in operating revenue resulted from increases in both rating income and income from non-rating services, these being credit risk training and bond valuation services. Operating expenses (direct and indirect) reduced by 5% to USD 933,763 from USD 979,608 in the prior year. This reduction in costs resulted mainly from a restructuring of the ratings department. As a result, the company's loss from operations decreased by a notable 49% from USD 188,390 to USD 96,557. Consequently, the company's total comprehensive loss for the financial year ended 31 March 2014 amounted to USD 86,758, representing a 50% improvement over the loss recorded in the prior year (FY 2012/13) of USD 175,249. This follows a 47% improvement in performance in FY 2012/13 compared to that of FY 2011/12. See Chart 1 in Appendix 1 for a graphical representation of the company's improving financial performance over the past 3 years.

The company's Net Shareholders' Equity stood at USD 930,635 as at 31 March 2014, buttressed by the new capital raised by way of a private placement of shares over the prior 2 years. To further enhance its capital position, and allow the company to properly respond to the expected pickup in demand for its products and services, and an operating environment characterised by more stringent compliance requirements, the Board of Directors has decided to leave the share issue open for the time being.

Progress with Formal Recognition

Following on formal recognition in 2008 by the Financial Services Commission of Jamaica (FSCJ), and approval from the Central Bank of Trinidad and Tobago in 2012 for use of its ratings for capital adequacy calculations related to the new proposed Insurance Act, the company continues to pursue similar recognition status from the Trinidad and Tobago Securities and Exchange Commission, and the regulatory bodies in Barbados and the OECS. CariCRIS continues to advocate that a common regional approach to recognition should be adopted by the various jurisdictions in the region, utilising the criteria adopted by the FSCJ as the base, given that these criteria were developed with reference to global standards and best practices, mindful of applicability to the region. Indeed CariCRIS is of the view that this regional approach should be extended to all financial sector regulatory development to achieve greater harmonisation, an important pre-requisite for regional capital market integration and development.

Outlook

A cautious outlook remains for the world economy, dominated by reduced growth prospects in the large emerging markets. Caribbean economies are expected to remain under pressure in the main. Notwithstanding this, prospects for a risk-based financial regulatory regime seem stronger in the years ahead, with the most immediate prospect being the new proposed Insurance Act in Trinidad & Tobago, which calls for a ratings-based determination of capital by insurance companies. Implementation of this Act and other legislation, including the Securities Act 2012 in Trinidad and Tobago, and revised Credit Union legislation across the region, will increase demand for credit ratings and independent risk assessments which will redound to the benefit of the company. CariCRIS has also recently embarked on a programme of 10 State Enterprise ratings on behalf of the Government of Trinidad and Tobago, with a view to improving transparency in this sector and enabling selected enterprises to attract investment and or raise capital on their own accord. We are therefore, in these circumstances, cautiously optimistic of our prospects for the future.

Change to the Board

During the year Mr. Roger Cave resigned from the board for personal reasons. On behalf of the other board members, I would like to express my heartfelt thanks to Mr. Cave for his invaluable contribution to CariCRIS over the years.

Acknowledgements

During the year, Professor Norman Girvan, a former and founding member of the Rating Committee passed on. On behalf of the Board, his colleagues on the Rating Committee and the Management and Staff of CariCRIS, I wish to acknowledge the outstanding service provided by Professor Girvan as a member of our Credit Rating Committee over the period 2004 to 2012.

I further record my deepest appreciation to the members of the Board of Directors and the Rating Committee of CariCRIS, for their significant contribution to this important capital market development organization. I also thank our Shareholders for their continued support, and our Management and Staff for their unwavering dedication, loyalty and commitment to success.

Terrence Martins
Chairman

23 June 2014

Appendix 1

Table 1: Profile of Completed Ratings by Country

| Country | No. of Ratings | % |
|--------------------------------|----------------|------------|
| Trinidad & Tobago | 49 | 40 |
| Jamaica | 27 | 22 |
| Barbados | 14 | 11 |
| Saint Lucia | 8 | 7 |
| Antigua & Barbuda | 3 | 2 |
| Saint Kitts & Nevis | 4 | 3 |
| Dominica | 3 | 2 |
| Saint Vincent & The Grenadines | 2 | 2 |
| Anguilla | 2 | 2 |
| Grenada | 2 | 2 |
| Montserrat | 1 | 1 |
| Belize | 1 | 1 |
| Haiti | 5 | 4 |
| Other | 1 | 1 |
| Total | 122 | 100 |

Table 2: Profile of Completed Ratings by Sector

| Sector | No. of Ratings | % of Ratings | Contribution to Income % |
|--------------|----------------|--------------|--------------------------|
| Sovereign | 11 | 9 | 31 |
| Corporate | 47 | 39 | 63 |
| SME | 64 | 52 | 6 |
| Total | 122 | 100 | 100 |

Table 3: Profile of Corporate Ratings by Industry

| Industry | No. of Ratings | % |
|-------------------------------|----------------|------------|
| Banking | 20 | 43 |
| Securities/Capital Markets | 6 | 13 |
| Insurance | 4 | 9 |
| Credit Unions | 2 | 4 |
| Petroleum & Petrochemical | 3 | 6 |
| Construction | 2 | 4 |
| Manufacturing | 2 | 4 |
| Utilities | 1 | 2 |
| Telecommunications | 1 | 2 |
| Property Development & Rental | 3 | 6 |
| Hotel/Tourism | 1 | 2 |
| Engineering Sales & Service | 1 | 2 |
| Retail | 1 | 2 |
| Total | 47 | 100 |

Table 4: Profile of SME Ratings by Industry

| Industry | No. of Ratings | % |
|-------------------------------|----------------|------------|
| Construction | 7 | 11 |
| Gasoline Retail & Services | 5 | 8 |
| Industrial Services | 5 | 8 |
| Personal Care | 4 | 6 |
| General Retail | 6 | 9 |
| Distribution | 5 | 8 |
| Mining | 3 | 5 |
| Telecommunications | 2 | 3 |
| Woodworking | 2 | 3 |
| Security Services | 3 | 5 |
| Manufacturing/Hardware | 5 | 8 |
| Business Services/Consultancy | 1 | 2 |
| Interior Design | 1 | 2 |
| Metalworks | 1 | 2 |
| Ship Repairs | 1 | 2 |
| Shipping Services | 1 | 2 |
| Environmental | 1 | 2 |
| Tourism | 1 | 2 |
| Agriculture & Agro Processing | 3 | 5 |
| Software Development | 1 | 2 |
| Alternative Energy | 4 | 6 |
| Handbag Manufacturer | 1 | 2 |
| Entertainment | 1 | 2 |
| Total | 64 | 100 |

Chart 1: Summary 3-Year Financial Performance

