

**CAYMAN ISLANDS CHAMBER OF  
COMMERCE PENSION PLAN**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**CAYMAN ISLANDS CHAMBER OF  
COMMERCE PENSION PLAN**

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**INDEPENDENT AUDITOR’S REPORT**

To the Trustees and the Unitholders of the  
**Cayman Islands Chamber of Commerce Pension Plan**

We have audited the accompanying financial statements of the Cayman Islands Chamber of Commerce Pension Plan (the “Plan”), which comprise the statement of financial position as at June 30, 2012 and the statements of comprehensive income, changes in net assets available to participants for benefits and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Trustee’s responsibility for the financial statements*

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor’s responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s 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, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion the financial statements present fairly, in all material respects, the financial position of the Plan as at June 30, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "PricewaterhouseCoopers". The signature is stylized, with a large, looped 'P' at the beginning.

November 13, 2012

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**STATEMENT OF FINANCIAL POSITION**

(Expressed in Cayman Islands dollars)

	As at <u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 17,199,305	\$ 20,137,623
Receivable for securities sold	1,056,735	1,231,246
Accrued interest receivable	593,111	682,118
Accrued dividends receivable	140,719	123,223
Financial assets, at fair value through profit or loss (Note 3)	207,288,433	204,632,045
Prepaid fees and other receivables	<u>3,870</u>	<u>3,129</u>
Total assets	<u>226,282,173</u>	<u>226,809,384</u>
<b>LIABILITIES</b>		
Payable for securities purchased	2,916,805	901,699
Benefits payable	4,704,691	2,842,335
Accounts payable (Note 4)	<u>904,626</u>	<u>715,850</u>
Total liabilities (excluding net assets available to participants for benefits)	<u>8,526,122</u>	<u>4,459,884</u>
<b>NET ASSETS AVAILABLE TO PARTICIPANTS FOR BENEFITS (NOTES 9 AND 14)</b>	<b>\$ <u>217,756,051</u></b>	<b>\$ <u>222,349,500</u></b>

Approved for issuance on behalf of the Cayman Islands Chamber of Commerce Pension Plan's Board of Trustees by:

Lynn Roffey  
.....  
Trustee

Nic Corsetti  
.....  
Trustee

November 13, 2012  
.....  
Date

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

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**STATEMENT OF COMPREHENSIVE INCOME**

(Expressed in Cayman Islands dollars)

	For the year ended <u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
<b>Revenue</b>		
Interest income	\$ 2,428,337	\$ 1,732,691
Dividend income	1,761,560	2,054,044
Net realised (loss)/gain on financial assets at fair value through profit or loss	(3,258,985)	16,101,554
Net realised (loss)/gain on foreign currency transactions	(37,237)	253,077
Net change in unrealised (loss)/gain on financial assets at fair value through profit or loss	(4,374,212)	17,530,422
Net change in unrealised (loss)/gain on other assets and liabilities denominated in foreign currencies	-	228,756
Total (loss)/revenue	<u>(3,480,537)</u>	<u>37,900,544</u>
<b>Expenses</b>		
Administration and custody fees (Note 6)	1,414,879	1,286,858
Investment management fees (Note 7)	971,745	1,080,761
Consultancy fees (Note 8)	143,325	92,591
Salary and benefits (Note 1)	127,142	192,023
Plan Registration Fees (Note 15)	363,180	304,517
Trustees liability insurance expense	7,512	12,512
Other expenses	149,015	160,138
Printing and advertising costs	167,809	64,760
Total operating expenses	<u>3,344,607</u>	<u>3,194,160</u>
Operating (loss)/profit	<u>(6,825,144)</u>	<u>34,706,384</u>
Withholding tax on dividends	<u>(349,933)</u>	<u>(414,874)</u>
<b>Net (decrease)/increase in net assets from operations available to participants for benefits</b>	<b>\$ <u>(7,175,077)</u></b>	<b>\$ <u>34,291,510</u></b>

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

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO PARTICIPANTS FOR BENEFITS**

(Expressed in Cayman Islands dollars)

		For the year ended <u>June 30,</u>
	<u>2012</u>	<u>2011</u>
Net (decrease)/increase in net assets from operations available to participants for benefits	\$ (7,175,077)	\$ 34,291,510
<b>Contributions and transfers in</b>		
Employers and self employed participants – contributions	11,699,511	11,124,782
Employers and self employed participants - transfers in	740,445	460,300
Employees and voluntary participants – contributions	11,572,191	11,058,191
Employees and voluntary participants - transfers in	<u>746,598</u>	<u>433,460</u>
Total contributions and transfers in	<u>24,758,745</u>	<u>23,076,733</u>
	<u>17,583,668</u>	<u>57,368,243</u>
<b>Benefit payments and transfers out</b>		
Benefits paid to participants (Note 5)	(13,924,114)	(12,878,340)
Amounts transferred out	<u>(8,253,003)</u>	<u>(6,396,889)</u>
Total benefit payments and transfers out	<u>(22,177,117)</u>	<u>(19,275,229)</u>
<b>Net (decrease)/increase in net assets available to participants for benefits</b>	(4,593,449)	38,093,014
Net assets available to participants for benefits at beginning of year	<u>222,349,500</u>	<u>184,256,486</u>
<b>Net assets available to participants for benefits at end of year</b>	<u>\$ 217,756,051</u>	<u>\$ 222,349,500</u>

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

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**STATEMENT OF CASH FLOWS**

(Expressed in Cayman Islands dollars)

		For the year ended <u>June 30,</u>	
		<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>			
Interest received	\$	2,517,344	\$ 2,480,942
Dividends received		1,744,064	2,120,363
Administration and custody fees paid		(1,358,633)	(1,270,982)
Investment management fees paid		(915,429)	(1,063,513)
Printing and advertising costs paid		(138,709)	(57,768)
Trustee liability insurance		(8,252)	(12,512)
Other expenses paid		(66,901)	(65,180)
Consultancy fees paid		(143,325)	(92,591)
Plan Registration fees paid		(363,180)	(304,517)
Salary and benefits paid		(133,161)	(173,067)
Legal fees paid		(31,405)	-
Commission paid		(212,015)	-
Withholding taxes paid		(349,933)	(414,874)
		<hr/>	<hr/>
Net cash provided by operating activities		540,465	1,146,301
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchase of investments		(168,779,507)	(375,613,145)
Proceeds from sale and maturity of investments		160,902,630	385,145,972
Net realised gain/(loss) on forward currency contracts, futures contracts and foreign currency transactions		(37,237)	253,077
		<hr/>	<hr/>
Net cash (used) in/ provided by investing activities		(7,914,114)	9,785,904
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Contributions and amounts transferred in from employers and self employed participants		12,439,956	11,585,082
Contributions and amounts transferred in from employees and voluntary participants		12,318,789	11,491,651
Benefit payments and transfers paid out		(20,314,761)	(17,453,515)
		<hr/>	<hr/>
Net cash provided by financing activities		4,443,984	5,623,218
		<hr/>	<hr/>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		(2,929,665)	16,555,423
Unrealised foreign currency gain/(loss) on other assets and liabilities denominated in foreign currency		(8,653)	7,684
		<hr/>	<hr/>
<b>Cash and cash equivalents at beginning of year</b>		20,137,623	3,574,516
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	\$	<u>17,199,305</u>	\$ <u>20,137,623</u>

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

# CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### 1. Introduction and background information

The Cayman Islands Chamber of Commerce Pension Plan (the "Plan") was established under the laws of the Cayman Islands by a Declaration of Trust (the "Trust Deed") on May 12, 1992 as amended by a Deed of Amendment dated October 21, 1999 as a membership controlled, private sector operated Trust Fund to enable all Caymanians and other residents to participate in a properly structured and efficiently managed retirement plan.

The Plan's registration number is OSP4/03/0031. The Plan's reporting currency is the Cayman Islands dollar ("KYD"). The Plan had one employee, a customer relationship manager, from April 13, 2006 to July 6, 2011. Effective January 3, 2012 the Plan appointed a Chief Operating Officer. The registered office of the Plan is P.O. Box 1000, Grand Cayman, KY1-1102.

The following description of the Plan provides only general information. Participants should refer to the Trust Deed for a more complete description of the Plan's provisions.

#### **General**

The Plan is a defined contribution pension plan and is available to all Caymanians and residents who either work for an employer that elects to participate in the Plan or are self-employed. At June 30, 2012, there were approximately 17,135 participants in the Plan (2011: 19,148). The Plan is subject to the provisions of the National Pensions Law of the Cayman Islands, which became effective on June 1, 1998 (the "Pensions Law"). The Plan is divided into units applicable to each Lifecycle Fund.

Effective November 1, 2006, the Plan launched its Lifecycle Funds. The Lifecycle Funds available under the Plan contain a mix of investments linked to a specific target retirement year and each target retirement year corresponds to a specific investment time horizon. The risk profile of each Lifecycle Fund reflects the Lifecycle Fund's expected time horizon and the participants expected retirement dates, according to the Pensions Law. Lifecycle Funds reflect the participants' changing needs throughout the participants' working life by automatically adjusting the combination of assets invested based on age to reflect evolving investment needs and goals. The assets attributable to any one Lifecycle Fund are subject to the general creditors of the Plan, or another Lifecycle Fund. The Lifecycle Funds available to members at June 30, 2012 are as follows:

- Chamber 2045
- Chamber 2035
- Chamber 2025
- Chamber 2015
- Chamber Income

The target investment mix of each of the Lifecycle Funds at June 30, 2012 is as follows:

- Chamber 2045 - 82% equity investments, 18% fixed income investments
- Chamber 2035 - 71% equity investments, 29% fixed income investments
- Chamber 2025 - 58% equity investments, 42% fixed income investments
- Chamber 2015 - 38% equity investments, 62% fixed income investments
- Chamber Income - 25% equity investments, 75% fixed income investments

The target investment mix of each of the Lifecycle Funds at June 30, 2011 was as follows:

- Chamber 2045 - 83% equity investments, 17% fixed income investments
- Chamber 2035 - 72% equity investments, 28% fixed income investments
- Chamber 2025 - 60% equity investments, 40% fixed income investments
- Chamber 2015 - 42% equity investments, 58% fixed income investments
- Chamber Income - 25% equity investments, 75% fixed income investments

The fixed income investments defined in the above target investment mix includes a proportion of cash and cash equivalents.

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**1. Introduction and background information (continued)**

**Contributions and transfers in**

If an employer is a contributor, then the normal contribution rate is 10% of the employee's earnings (up to the maximum pensionable earnings), typically, being borne equally by the employee and employer, but not to be greater than 5% by the employee. Contributions in excess of 10% or in excess of \$6,000 per year based on maximum pension earnings of \$60,000, are considered voluntary. The normal contribution rate for self-employed participants is 10% of the participant's earnings.

**Participant Accounts**

Each participant's account is credited with the contributions received in respect of that participant which are applied to the purchase of units in the Plan. These units are calculated by dividing each participant's contributions by the unit value of the participant's Lifecycle Fund. The unit value is formally calculated by the administrator of the Plan (see Note 6) on the last business day of each month (the "valuation date"). The value of any benefits paid to a participant or his/her beneficiaries is deducted from the participant's account.

**Payment of benefits and transfers out**

On retirement, the units allocated to each participant can be released by the Trustees and the participant's account applied in the purchase of a fully paid up life annuity and/or other prescribed retirement savings arrangement(s). In certain circumstances the participant may receive the value of his/her units as a lump sum payment. The above outcomes must be approved by the Superintendent of Pensions.

Participants whose membership is transferred to another pension plan may elect to transfer the balance of their account to that pension plan.

Those members that cease Cayman Islands residency may elect, after the expiry of a two-year waiting period from termination of their employment, to have the units allocated to their account realised by the Trustees and to withdraw the cash.

The Cayman Islands National Pensions Law was amended November 8, 2011 to allow pension members to withdraw up to KYD\$35,000 from their pension plan to purchase a home, construct a home, pay off an existing mortgage or purchase a parcel of residential land. During the year, approximately KYD\$980,000 was withdrawn in relation to this amendment (Note 5).

**Investment policy**

The Trustees have entered into an agreement with the investment managers (see Note 7), which gives the managers full discretion in selecting investments for the Plan in accordance with the Regulations of the Pensions Law, except for the Vanguard Global Stock Index Fund, which is a non-discretionary index fund.

The Plan may invest in such shares, securities, or other investments wherever situated as permitted by the Pensions Law. The investment objective of the Plan is to achieve maximum return for minimum risk and to that end investments are diversified as far as is reasonably practical to ensure that risk is not unduly concentrated in any one type of investment, area or currency, other than investment in United States dollar denominated securities. The Plan is invested primarily for long term growth and the United States dollar is the primary currency of investment, although up to 30% of the Plan's assets may be invested in securities denominated in other currencies.

**2. Significant accounting policies**

The financial statements of the Plan have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

# CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### **2. Significant accounting policies (continued)**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. It also requires the Trustees to exercise judgment in the process of applying the Plan's accounting policies.

All references to net assets throughout this document refer to net assets attributable to participants for benefits unless otherwise stated. Net assets per unit information as disclosed in Note 14 has been determined as total assets less liabilities divided by the number of outstanding units for each Lifecycle Fund.

There are no new standards or amendments to existing standards which are effective from July 1, 2011 that have a material impact on the Plan's financial statements.

### **Standards and amendments to existing standards effective July 1, 2011**

The amendment to IAS 24, 'Related party disclosures', clarifies the definitions of a related party. The new definition clarifies in which circumstances persons and key management personnel affect related party relationships of an entity. The amendment also introduces an exemption from the general related-party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Plan.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have a significant impact on the Plan's financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Plan.

### **New standards, amendments and interpretations issued at June 30, 2012 but not effective for the financial year beginning July 1, 2011 and not early adopted**

IFRS 9, 'Financial instruments', effective for annual periods beginning on or after January 1, 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Plan's financial position or performance, as it is expected that the Plan will continue to classify its financial assets and financial liabilities (both long and short) as being at fair value through profit or loss.

IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after January 1, 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not expected to have any impact on the Plan's financial position or performance.

IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after January 1, 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard is not expected to have any impact on the Plan's financial position or performance.

# CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### 2. Significant accounting policies (continued)

IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after January 1, 2013. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. On adoption of the standard, the Plan expects to change its valuation inputs for listed financial assets and liabilities to last traded prices to be consistent with the inputs prescribed in the Plan's offering document for the calculation of its per share trading value for subscriptions and redemptions.

The IAS 32, 'Financial instruments: Presentation' amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. In connection therewith, IFRS 7, 'Financial instruments: Disclosures' amendments were also issued. These new IFRS 7 disclosures are intended to facilitate comparison between IFRS and US GAAP preparers. The converged offsetting disclosures in IFRS 7 are to be retrospectively applied, with an effective date of annual periods beginning on or after January 1, 2013. The IAS 32 changes are retrospectively applied, with an effective date of annual periods beginning on or after January 1, 2014. Master netting agreements where the legal right of offset is only enforceable on the occurrence of some future event, such as default of the counterparty, continue not to meet the offsetting requirements. The disclosures focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The new amendments are not expected to have any impact on the Plan's financial position or performance.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Plan.

The significant accounting policies of the Plan are as follows:

**Financial assets, at fair value through profit or loss:** The Plan's investments are considered trading securities and consequently its investment securities have been classified as financial assets or liabilities at fair value through profit or loss. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value, which is considered the cost basis of the security. Securities that are traded on recognised securities exchanges are valued by reference to quotations provided by the market on which the securities are traded on the last day of trading in the period.

Securities that are not traded on recognised securities exchanges are valued by reference to price quotations furnished by investment services firms (such as brokers, dealers, or other entities). Investments in short-term money market funds and other open-ended funds are valued based on the share price as determined by the administrators of those entities in accordance with industry practice.

Investments are accounted for on the trade date basis (the date the order is executed). Realised and unrealised gains and losses are calculated on an average cost basis and are recognised in the statement of comprehensive income in the period in which they arise. Transaction costs are expensed as incurred and included as a component of realised and unrealised gains and losses in the statement of comprehensive income.

Financial assets and financial liabilities at fair value through profit or loss are those that are managed and their performance evaluated on a fair value basis in accordance with the Plan's documented investment strategy. The Plan's policy is for the Trustees to evaluate the information about these financial assets and liabilities on a fair value basis, together with other related financial information, for the purposes of making investment management decisions.

# CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### 2. Significant accounting policies (continued)

The Plan adopted the amendment to IFRS 7, effective July 1, 2009, this requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

Level 1: Quoted priced (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

**Interest income:** Interest income is accounted for using the effective interest method.

**Dividend income:** Dividend income is recognised at the time the income becomes receivable (the "ex-dividend" date).

**Contributions and transfers in:** Contributions and transfers in are accounted for as the cash is received by the administrator.

**Benefit payments and transfers out:** Benefit payments and transfers out are accounted for on the accrual basis.

**Expenses:** Expenses are accounted for on the accrual basis.

**Foreign currencies:** Transactions in foreign currencies are translated at the rate of exchange prevailing at the date of the transaction. Assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at the valuation date. The Plan does not isolate the effect of changes in foreign exchange rates from fluctuations arising from changes in the market prices of investments held at year end.

Similarly, the Plan does not isolate the effect of changes in foreign exchange rates from fluctuations arising from changes in the market prices of investments sold during the year. Accordingly, realised and unrealised foreign currency gains (losses) on investments are included in the reported net realised and unrealised gains (losses) on investments in the statement of comprehensive income.

**Functional and presentation currency:** Items included in the Plan's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Cayman Islands dollar ("KYD"), which is pegged to the United States dollar ("USD") at the rate of KYD. \$0.8333 = U.S. \$1.00. In addition, the Plan has adopted the Cayman Islands dollar as its presentation currency.

**Cash and cash equivalents:** For the purposes of the statement of cash flows, cash and cash equivalents consist of bank balances on demand and at short notice with original maturities of three months or less.

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**3. Financial assets at fair value through profit or loss**

At June 30, 2012 and 2011, the Plan's portfolio of investments comprised the following:

	<b><u>2012</u></b>	<b><u>2011</u></b>
Equities	\$ 90,469,735	\$ 93,752,965
Fixed Income	79,452,970	74,237,982
Vanguard Investment Series plc – Global Stock Index Fund <sup>(1)</sup>	37,365,728	36,641,098
	<hr/>	<hr/>
Total fair value	\$ 207,288,433	\$ 204,632,045
	<hr/>	<hr/>
Total cost	\$ 197,611,355	\$ 190,580,756
	<hr/>	<hr/>

<sup>(1)</sup> At June 30, 2012 and 2011, the Plan invested in a daily traded open ended fund, Vanguard Investment Series plc – Global Stock Index Fund, that seeks to provide long term growth of capital by tracking the performance of the MSCI World Index which measures the investment return of stocks of companies located in developed markets around the world. The fund is incorporated in Ireland. The Vanguard Investment Series plc had a cost of \$37,602,340 (2011: \$34,872,925).

At June 30, 2012 and 2011, the Plan held the following equity investments (investments where either cost or value exceeds 1% of the Plan's net assets are presented individually):

	<b><u>Fair Value</u></b>	<b><u>Fair Value</u></b>	<b><u>% of</u></b>	<b><u>% of</u></b>
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>net</u></b>	<b><u>net</u></b>
			<b><u>assets</u></b>	<b><u>assets</u></b>
			<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Australian Dollar</b>				
- Gold mines	\$ 555,791	\$ 416,332	0.26%	0.19%
<b>British Pound</b>				
- Finance	-	445,855	0.00%	0.20%
- Energy	518,417	-	0.24%	0.00%
- Materials	984,459	1,095,922	0.45%	0.49%
- Miscellaneous	-	3,045,393	0.00%	1.37%
- Capital equipment	615,630	1,899,211	0.28%	0.85%
- Consumer goods	6,912,541	-	3.17%	0.00%
- Services	-	1,343,791	0.00%	0.60%
Rights and Warrants	24,303	-	0.01%	0.00%
<b>Canadian Dollar</b>				
- Finance	-	584,452	0.00%	0.26%
- Services	-	705,634	0.00%	0.32%
- Materials	347,630	-	0.16%	0.00%
<b>Euro</b>				
- Finance	-	474,098	0.00%	0.21%
- Materials	3,107,219	656,449	1.43%	0.30%
- Miscellaneous	1,913,228	1,643,886	0.88%	0.74%
- Capital equipment	600,951	2,758,975	0.28%	1.24%
- Consumer goods				
Anheuser-Busch	1,812,631	2,581,941	0.83%	1.16%
Other	4,930,675	3,045,054	2.26%	1.37%

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**3. Financial assets at fair value through profit or loss (continued)**

	<b><u>Fair Value</u></b>	<b><u>Fair Value</u></b>	<b><u>% of</u></b>	<b><u>% of</u></b>
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>net</u></b>	<b><u>net</u></b>
			<b><u>assets</u></b>	<b><u>assets</u></b>
			<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Euro (continued)</b>				
- Energy	-	460,704	0.00%	0.21%
<b>Hong Kong Dollar</b>				
- Miscellaneous	-	1,469,967	0.00%	0.66%
- Consumer goods	1,129,487	-	0.52%	0.00%
<b>Indonesia Rupiah</b>				
- Consumer goods	480,510	487,868	0.22%	0.22%
- Finance	598,721	-	0.27%	0.00%
<b>Japanese Yen</b>				
- Finance	681,247	-	0.31%	0.00%
- Materials	1,265,530	-	0.58%	0.00%
- Capital equipment	-	1,007,596	0.00%	0.45%
- Consumer goods	1,361,590	615,713	0.63%	0.28%
<b>Norwegian Kroner</b>				
- Energy	508,050	1,348,291	0.23%	0.61%
<b>Pilipino Peso</b>				
- Consumer goods	392,239	-	0.18%	0.00%
<b>Singapore Dollar</b>				
- Finance	-	1,215,705	0.00%	0.55%
<b>South African Rand</b>				
- Miscellaneous	572,298	-	0.26%	0.00%
<b>South Korean Won</b>				
- Capital equipment	-	374,111	0.00%	0.36%
- Materials	-	398,090	0.00%	0.18%
- Consumer goods	611,209	-	0.28%	0.00%
- Technology	908,102	557,552	0.42%	0.25%
<b>Swedish Kroner</b>				
- Finance	551,882	582,245	0.25%	0.26%
- Miscellaneous	-	576,055	0.00%	0.26%
- Capital equipment	-	629,757	0.00%	0.28%
<b>Swiss Franc</b>				
- Consumer goods	2,003,034	1,253,504	0.92%	0.56%
<b>Thailand Baht</b>				
- Finance	620,455	553,043	0.28%	0.25%
- Miscellaneous	459,253	-	0.21%	0.00%
<b>Turkish Lira</b>				
- Miscellaneous	609,949	-	0.28%	0.00%
<b>United States Dollar</b>				
- Finance				
Visa Inc.	2,649,082	-	1.22%	0.00%
Other	5,291,034	3,837,587	2.43%	1.73%
- Materials	9,540,892	1,749,758	4.38%	0.79%
- Miscellaneous	6,325,306	10,130,376	2.90%	4.56%
- Technology				
Apple Inc.	4,266,607	2,733,193	1.96%	1.23%

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**3. Financial assets at fair value through profit or loss (continued)**

	<b><u>Fair Value 2012</u></b>	<b><u>Fair Value 2011</u></b>	<b><u>% of net assets 2012</u></b>	<b><u>% of net assets 2011</u></b>
<b>United States Dollar (continued)</b>				
Oracle Corp.	1,452,825	2,793,977	0.67%	1.26%
Microsoft Corp.	2,652,994	-	1.22%	0.00%
Other	4,006,453	14,198,799	1.84%	6.38%
- Consumer goods				
Unitedhealth Group Inc.	1,614,990	2,297,158	0.74%	1.03%
Other	15,809,222	10,360,006	7.26%	4.66%
- Energy	1,783,299	3,788,351	0.82%	1.70%
- Services	-	8,970,379	0.00%	4.03%
- Gold mines	-	666,187	0.00%	0.30%
Total Equities - Cost				
\$81,266,458 (2011: \$82,611,076)	\$ 90,469,735	\$93,752,965	41.55%	42.16%

At June 30, 2012, the Plan held the following fixed income investments (investments where either cost or value exceeds 1% of the Plan's net assets are presented individually):

<b><u>Nominal Amount</u></b>	<b><u>U.S. Dollar Denominated Bonds</u></b>	<b><u>Fair Value</u></b>	<b><u>% of net assets</u></b>
3,000,000	Barclays Bank PLC 2.5% CVD BDS 21/SEPT/2015	\$ 2,557,650	1.17%
4,000,000	Berkshire Hathaway Inc. 3.2% BDS 11/FEB/2015	3,543,767	1.63%
3,000,000	HSBC Bank PLC 3.5% 28/JUN/15	2,619,200	1.20%
2,500,000	L-Bank BW Foerderbank 2.75% 26/MAY/15	2,184,771	1.00%
2,500,000	Neder Waterschapsbank 3.00% 17/MAR/15	2,170,771	1.00%
3,000,000	Novartis Capital Corp 2.9% BDS 24/APR/2015	2,646,900	1.22%
4,000,000	Procter and Gamble Co. 1.375% BDS 01/AUG/2012	3,335,966	1.53%
3,000,000	Royal Bank of Canada 3.125% BDS 14/APR/2015	2,649,725	1.22%
	Other	57,744,220	26.53%
	<b>Total Bonds (cost \$78,745,560)</b>	<b>\$79,452,970</b>	<b>36.50%</b>

At June 30, 2011, the Plan held the following fixed income investments (investments where either cost or value exceeds 1% of the Plan's net assets are presented individually):

<b><u>Nominal Amount</u></b>	<b><u>U.S. Dollar Denominated Bonds</u></b>	<b><u>Fair Value</u></b>	<b><u>% of net assets</u></b>
3,000,000	Barclays Bank PLC 2.5% CVD BDS 21/SEPT/2015	\$2,500,375	1.12%
4,000,000	Berkshire Hathaway Inc. 3.2% BDS 11/FEB/2015	3,474,167	1.56%
2,000,000	BP Capital Markets 2.75% NTS 27/FEB/2012	1,688,833	0.76%
1,000,000	BP Capital Markets 5.25% GTD SNR NTS 07/NOV/2013	902,750	0.41%
3,000,000	Denmark (Kingdom of) 2.75% BDS 15/NOV/2011	2,522,750	1.13%
3,000,000	Eksportfinans ASA 2.375% NTS 25/MAY/2016	2,509,125	1.13%
1,000,000	General Elec Cap Corp 2.80% 08/JAN/2013	854,492	0.79%
3,000,000	General Electric Capital Corp 5.25% MTN 19/OCT/2012	1,757,050	0.99%

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**3. Financial assets at fair value through profit or loss (continued)**

<b><u>Nominal Amount</u></b>	<b><u>U.S. Dollar Denominated Bonds</u></b>	<b><u>Fair Value</u></b>	<b><u>% of net assets</u></b>
3,000,000	Novartis Capital Corp 2.9% BDS 24/APR/2015	2,600,825	1.17%
5,000,000	Oesterreichische Kontrollbank AG 3.125% BDS 14/OCT/2011	4,199,583	1.89%
4,000,000	Procter and Gamble Co. 1.375% BDS 01/AUG/2012	3,359,000	1.51%
3,000,000	Royal Bank of Canada 3.125% BDS 14/APR/2015	2,598,900	1.17%
3,000,000	Royal Bank of Scotland Group PLC 1.45% BDS 20/OCT/2011	2,508,175	1.13%
2,500,000	Shell International Finance BV 4% UNS LN STK 21/MAR/2014	2,242,917	1.01%
3,000,000	Statoil ASA 3.875% NTS 15/APR/2014	2,678,400	1.20%
5,000,000	Wells Fargo & Co. 5.25% SNR NTS 23/OCT/2012	4,396,208	1.98%
	Other	33,444,432	15.04%
<b>Total Bonds (cost \$73,096,755)</b>		<b>\$74,237,982</b>	<b>33.39%</b>

At June 30, the Plan's investments have been classified as follows:

<b>2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities, warrants and rights	\$ 90,469,735	\$ -	\$ -	\$ 90,469,735
Fixed Income*	-	79,452,970	-	79,452,970
Vanguard - Global Stock Index Fund	-	37,365,728	-	37,365,728
Financial assets at fair value through profit or loss	\$ 90,469,735	\$ 116,818,698	\$ -	\$ 207,288,433

  

<b>2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities and warrants	\$ 93,752,965	\$ -	\$ -	\$ 93,752,965
Fixed Income *	-	74,237,982	-	74,237,982
Vanguard - Global Stock Index Fund	-	36,641,098	-	36,641,098
Financial assets at fair value through profit or loss	\$ 93,752,965	\$ 110,879,080	\$ -	\$ 204,632,045

\*Included in Fixed Income is \$12,195,863 (2011: \$845,196) of 144A restricted securities.

There were no significant transfers between levels 1 and 2 during the years ended June 30, 2012 and 2011.

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities, exchange traded derivatives, US government treasury bills and certain non-US sovereign obligations. The Plan does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include, investment-grade corporate bonds and certain non-US sovereign obligations, listed equities, over-the-counter derivatives, and open ended mutual funds. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**3. Financial assets at fair value through profit or loss (continued)**

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include private equity and corporate debt securities. As observable prices are not available for these securities, the Plan uses valuation techniques to derive the fair value. At June 30, 2012 and 2011 the Plan did not hold any investments classified in level 3.

**4. Accounts payable**

	<b><u>2012</u></b>	<b><u>2011</u></b>
Administration and custody fees	\$ 414,932	\$ 358,686
Other expenses	130,154	79,444
Investment management fees	308,088	251,772
Printing and advertising	36,092	6,992
Salary and benefits	12,937	18,956
Commissions	<u>2,423</u>	<u>-</u>
Total accounts payable	<u>\$ 904,626</u>	<u>\$ 715,850</u>

**5. Benefit payments**

Benefits paid to participants leaving the Plan can be analysed as follows:

	<b><u>2012</u></b>	<b><u>2011</u></b>
Termination of residence	\$ 6,565,091	\$ 5,302,973
Retirement	6,037,634	6,978,461
Death and medical	341,751	596,906
Housing	<u>979,638</u>	<u>-</u>
Total benefit payments	<u>\$13,924,114</u>	<u>\$12,878,340</u>

**6. Administration and custody fees**

Effective March 1, 2006, the Plan entered into an Amended and Restated Administrative Services Agreement, whereby Butterfield Fulcrum Group (“BFG”) provides member administration services to the Plan.

The Amended and Restated Administrative Services Agreement provides for an all-inclusive fee, calculated on a monthly basis of the month-end net assets available to participants of the Plan at the following rates:

- i) 0.75% per annum on the first CI\$50,000,000
- ii) 0.60% per annum between CI\$50,000,000 and CI\$100,000,000
- iii) 0.50% per annum between CI\$100,000,000 and CI\$150,000,000
- iv) 0.45% per annum over CI\$150,000,000.

For its service during the year ended June 30, 2012, BFG earned fees under this agreement amounting to \$1,222,370 (2011: \$1,098,850).

Effective March 1, 2006, the Plan entered into a Global Custody Agreement with JP Morgan Chase Bank, N.A (“JP Morgan”), whereby JP Morgan provides administrative and custodial services to the Plan. For these services, JP Morgan receives a fee calculated at standard rates based on the volume of transactions and the market value of the portfolio. Effective July 1, 2011 the administration agreement with JP Morgan was terminated. The custody agreement with JP Morgan remained in effect through the audit period.

## CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

#### **6. Administration and custody fees (continued)**

For its services during the year ended June 30, 2012, JP Morgan earned fees amounting to \$77,385 (2011: \$188,008).

Effective July 1, 2011, the Plan entered into an Administration Agreement with Maples Fund Services (Cayman) Limited (“MaplesFS”), whereby MaplesFS provides NAV calculation services to the Plan. For these services MaplesFS receives a fee calculated on a monthly basis as a percentage of the month end NAV. For the year ending June 30, 2012, MaplesFS earned fees under this agreement amounting to \$115,124.

#### **7. Investment management fees**

Effective February 28, 2006, the Plan entered into a Discretionary Investment Agreement whereby Butterfield Bank (Cayman) Ltd. (“Butterfield Bank”), manages the fixed income portfolio of the Plan. The amended Discretionary Investment Agreement with Butterfield Bank provides for a wrap up fee of 0.35% per annum, calculated on the total market value of the fixed income portfolio of the Plan, and paid on a quarterly basis. Effective January 1, 2012, the wrap up fee is calculated at the following rates:

- i) 0.30% per annum on the first US\$25,000,000;
- ii) 0.25% per annum on the balance.

For its services during the year ended June 30, 2012, Butterfield Bank earned fees under this agreement amounting to \$234,288 (2011: \$271,970).

Effective December 20, 2011 the Plan entered into an Investment Management Agreement with Income Research & Management (“IRM”), whereby IRM manages a portion of the fixed income portfolio of the Plan. The agreement provides for a fee calculated quarterly in arrears based on the average month-end net value of the investment account during the quarter at the following annual rates:

- i) 0.30% per annum on the first US\$50,000,000;
- ii) 0.25% per annum on the next US\$25,000,000;
- iii) 0.20% per annum on amounts over US\$75,000,000.

For its services during the year ended June 30, 2012, IRM earned fees under this agreement amounting to \$14,764 (2011: \$nil).

Effective December 20, 2011 the Plan entered into an Investment Management Agreement with EFG Bank, Cayman Branch (“EFG”), whereby EFG manages a portion of the fixed income portfolio of the Plan. The agreement provides for a fee calculated quarterly in arrears based on the average month-end net value of the investment account during the quarter at the following annual rates:

- i) 0.30% per annum on the first US\$25,000,000;
- ii) 0.25% per annum on the balance.

For its services during the year ended June 30, 2012, EFG earned fees under this agreement amounting to \$12,000 (2011: \$nil).

Effective March 1, 2006, the Plan entered into a Discretionary Investment Agreement with Alliance Bernstein L.P (“Alliance Bernstein”), whereby Alliance Bernstein manages a portion of the cash and cash equivalents and equity portfolio of the Plan. The agreement provides for a fee calculated quarterly in arrears based on the net value of the investment account on the last business day of the quarter at the following annual rates:

- i) 0.60% per annum on the first US\$100,000,000;
- ii) 0.45% per annum on the next US\$175,000,000; and
- iii) 0.40% per annum on the balance.

## CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

#### **7. Investment management fees (continued)**

For its services during the year ended June 30, 2012, Alliance Bernstein earned fees under this agreement amounting to \$nil (2011: \$266,076). The agreement with Alliance Bernstein was terminated effective May 3, 2011.

Effective October 30, 2008, the Plan entered into an Investment Agreement with McKinley Capital Management, Inc. (“McKinley”), whereby McKinley manages a portion of the equity portfolio of the Plan. The agreement provides for a fee calculated quarterly in arrears based on the average month-end net value of the investment account during the quarter at the following annual rates:

- iii) 0.75% per annum on the first US\$10,000,000;
- iv) 0.65% per annum on the next US\$15,000,000;
- v) 0.60% per annum on the next US\$25,000,000;
- vi) 0.50% per annum on the next US\$100,000,000;
- vii) 0.48% per annum on the next US\$50,000,000 up to US\$200,000,000.

A separate sliding scale with rates of 0.50% to 0.225% is employed for net asset values between US\$200 million and US\$900 million. For net assets in excess of US\$900 million, a sliding scale with rates of 0.35% and 0.32% is employed.

For its services during the year ended June 30, 2012, McKinley earned fees under this agreement amounting to \$273,158 (2011: \$ 288,161).

Effective September 24, 2010 the Plan entered into an Investment Agreement with Epoch Investment Partners (“Epoch”), whereby Epoch manages a portion of the equity portfolio of the Plan. The agreement provides for a fee calculated quarterly in arrears based on the preceding quarter end net value of the investment account at the following annual rates:

- i) 0.85% per annum on the first US\$50,000,000;
- ii) 0.75% per annum on the next US\$50,000,000;

For its services during the year ended June 30, 2012, Epoch earned fees under this agreement amounting to \$437,535 (2011: \$254,554).

The Vanguard Investment Series plc – Global Stock Index Fund (“Vanguard”) charges a fixed annual management fee of 0.29% of the net asset value of the institutional shares held by the Plan. The net asset value of Vanguard includes, and is reported, net of such fees. Vanguard’s expenses will not exceed, on an annual basis, 1% of the average net asset value of the institutional shares held by the Plan.

#### **8. Consultancy fees**

Effective December 15, 2004, the Trustees of the Plan entered into an agreement with Mercer Investment Consulting, Inc. (“Mercer”) under which Mercer was engaged to perform a review of the Plan’s investment arrangements as well as to provide ongoing quarterly investment performance evaluation services.

Effective April 12, 2006, the Plan entered into an agreement with Mercer to provide certain marketing and communication services to the Plan.

Effective March 5, 2009, the Plan entered into an agreement with Mercer that updated the scope of services surrounding its ongoing quarterly investment performance evaluation services.

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**9. Unit transactions**

Units of the Plan are issued or redeemed on the first business day of each month at a price based on the underlying net asset value of the relevant Lifecycle Fund at the opening of business on that date.

Transactions in units for the year ended June 30, 2011 to June 30, 2012 are summarized as follows:

	<b>Chamber 2045</b>	<b>Chamber 2035</b>	<b>Chamber 2025</b>	<b>Chamber 2015</b>	<b>Chamber Income</b>	<b>Total Plan</b>
Outstanding units, at June 30, 2010	11,590,714	37,848,201	40,430,924	21,463,933	5,595,415	116,929,187
Issued during the period (contributions and transfers from other plans)	2,688,239	4,865,966	3,679,979	1,636,536	330,669	13,201,389
Net transfers	15,965	(51,928)	(49,696)	27,511	44,595	(13,553)
Redeemed during the period (benefit payments and transfers to other plans)	(805,165)	(2,907,645)	(3,079,636)	(2,755,744)	(1,039,978)	(10,588,168)
Outstanding units, at June 30, 2011	13,489,753	39,754,594	40,981,571	20,372,236	4,930,701	119,528,855
Issued during the period (contributions and transfers from other plans)	3,192,638	4,986,394	3,958,773	1,622,124	329,007	14,088,936
Net transfers	1,821	(3,707)	(12,783)	(56,805)	62,392	(9,082)
Redeemed during the period (benefit payments and transfers to other plans)	(1,235,827)	(3,752,152)	(3,714,642)	(2,443,722)	(1,023,547)	(12,169,890)
Outstanding units, at June 30, 2012	15,448,385	40,985,129	41,212,919	19,493,833	4,298,553	121,438,819

The Plan's capital is primarily represented by these units. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 11, the Plan endeavours to invest the contributions received from Unitholders into appropriate investments while maintaining sufficient liquidity to meet withdrawals.

The net asset values per unit of each of the Lifecycle Funds, at June 30, 2012 and 2011 are disclosed in Note 14.

**10. Plan termination**

The Trustees may at any time, with the sanction of an Extraordinary Resolution of the Members in a general meeting and in accordance with the provisions of the Pensions Law, determine that the Plan shall forthwith terminate, and upon termination either:

- a. apply all sums credited to a participant's account to the purchase of a fully paid up life annuity, commencing at the normal retirement date, or other prescribed savings arrangement; or
- b. transfer all sums credited to a participant's account to another pension plan approved by the Trustees for the benefit of the participant.

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**11. Financial instruments and associated risks**

The Plan's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Plan's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Plan's financial performance.

**Price risk:**

All securities investments present a risk of loss of capital. The investment advisors (Note 7) moderate this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Plan's overall market positions are monitored on a daily basis by the investment advisors. The Plan's equity and trading derivative financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The Plan's market price risk is managed through diversification of the investment portfolio ratios by exposures. The overall market exposures as at June 30, 2012 are presented in Note 3.

At June 30, 2012, the Plan's market risk is affected by three main components: changes in actual market prices, interest rate and foreign currency movements.

***Equity portfolio managed by McKinley (Note 7)***

If the MSCI World Growth Net Dividend Index at June 30, 2012 had increased/decreased by 10% with all other variables held constant, this may have increased/decreased net assets attributable to unitholders by approximately \$3,825,209 to \$6,375,348 (2011: \$3,881,973 to \$6,926,305).

***Equity portfolio managed by Epoch (Note 7)***

If the MSCI World Equity Index at June 30, 2012 had increased/decreased by 10% with all other variables held constant, this may have increased/decreased net assets attributable to unitholders by approximately \$4,365,035 (2011: \$4,697,821).

***Vanguard (Note 7)***

If the NAV of the Vanguard Global Stock Index Fund at June 30, 2012 had increased/decreased by 10% with all other variables held constant, this may have increased/decreased net assets attributable to unitholders by approximately \$3,736,573 (2011: \$3,664,110).

The aforementioned analysis excludes the market risk associated with the Plan's fixed income portfolio, which is discussed under "Interest rate risk" below.

The above investment advisors do not manage the Plan's investments to track any particular index or external benchmark. The sensitivity analysis presented above is based upon the portfolio composition as at June 30 and the performance of the securities in the portfolio relative to a benchmark index. The composition of the Plan's investment portfolio and the correlation thereof to the respective index is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 and 2011 is not necessarily indicative of the effect on the Plan's net assets of future movements in the level of the index.

The majority of the investments are denominated in USD. At June 30, 2012 and 2011 the Plan held the following equity securities denominated in currencies other than the USD.

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**11. Financial instruments and associated risks (continued)**

Price risk (continued):

	<b><u>2012</u></b>	<b><u>2011</u></b>
(expressed in KYD)		
AUSTRALIAN DOLLAR	\$ 555,791	\$ 416,332
CANADIAN DOLLAR	347,630	1,290,086
SWISS FRANC	2,003,033	1,253,504
EURO	10,451,476	11,621,107
BRITISH POUND	9,031,048	7,830,171
HONG KONG DOLLAR	1,129,487	1,469,967
INDONESIAN RUPIAH	1,079,231	487,868
JAPANESE YEN	3,308,367	1,623,309
SOUTH KOREA WON	1,519,311	1,329,753
NORWEGIAN KRONE	508,050	1,348,291
SWEDISH KRONA	551,882	1,788,057
SINGAPORE DOLLAR	-	1,215,705
THAILAND BAHT	1,079,708	553,043
TURKISH LIRA	609,949	-
PHILIPPINO PESO	392,239	-
SOUTH AFRICAN RAND	572,298	-
	<hr/>	<hr/>
	\$ 33,139,500	\$ 32,227,192
	<hr/>	<hr/>

The Cayman Islands dollar is pegged to the US dollar (Note 2) therefore the Plan is only affected by changes in movements in the exchange rates of other foreign currencies. The table below shows the approximate effect on profit, at June 30, 2012 and 2011, had the exchange rate between the Cayman Islands dollar and the respective foreign currencies, other than the US dollar, in which the equity securities were denominated, increased or decreased by 5% with all other variables held constant. All fixed income securities are denominated in USD (Note 3).

The analysis below is performed for what management believes to be reasonably possible movements in foreign currency exchange rates with all other variables held constant, showing the impact on net increase in net assets from operations available to unitholders (due to changes in fair value of currency sensitive non-monetary assets, excluding changes in fair value of forward foreign currency exchange contracts). In performing the analysis below, it is assumed that the change in the relevant risk variable had occurred at the statement of financial position date and had been applied to the risk exposures in existence at that date.

	<b>2012</b>	<b>2011</b>
	<b>Effect on profit – 5% increase/decrease</b>	<b>Effect on profit – 5% increase/decrease</b>
(expressed in KYD)		
AUSTRALIAN DOLLAR	\$ 27,790	\$ 20,817
BRITISH POUND	452,767	391,509
CANADIAN DOLLAR	17,381	64,504
EURO	618,235	581,055
HONG KONG DOLLAR	56,474	73,498
INDONESIAN RUPIAH	53,962	24,393
JAPANESE YEN	165,418	81,165

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**11. Financial instruments and associated risks (continued)**

<u>Price risk (continued):</u>	<b>2012</b>	<b>2011</b>
	<b>Effect on profit – 5% increase/decrease</b>	<b>Effect on profit – 5% increase/decrease</b>
NORWEGIAN KRONE	25,402	67,415
PHILIPPINO PESO	19,612	-
SINGAPORE DOLLAR	-	60,785
SWEDISH KRONA	27,594	89,403
SWISS FRANC	100,151	62,575
SOUTH AFRICAN RAND	28,614	-
SOUTH KOREA WON	75,966	66,488
THAILAND BAHT	53,985	27,652
TURKISH LIRA	30,497	-
	<b>\$ 1,753,848</b>	<b>\$ 1,611,259</b>

The Plan also holds monetary assets and liabilities denominated in currencies other than the KYD, its functional currency and the USD to which the KYD is pegged. It is therefore exposed to currency risk, as the value of the monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Plan may enter into currency hedging transactions.

At June 30, 2012, the Plan held approximately \$695,618 (2011: \$545,760) of cash and cash equivalents denominated in foreign currencies, other than the USD and KYD. Had exchange rates between the KYD and the respective foreign currencies, other than USD in which the foreign cash was denominated increased/decreased by 5% with all other variables held constant, the effect would be an increase/decrease on profit of approximately \$34,780 (2011 - \$27,353).

Currency risk with respect to the Plan's equity investments is discussed under "Price risk" above.

In accordance with the Plan's policy, the investment advisors monitor the Plan's net currency position on a daily basis. The Plan's fixed rate and zero coupon bond holdings are subject to market risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The table below summarises the Plan's exposure to interest rate risks. It includes the Plan's assets at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

Interest rate risk:

<b>June 30, 2012</b>	<b><u>Up to 1 year</u></b>	<b><u>2-5 years</u></b>	<b><u>Above 5 years</u></b>	<b><u>Total</u></b>
<b>Assets</b>				
Cash and cash equivalents	\$ 17,199,305	\$ -	\$ -	\$17,199,305
Financial assets at fair value through profit or loss	14,258,338	47,902,890	17,291,742	79,452,970
<b>Total Assets</b>	<b>\$ 31,457,643</b>	<b>\$47,902,890</b>	<b>\$ 17,291,742</b>	<b>\$ 96,652,275</b>

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**11. Financial instruments and associated risks (continued)**

Interest rate risk (continued):

<b>June 30, 2011</b>	<b><u>Up to 1 year</u></b>	<b><u>2-5 years</u></b>	<b><u>Above 5 years</u></b>	<b><u>Total</u></b>
<b>Assets</b>				
Cash and cash equivalents	\$20,137,623	\$ -	\$ -	\$20,137,623
Financial assets at fair value through profit or loss	23,059,433	51,178,549	-	74,237,982
<b>Total Assets</b>	<b>\$43,197,056</b>	<b>\$51,178,549</b>	<b>\$ -</b>	<b>\$94,375,605</b>

At June 30, 2012, should interest yields, for the debt securities held by the Plan, have lowered/increased by 100 basis points (2011: 100 basis points) with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the year would amount to approximately \$1,167,726 (2011: \$1,492,396), arising substantially from the increase/decrease in market values of debt securities.

In accordance with the Plan's policy, the investment advisors monitor the Plan's overall interest sensitivity on a daily basis.

Credit risk:

The Plan takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Plan's main credit risk is comprised of a) its cash and cash equivalent balances; and b) its debt securities. The fair value of substantially all cash and cash equivalents are with the Plan's prime broker - JP Morgan.

Although the Trustees monitor JP Morgan and believe that it is an appropriate custodian, there is no guarantee that JP Morgan will not become insolvent. There is no certainty that in the event of a failure of JP Morgan that has custody of Plan's assets, the Plan would not incur losses due to its assets being unavailable for a period of time or that there is ultimately a less than full recovery of its assets, or both. Because substantially all of the Plan's assets are held with JP Morgan, such losses could be significant and could materially impair the ability of the Plan to achieve its investment objective. The Trustees manage the credit risk with JP Morgan by regularly monitoring its credit worthiness. The Plan invests in debt securities, which have an investment grade as rated by a well-known rating agency.

Portfolio by rating, as provided by Standard & Poor's and Moody's, is as follows:

Rating	<b><u>2012</u></b>	<b><u>2011</u></b>
AAA	\$ 14,641,183	\$ 30,422,410
AA+	20,450,038	11,699,896
AA	4,549,799	11,324,880
AA-	13,446,787	17,686,213
A+	1,499,393	-
A	5,717,044	3,104,583
A-	12,001,731	-
BBB+	3,997,066	-
BBB	1,689,240	-
BBB-	1,378,464	-
BB+	82,225	-
	<hr/>	
	\$ 79,452,970	\$ 74,237,982

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**11. Financial instruments and associated risks (continued)**

Credit risk (continued):

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting financial obligations. Management believes that the Plan has sufficient resources to meet the present and foreseeable needs of its business operations. Management's guiding policies require monthly or quarterly payments for an 'emergency' reserve. The Plan invests the majority of its assets in investments that can be readily disposed of.

At June 30, 2012 and 2011, all of the Plan's liabilities (excluding net assets attributable to participants for benefits) have a maturity of 3 months or less.

**12. Financial highlights**

The increase/decrease in net asset value per unit, of each of the Lifecycle Funds, for the years ended June 30, 2012 and 2011, calculated based on the movement in net asset value per unit, is as follows:

2045: (4.71) % (2011: 25.22%)  
2035: (4.00) % (2011: 22.16%)  
2025: (3.25) % (2011: 19.03%)  
2015: (1.88) % (2011: 12.81%)  
Chamber Income: (0.46) % (2011: 6.43%)

The expense ratio (excluding withholding taxes), for the Plan as a whole, for the year ended June 30, 2012 is 1.52% (2011: 1.57%), calculated based on total expenses as a percentage of average annual net assets available to participants for benefits.

**13. Taxation**

The Plan is not subject to any income, withholding or capital gains taxes in the Cayman Islands. Generally the Plan conducts its affairs so as not to be liable to taxation in any other jurisdiction; however, the Plan does invest in securities whose income is subject to non-refundable foreign withholding taxes, which are expensed in the statement of comprehensive income.

The Plan invests in securities issued by entities which are virtually all domiciled in countries other than the Cayman Islands. Many of these foreign countries have tax laws which indicate that capital gains taxes may be applicable to non-residents, such as the Plan. Typically, these capital gains taxes are required to be determined on a self assessment basis and, therefore, such taxes may not be deducted by the Plan's brokers on a "withholding" basis. At June 30, 2012 and 2011, the Plan has measured its tax liabilities with respect to foreign capital gains taxes at nil. However, there is a risk that foreign tax authorities will begin seeking to collect taxes on capital gains earned by the Plan, without giving any prior warning and possibly, on a retrospective basis. Any retrospective enforcement may result in a potential loss to the Plan.

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**14. Financial information on a Lifecycle Fund basis**

The movement in the net assets for the year ended June 30, 2012 and for each Lifecycle Fund is as follows:

**For the Year ended June 30, 2012**

	Chamber 2045	Chamber 2035	Chamber 2025	Chamber 2015	Chamber Income	For the year ended June 30, 2012 Total Plan	For the year ended June 30, 2011 Total Plan
Opening net assets available to Participants for benefits	\$23,176,211	\$71,488,232	\$76,782,811	\$40,102,002	\$10,800,244	\$222,349,500	\$184,256,486
Total contributions*	5,190,901	8,474,177	7,115,850	3,125,522	852,295	24,758,745	23,076,733
Total withdrawals*	(1,957,087)	(6,452,650)	(6,786,346)	(4,823,793)	(2,157,241)	(22,177,117)	(19,275,229)
Net (decrease)/ increase in net assets available to participants for benefits	(1,127,404)	(2,788,643)	(2,379,101)	(754,922)	(125,007)	(7,175,077)	34,291,510
Closing net assets available to Participants for benefits	\$25,282,621	\$70,721,116	\$74,733,214	\$37,648,809	\$9,370,291	\$217,756,051	\$222,349,500
No. of units at June 30, 2012 (Note 9)	15,448,385	40,985,129	41,212,919	19,493,833	4,298,553	121,438,819	
Net asset value per unit – June 30, 2012	\$ 1.637	\$ 1.726	\$ 1.813	\$ 1.931	\$ 2.180		
Net asset value per unit – June 30, 2011	\$ 1.718	\$ 1.798	\$ 1.874	\$ 1.968	\$ 2.190		

\*Total contributions and total withdrawals include net transfers

**CAYMAN ISLANDS CHAMBER OF COMMERCE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**15. Plan Registration Fees**

For the financial year ended June 30, 2012, the Plan paid registration fees amounting to \$363,180 (2011: \$304,517).

**16. Subsequent Events**

Subsequent to year end and as of November 13, 2012, no subsequent events requiring additional disclosures were identified.