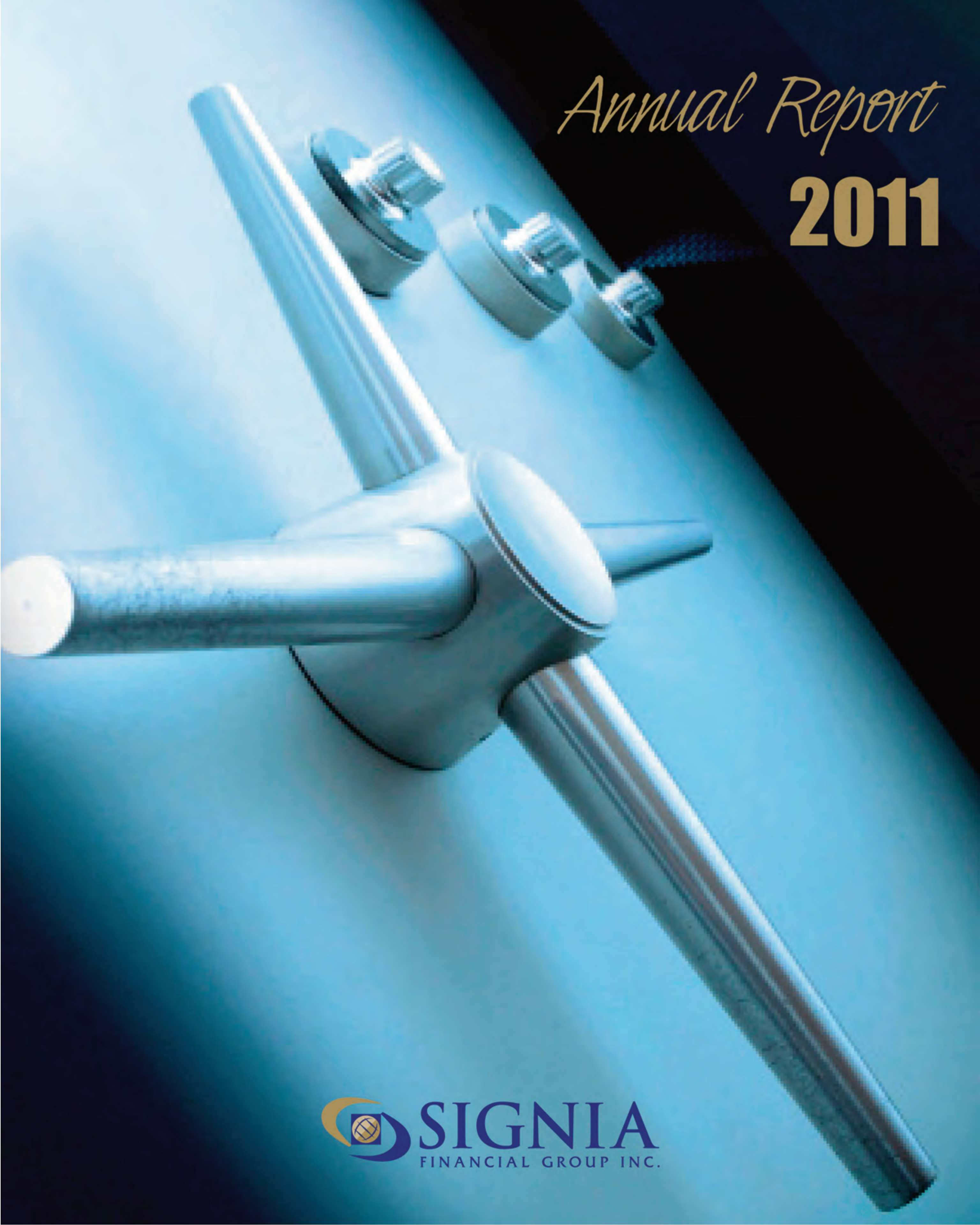


Annual Report 2011

SIGNIA
FINANCIAL GROUP INC.

A Banking & Investment Company from

Cave Shepherd, GraceKennedy & United Insurance

1ST Floor Carlisle House | Hincks St., Bridgetown, Barbados | Tel: (246) 434-2360 | Fax: (246) 434-0057
Email: info@signiafinancial.com | Web: www.signiafinancial.com

Contents

Our Core Values

Integrity *– We exhibit integrity by always interacting with others ethically and honourably.*

Trust *– We promise to exemplify trustworthiness in all our dealings.*

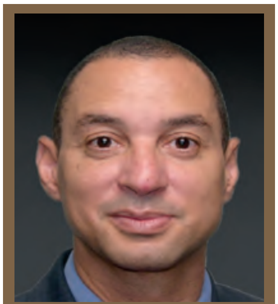
Respect *– We promise always to exhibit respect by empathizing and fully considering the diverse needs of others.*

Commitment *– We are fully committed to achieving success for our customers, our community, our staff and ourselves.*

Board of Directors

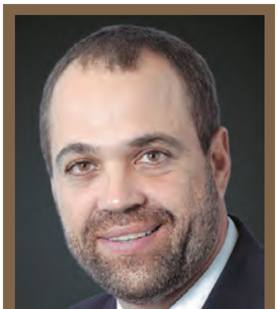

Geoffrey Cave
Chairman


M. Anthony Shaw*
Director & CEO


Don Wehby
Director, GraceKennedy


Roger Cave
Director, Cave Shepherd


Howard Hall
Director, United Insurance


John Williams
Director, Cave Shepherd


Dwight Richardson
Director, Independent


Desirée Cherebin
Director, Independent


Courtney Campbell
Director, GraceKennedy


Frank James
Director

**Resigned February 2012*

Signia's Team

Management Team

M. Anthony Shaw
Chief Executive Officer (Resigned February 2012)

Jacqueline Holder
Chief Operating Officer

Margaret Wharton
Retail Banking Manager

Ayesha Maycock
Commercial & Investment Manager

Damian Branford
Chief Financial Officer

Assistant Managers

Tracia Grant
Assistant Manager, Banking

Deborah Clarke
Assistant Manager, Deposits

Quetta Rawlins
Assistant Manager, Internal Control

Carol Prescod
Assistant Manager, Recoveries

Renee Trotman
Financial Accountant

Sales Team

Cherian Reifer
Commercial Officer

Natalie Stowe
Personal Banking Assistant /Relationship Officer

Samantha Inniss
Foreign Exchange Trader

Sonia Bishop
Personal Banking Assistant /Relationship Officer

Terry Williams
Broker/Research Analyst

Signia's Team

Administrative Team


Shana Sobers
Credit Control Officer


Kiera Jones
Reconciliations Officer


Joan Brewster
Reconciliations Officer


Andrea Harewood
Internal Control Assistant


Krystal Clarke
Internal Control Assistant


Ada Holder
Office Attendant


Sherika Armstrong
Receptionist


Karen Johnson
Administrative Assistant


Caroline Bowen
Administrative Assistant


Lauriel Small
Administrative Assistant


Donelle Michael
Recoveries Assistant


Tanya Allen
Recoveries Assistant


Salena Rice
Recoveries Assistant


Akeisha Thompson
Credit Control Assistant


Keisha Brewster
Internal Control Assistant

2011 Chairman's Report

Signia Financial Group Inc. recorded another solid performance in 2011, with increases in assets, deposits and earnings. The company continues to be strongly capitalized at levels well in excess of regulatory requirements.

During the year the Shareholders of the company made the decision to change the financial year-end from September to December to better align with the reporting timelines of its related companies. This resulted in a 15-month period ended December 31, 2011, which may affect certain year over year comparisons.

During 2011, the Barbadian economy grew only marginally by 0.5 percent amidst a difficult international economic climate. Interest rates were largely unchanged throughout the year and the excess liquidity lingering in the banking system was evidence of subdued loan demand. Unemployment in the country continued to climb during 2011, averaging 12 percent for the period. This, coupled with several tax increases implemented in 2011 such as the move in VAT to 17.5% as well as the removal of travel and entertainment allowances, reduced the disposable income available to individuals. An element of economic recovery is expected in 2012 with modest growth projected at 1 to 2 percent, but economic conditions remain challenging.

Against this lacklustre backdrop, Signia continued to grow and operate profitably. The company's Profit Before Tax for the period ended December 31, 2011 was $4.8M, an increase of $1.0M over the prior period.

The company remained well capitalized with a capital adequacy ratio of 14.58%, well above the regulatory minimum of 8%.

During the year, Signia focused on serving its core customers and improving the quality of its loans. Loans and advances increased by 7%, from $128.8M to $138.1M. An expansion of the retail lending portfolio was the main contributor to this. The company's deposit base also enjoyed a healthy rise, closing the period $6.8M higher at $135.2M. The growth in the loan portfolio and the extra quarter incorporated in the results combined to produce Net Interest Income of $10.9M for the period ended December 31, 2011, an increase of $3.0M from the previous year.

Monitoring and working to reduce credit risk continued to be a significant focus for the company in 2011. Reflecting the ongoing challenges in some areas of the economy, there was a greater level of provisioning for the period under review resulting in a $996k increase in loan impairment losses to $2.2M for the 15 month period ended December 31, 2011.

Non-interest income also grew during the period. Net trading and brokerage income advanced by 713k to $1.9M for the year ended December 31, 2011.

Signia's concerted efforts to maintain delinquency within targeted levels as well as new initiatives being implemented to retain the company's market share, will be important areas of activity in 2012.

I extend thanks to Anthony Shaw who served as CEO of Signia for the past six years. During his tenure, Anthony's leadership was reflected in the growth and success of the company as well as the development of a strong team of management and staff. On behalf of everyone at Signia Financial Group Inc, I express our great appreciation and wish him success in his future endeavors. Our gratitude is also extended to Directors Andy Toppin and Joe Taffe, who retired from the Board during the period, for their invaluable contributions to the Company.

Geoffrey Cave

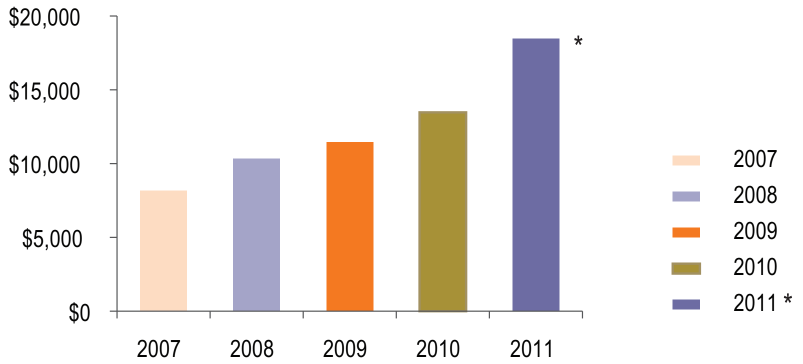
Geoffrey Cave, Chairman, April 5, 2012

Five Year Highlights

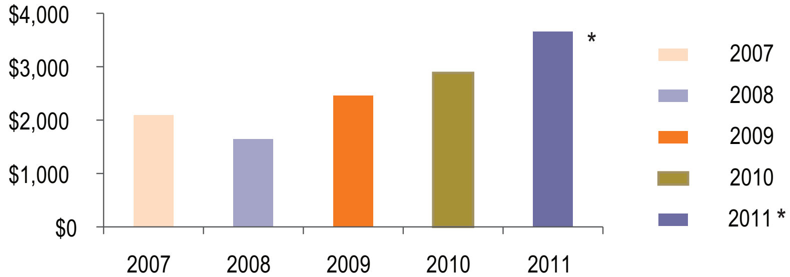
Expressed in thousands of Barbados dollars.

Operating Results	2011*	2010	2009	2008	2007
Interest Income	$18,474	$13,472	$11,447	$10,341	$ 8,165
Interest Expense	$ 7,562	$ 5,578	$ 4,911	$ 5,144	$ 4,063
Net interest income	$10,911	$ 7,893	$ 6,535	$ 5,197	$ 4,101
Profit before Tax	$ 4,823	$ 3,858	$ 3,317	$ 2,131	$ 2,779
Profit after tax	$ 3,661	$ 2,884	$ 2,463	$ 1,639	$ 2,097
Financial Position	**2011**	**2010**	**2009**	**2008**	**2007**
Loans and advances to customers	$138,067	$128,758	$106,013	$ 84,582	$ 71,568
Total Assets	$159,779	$150,482	$128,029	$105,152	$101,064
Deposits from Customers	$135,205	$128,440	$110,009	$ 88,894	$ 75,443
Total Liabilites	$138,679	$133,043	$112,474	$ 91,259	$ 88, 010

Interest Income 2007 - 2011



Net Income 2007 - 2011

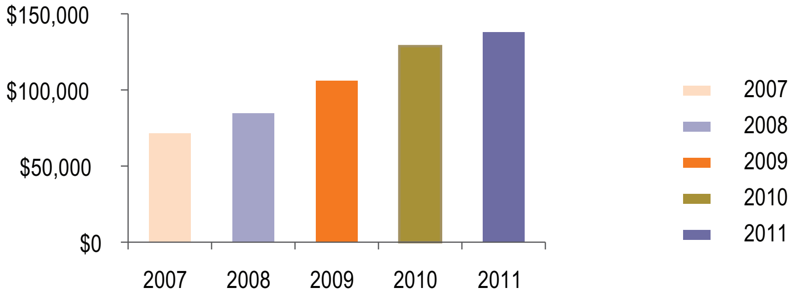


*2011 is a 15 month peroid. Other comparitives are 12 months.

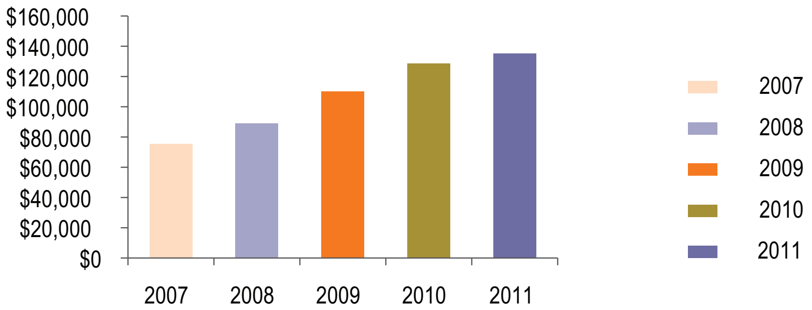
Five Year Highlights

Expressed in thousands of Barbados dollars.

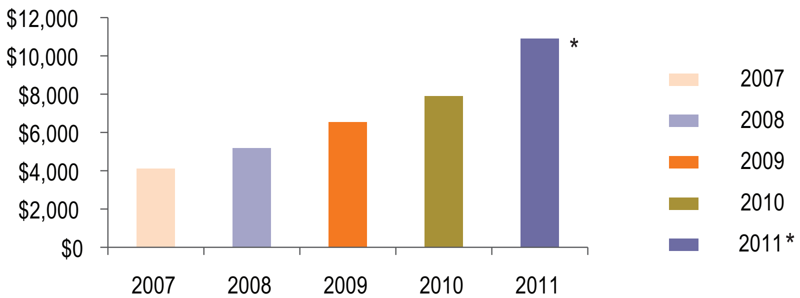
Loans 2007 - 2011



Deposits 2007 - 2011



Net Interest Income 2007 - 2011



*2011 is a 15 month peroid. Other comparitives are 12 months.

Signia gives back...

In 2011 the management and staff of Signia continued to fulfill their commitment to providing excellent service to their clients and giving back to the Barbadian community. In particular they focused on the children in the disabled community working in tandem with the Barbaos Council for the Disabled. Signia also partnered with the Save Foundation to promote awareness of women's rights and the plight of abused and battered women in the Barbadian community.

Signia gives back...

On March 23, 2011 Signia Financial in partnership with the Barbados Council For The Disabled launched "An Accessible School Makeover", this project aims to modify and equip as many schools in Barbados to offer inclusive education to all disabled persons.

Signia gives back...

The partnership between the Save Foundation and Signia was announced on Sunday, May 27th, 2011 by Mr. Anthony Shaw past CEO of Signia Financial and Ms. Liesel Daisley of the SAVE Foundation. It is hoped that greater awareness will empower women and reduce the prevalence of violence in our societies.

On November 1ST, 2011, Signia presented Ms. Liesel Daisley, President of the SAVE Foundation, with 250 posters in support of awareness for Domestic Abuse. On hand to present the posters was Signia's Relationship Officer Tracia Grant. The presentation took place at Signia's headquarters, Carlisle House, Bridgetown.

Left to right, Tracia Grant, Assistant Manager, Banking and Ms. Liesel Daisley, President of the SAVE Foundation.

Independent Auditor's Report followed by

Financial Statements for Signia Financial Group Inc.

2011

Independent Auditor's Report

To the Shareholders of Signia Financial Group Inc.

We have audited the accompanying financial statements of **Signia Financial Group Inc.,** which comprise the balance sheet as of December 31, 2011, and the statements of comprehensive 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 misstatements, 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 Signia Financial Group Inc. as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SRL

April 5, 2012
Bridgetown, Barbados

Balance Sheet

As of December 31, 2011 with comparatives for September 30, 2010

(Amounts in Barbados dollars)

	Notes	December 31 2011 $	September 30 2010 $
Assets			
Cash resources	25	**11,569,813**	14,323,937
Treasury bills		**4,972,442**	2,684,686
Due from parent company	4	**56,256**	25,093
Loans and advances to customers	5	**138,067,044**	128,758,041
Investment in associated company	6	**–**	21,265
Property, plant and equipment	7	**536,844**	501,542
Operating lease assets	8	**2,259,092**	2,753,617
Other assets	9	**2,317,443**	1,413,587
Total assets		**159,778,934**	150,481,768
Liabilities			
Due to customers	10	**135,204,888**	128,440,055
Other liabilities	11	**2,439,270**	3,391,718
Current tax payable	12	**917,603**	922,457
Deferred tax liability	12	**116,824**	288,586
Total liabilities		**138,678,585**	133,042,816
Equity			
Share capital	13	**9,210,857**	9,210,857
Statutory and other reserves	14	**2,436,660**	2,144,741
Retained earnings		**9,452,832**	6,083,354
		21,100,349	17,438,952
Total liabilities and equity		**159,778,934**	150,481,768

The notes on pages 18 to 58 are an integral part of these financial statements.

Approved by the Board of Directors on April 5, 2012

Geoffrey Cave Director   John W... Director

Statement of Changes of Equity

For the 15 months ended December 31, 2011 with comparatives for the twelve months ending September 30, 2010

(Amounts in Barbados dollars)

	Share capital $	Statutory and other reserves $	Retained earnings $	Total $
Balance at September 30, 2009	9,210,857	1,520,858	4,823,227	15,554,942
Dividends (10.8567531cents per share)	–	–	(1,000,000)	(1,000,000)
Net income and total comprehensive income for the year	–	–	2,884,010	2,884,010
Transfer to general loan reserves (note 14)	–	191,282	(191,282)	–
Transfer to statutory reserves (note 14)	–	432,601	(432,601)	–
Balance at September 30, 2010	**9,210,857**	**2,144,741**	**6,083,354**	**17,438,952**
Net income and total comprehensive income for the year	–	–	3,661,397	3,661,397
Transfer from general loan reserves (note 14)	–	(257,291)	257,291	–
Transfer to statutory reserves (note 14)	–	549,210	(549,210)	–
Balance at December 31, 2011	**9,210,857**	**2,436,660**	**9,452,832**	**21,100,349**

The notes on pages 18 to 58 are an integral part of these financial statements.

Statement of Comprehensive Income

For the 15 months ended December 31, 2011 with comparatives for the twelve months ending September 30, 2010

(Amounts in Barbados dollars)

	Notes	December 31 2011 $	September 30 2010 $
Interest income		**18,473,540**	13,471,537
Interest expense		**(7,562,139)**	(5,578,220)
Net interest income	15	**10,911,401**	7,893,317
Impairment losses on loans and advances	5	**(2,187,879)**	(1,191,004)
Net interest income after loan impairment charges		**8,723,522**	6,702,313
Fee and commission income	16	**154,798**	78,272
Fee and commission expense	16	**(55,656)**	(45,983)
Net fee and commission income		**99,142**	32,289
Net lease income	17	**254,097**	354,744
Other operating (loss)/income	18	**(45,838)**	599,043
Net trading and brokerage income	19	**1,912,677**	1,199,799
Operating expenses	20	**(6,099,395)**	(5,012,794)
Profit before loss from associated company		**4,844,205**	3,875,394
Share of loss from associated company	6	**(21,265)**	(17,736)
Profit before corporation tax		**4,822,940**	3,857,658
Corporation tax expense	12	**(1,161,543)**	(973,648)
Net income and total comprehensive income for the year		**3,661,397**	2,884,010

The notes on pages 18 to 58 are an integral part of these financial statements.

Statement of Cash Flows

For the 15 months ended December 31, 2011 with comparatives for the twelve months ending September 30, 2010

(Amounts in Barbados dollars)

	December 31 2011 $	September 30 2010 $
Cash flows from operating activities		
Profit before taxation	**4,822,940**	3,857,658
Adjustments for:		
Depreciation of property, plant and equipment and Operating lease assets	**966,141**	735,848
Share of loss of associated company	**21,265**	17,736
Impairment loss on loans	**2,187,879**	1,191,004
Provision on VAT recoverable	**23,625**	95,353
Gain on disposal of property, plant and equipment	**(27,399)**	(23,342)
Non credit (gains)/losses	**1,501**	(116,513)
Interest income	**(18,473,540)**	(13,471,537)
Interest expense	**7,562,139**	5,578,220
Gain on sale of operating leased assets and repossessed stock	**(29,441)**	(31,289)
	(2,944,890)	(2,166,862)
Changes in working capital		
Change in restricted cash	**(1,737,443)**	(1,597,219)
(Increase)/decrease in due from parent company	**(31,163)**	(4,806)
Increase in loans and advances to customers	**(11,376,262)**	(23,888,136)
Decrease/(increase) in other assets	**(683,042)**	1,121,792
Purchase of operating lease assets	**(581,406)**	(1,616,888)
Proceeds from disposal of operating lease assets and repossessed stock	**134,613**	572,168
Increase in due to customers	**6,777,224**	19,544,655
Interest paid	**(7,191,607)**	(5,436,806)
Interest received	**17,833,970**	12,955,441
Increase/decrease in other liabilities	**(1,312,939)**	891,603
Fees received during the year	**501,186**	440,411
Taxation paid	**(1,338,159)**	(794,129)
Net cash generated from operating activities	**(1,949,918)**	21,224
Cash flows from investing activities		
Purchase of property, plant and equipment	**(336,096)**	(270,466)
Proceeds from sale of property, plant and equipment	**88,533**	71,304
Purchase of treasury bills	**(26,082,181)**	(17,128,389)
Investment in associated company	**–**	(39,000)
Maturity of treasury bills	**23,802,930**	15,936,225
Purchase of investments	**(16,954,329)**	(22,699,235)
Maturity of investments	**16,940,995**	28,213,572
Cash from investing activities	**(2,540,148)**	4,084,011

Statement of Cash Flows

For the 15 months ended December 31, 2011 with comparatives for the twelve months ending September 30, 2010

(Amounts in Barbados dollars)

Payment of dividend	–	(1,000,000)
Net (decrease)/increase in cash	**(4,490,066)**	3,105,235
Cash and cash equivalents - beginning of year	**11,570,396**	8,465,161
Cash and cash equivalents - end of year	**7,080,330**	11,570,396
Represented by:		
Cash at bank	**7,080,330**	8,548,080
Short term deposits	**–**	3,022,316
	7,080,330	11,570,396

The notes on pages 18 to 58 are an integral part of these financial statements.

1 Incorporation, ownership and principal activities

Signia Financial Group Inc. (the Company) was incorporated under the Laws of Barbados on September 13, 1996. On January 2, 1998 the company was granted a licence under the Financial Institutions Act 1996 to carry on business as a finance company. Its principal activities are the provision of term finance, motor vehicle leasing and the acceptance of deposits. The company is also an authorized foreign exchange dealer and licensed stock broker.

The company is wholly-owned by CSGK Finance Holdings Limited, which is a company incorporated under the Laws of Barbados and is a joint venture between Cave Shepherd & Company Limited, United Insurance Company Limited, companies incorporated under the Laws of Barbados, and GraceKennedy & Company Limited, a company incorporated in Jamaica.

On July 27, 2011 the Board of Directors approved a change in the year end from September 30, to December 31. As a result of this change the amounts presented are not entirely comparable. The purpose of this change is to have coterminous year ends with the ultimate principle shareholders.

The company's principal place of business is located on the First Floor, Carlisle House, Hincks Street, Bridgetown, Barbados.

2 Summary of significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards, ("IFRS"). Significant accounting policies are set out below and have been consistently applied to all the years presented, unless otherwise stated.

i) Basis of preparation

The financial statements comprise the balance sheet, statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes.

These financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Standards, amendments and interpretations effective in 2010.

The following amendments to published standards are mandatory for the Company's accounting periods beginning on or after January 1, 2010.

2 Summary of significant accounting policies *...continued*

a) Basis of preparation *...continued*

Standards, amendments and interpretations effective in 2010

The amendments below were not relevant or did not have a significant impact on the financial statements:

- IFRS 2 (amendment) - 'Group cash-settled share-based payment transactions'.
- IFRS 3 - 'Business combinations'.
- IFRS 5 - 'Non-current assets held for sale and discontinued operations'.
- IAS 1 (amendment) - 'Presentation of financial statements'.
- IAS 27 - 'Consolidated and separate financial statements'.
- IAS 32 - 'Classification of rights issues'.
- IAS 36 (amendment) - 'Impairment of assets'.
- IFRIC 9 - 'Re-assessment of embedded derivatives'.
- IFRIC 16 - Hedges of a net investment in a foreign operation.
- IFRIC 17 - 'Distribution of non-cash assets to owners'.
- IFRIC 18 - 'Transfers of assets from customers'.

2 Summary of significant accounting policies *…continued*

a) Basis of preparation *…continued*

Standards, amendments and interpretations not yet effective but will be relevant to the Company*…continued*

- IFRS 9 - 'Financial instruments part 1: Classification and measurement.' IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

  - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
  - An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.
  - All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
  - While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted.

The company is currently evaluating the standards and the impact on the financial statements.

Standards, interpretations and amendments to existing standards that are not yet effective and not relevant to the Company's operations

- IFRIC 14 - 'Prepayments of a minimum funding requirement'.
- IFRIC 19 - 'Extinguishing financial liabilities with equity instruments'.

2 Summary of significant accounting policies *…continued*

a) Basis of preparation *…continued*

Standards that are not yet effective and that have not been early adopted by the Company's operations

- Revised IAS 24 (revised), 'Related party disclosures' effective 1 January 2011

The application of these new standards and interpretations will not have a material impact on the entity's financial statements in the period of application.

b) Foreign currency translation

i) Functional and presentation currency

Items included in the company's financial statements are measured using the currency of the economic environment in which the company operates. The statements are presented in Barbados Dollars which is the Company's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

c) Financial assets

The Company classifies its financial assets in accordance with IAS 39 categories. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables

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

2 Summary of significant accounting policies *...continued*

c) Financial assets *...continued*

Purchases and sales of financial assets are recognised on settlement-date - the date on which the Company settles the purchase or sells the asset. Loans and receivables are reported in the balance sheet as loans and advances to financial institutions or customers or as investment securities. Financial assets are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership.

Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost.

d) Financial liabilities

Financial liabilities are measured at amortised cost, and are deposits from customers or banks.

e) Impairment of financial assets

The company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired, individually or collectively.

The company assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

2 Summary of significant accounting policies *…continued*

e) Impairment of financial assets *…continued*

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

f) Investment in associated company

Associates are entities over which the company has significant influence but not control generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

g) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, operating lease assets and tax losses carried forward.

Income tax payable on profits, based on the applicable tax law is recognised as an expense in the period in which the profits arise. The tax effects of tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

h) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

2 Summary of significant accounting policies *…continued*

h) Property, plant and equipment *…continued*

Depreciation is provided on the straight-line method at the following annual rates considered appropriate to write off the cost of the assets over their estimated useful lives as follows:

Leasehold improvements	–	20% or over the life of the lease
Computer	–	14% - 25%
Furniture and equipment	–	10% - 50%
Motor vehicles	–	20%
Leased vehicles and equipment	–	Over the term of the lease agreement.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

i) Leases

i. The Company is the lessor

The leases entered into by the company are primarily finance leases. When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present values of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

ii. The Company is the lessee

The total payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made by the lessee by way of penalty is recognised as an expense in the period in which termination has taken place.

j) Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans or leases that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within 'Other assets'.

2 Summary of significant accounting policies *…continued*

k) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including, amounts due from other banks.

l) Share capital

i) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax from the proceeds.

ii) Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the company's directors.

m) Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees are recognised over the life of the loan. Commission and fees arising from third party transactions such as the collection of payments for service providers are recognised on completion of the transactions.

n) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest bearing financial instruments using the effective interest method. Income from leasing of motor vehicles and from term deposits and investments is recognised using the effective interest method.

Once a financial asset has been written down as a result of impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring its impairment loss.

o) Employee retirement benefits

The company's employees are members of the Fortress Caribbean Pension Fund which is a defined contribution plan. The plan is administered by Duty Free Caribbean and investments are held by an independent Custodial Trustee. Contributions to the plan are based on pensionable salary adjusted to reflect National Insurance contributions and are recognised as employee benefit expense when they are due.

2 Summary of significant accounting policies *...continued*

p) Provisions

Provisions for legal claims are recognized when the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Company recognizes no provisions for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3 Critical accounting estimates, and judgements in applying accounting policies

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment losses on loans and advances

The company reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the company makes judgements as to whether there is a measurable decrease in the estimated future cash flows from individual loans before the decrease can be identified with the collective loans in that portfolio. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience. To the extent management's estimate of cash flows differ by +/- 5%, the net income for the year would have increased by $117,584, (2010 - $44,097) and (decreased) by $132,449, (2010 - $32,307).

b) Corporation taxes

The company is subject to corporation taxes in the jurisdiction in which it operates. Estimates are required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences are recognised in the statement of comprehensive income.

c) Provision

The company is subject to VAT and recognises a liability or receivable during assessment periods. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of VAT receivable or payable in the period in which such determination is made. Where the actual final outcome differs from management's estimates by 10%, the company will need to decrease or increase the VAT receivable by $66,216.

(Amounts in Barbados dollars)

4 Due from parent company

Amounts due from parent company bear no interest and have no stated terms of repayment.

5 Loans and advances to customers

	Corporate 2011 $	Individual 2011 $	Total December 2011 $
Gross loans and advances	44,654,225	95,662,342	140,316,567
Less: impairment	(693,526)	(1,555,997)	(2,249,523)
Balance, end of year	**43,960,699**	**94,106,345**	**138,067,044**

	Corporate 2010 $	Individual 2010 $	Total September 2010 $
Gross loans and advances	44,027,043	85,937,226	129,964,269
Less: impairment	(185,180)	(1,021,048)	(1,206,228)
Balance, end of year	**43,841,863**	**84,916,178**	**128,758,041**

(Amounts in Barbados dollars)

5 Loans and advances to customers *...continued*

Analysis of Loans by industry sector

`	December 31 2011 $	September 30 2010 $
Recreational personal and community work	**23,129**	-
Education	**37,304**	59,988
Electricity Gas and Water supply	**90,916**	22,816
Other financial corporations	**725,870**	874,537
Manufacturing	**1,020,645**	602,480
Transport, storage and communication	**1,596,112**	1,870,864
Hotels and Restaurants	**1,914,882**	1,340,255
Agriculture	**2,298,426**	1,668,108
Health and Social Work	**2,690,447**	485,606
Construction	**2,760,090**	1,876,343
Real estate, Renting and other business	**27,984,297**	23,454,864
Individuals and individual trusts	**99,174,449**	97,708,408
	140,316,567	129,964,269
Current	**39,559,017**	40,204,721
Receivable more than 12 months after the reporting period	**100,757,550**	89,759,548
	140,316,567	129,964,269

Loans and advances to customers are predominantly secured by the vehicles and title deeds financed under the individual contracts.

(Amounts in Barbados dollars)

5 Loans and advances to customers…*continued*

Impairment losses on loans and advances

	December 31 2011 $	September 30 2010 $
Increase in impairment losses on loans and advances	**2,139,813**	1,197,371
Amounts written off during the year as uncollectible	**152,373**	46,898
	2,292,186	1,244,269
Amounts received on loans previously written off	**(104,307)**	(53,265)
	2,187,879	1,191,004

Allowance for impairment

Movement in allowance impairment:

	December 31			September 30		
	2011 $ Specific	2011 $ Collective	2011 $ Total	2010 $ Specific	2010 $ Collective	2010 $ Total
Balance, beginning of year	**901,836**	**304,392**	**1,206,228**	799,537	289,375	1,088,912
Increase in impairment losses	**1,250,075**	**657,667**	**1,907,742**	1,229,252	15,017	1,244,269
Loans written off during the year as uncollectible	**(864,447)**	**–**	**(864,447)**	(1,157,882)	–	(1,157,882)
Amounts recovered during the year	**–**	**–**	**–**	30,929	–	30,929
Balance, end of year	**1,287,464**	**962,059**	**2,249,523**	901,836	304,392	1,206,228

At December 31, 2011, non-accrual loans amounted to $2,453,180 (2010 – $2,523,131). $35,467 of corporate loans were written off during 2011.

(Amounts in Barbados dollars)

5 Loans and advances to customers*…continued*

Loans and advances to customers include finance lease receivables as follows:

Gross investment in finance leases receivable:

	December 31 2011 $	September 30 2010 $
No later than 1 year	**3,987,447**	3,575,452
Later than 1 year and no later than 5 years	**5,865,172**	7,866,090
	9,852,619	11,441,542
Unearned future finance income on finance leases	**(1,193,824)**	(1,490,621)
Net investment in finance leases	**8,658,795**	9,950,921

The net investment in finance leases may be analysed as follows:

	December 31 2011 $	September 30 2010 $
No later than 1 year	**3,409,113**	2,898,549
Later than 1 year and no later than 5 years	**5,249,682**	7,052,372
	8,658,795	9,950,921

(Amounts in Barbados dollars)

6 Investment in associated company

The company's share of the associated company's loss in 2011 was $21,265 (2010 - $17,736).

7 Property, plant and equipment

	Leasehold improvements $	Computers $	Furniture & equipment $	Motor vehicles $	Total $
At 1 October 2009					
Cost	220,814	375,110	326,907	421,977	1,344,808
Accumulated depreciation	(159,524)	(323,297)	(143,016)	(207,272)	(833,109)
Net book value	**61,290**	**51,813**	**183,891**	**214,705**	**511,699**
Year ended September 2010					
Opening net book amount	61,290	51,813	183,891	214,705	511,699
Additions	4,905	39,874	29,827	195,860	270,466
Disposals	–	–	(11,410)	(36,552)	(47,962)
Depreciation charge	(41,518)	(46,038)	(54,935)	(90,170)	(232,661)
End of year	**24,677**	**45,649**	**147,373**	**283,843**	**501,542**
At 30 September 2010					
Cost	225,719	414,984	317,614	466,691	1,425,008
Accumulated depreciation	(201,042)	(369,335)	(170,241)	(182,848)	(923,466)
Net book value	**24,677**	**45,649**	**147,373**	**283,843**	**501,542**
Period ended December 2011					
Opening net book amount	24,677	45,649	147,373	283,843	501,542
Additions	133,815	26,311	98,005	77,965	336,096
Disposals	–	–	(4,266)	(56,868)	(61,134)
Depreciation charge	(49,277)	(28,062)	(54,123)	(108,198)	(239,660)
End of year	**109,215**	**43,898**	**186,989**	**196,742**	**536,844**
At 31 December 2011					
Cost	359,534	441,295	405,809	374,614	1,581,252
Accumulated depreciation	(250,319)	(397,397)	(218,820)	(177,872)	(1,044,408)
Net book value	**109,215**	**43,898**	**186,989**	**196,742**	**536,844**

(Amounts in Barbados dollars)

8 Operating lease asset

Leased vehicles and equipment

	December 31 2011 $	September 30 2010 $
Cost		
Beginning of period	**3,770,597**	3,592,587
Additions	**581,406**	1,616,888
Transfer to repossessed stock	**(582,606)**	(1,438,878)
Disposals	**(519,342)**	–
End of period	**3,250,055**	3,770,597
Accumulated depreciation		
Beginning of period	**1,016,980**	1,411,792
Charge for the period	**726,481**	503,187
Transfer to repossessed stock	**(338,174)**	(897,999)
Disposals	**(414,324)**	–
End of period	**990,963**	1,016,980
Net book values		
End of period	**2,259,092**	2,753,617
Beginning of period	**2,753,617**	2,180,795

9 Other Assets

	December 31 2011 $	September 30 2010 $
VAT recoverable	**265,143**	31,067
Prepaid expenses	**323,363**	179,535
Other receivables	**472,272**	846,023
Repossessed or end of lease stock	**1,256,665**	356,962
	2,317,443	1,413,587
Current	**2,305,458**	1,391,978
Receivable more than 12 months after the reporting period	**11,985**	21,609

(Amounts in Barbados dollars)

10 Due to customers

	December 31 2011 $	September 30 2010 $
Financial institutions		
Payable at fixed dates	**21,023,648**	26,596,014
Individuals		
Payable with notice	**690,541**	662,592
Payable at fixed dates	**62,976,848**	56,323,236
Business and government		
Payable with notice	**3,958,027**	1,849,056
Payable at fixed dates	**42,473,163**	40,824,264
Other		
Payable at fixed dates	**4,082,661**	2,184,893
Deposits due to customers	**135,204,888**	128,440,055
Payable with notice	**4,648,568**	2,511,648
Payable at fixed dates	**130,556,320**	125,928,407
	135,204,888	128,440,055
Current	**85,509,451**	86,402,314
Payable more than 12 months after the reporting period	**49,695,437**	42,037,741
	135,204,888	128,440,055

The rates of interest on fixed deposits vary in accordance with the length and value of the deposit from 3.5% to 7% (2010 - 3% to 7%). $ 6,576,291 (2010 - $6,525,387) of these deposits are held as security on loans and advances.

(Amounts in Barbados dollars)

11 Other liabilities

	December 31 2011 $	September 30 2010 $
Due to brokers and related customers	**145,702**	1,430,769
ICF loan	**1,638,210**	1,255,290
Other payables	**655,358**	705,659
	2,439,270	3,391,718

ICF loan represents variable rate loans on special terms due to the Central Bank of Barbados used to finance specific loans in designated sectors of the economy. Interest on amounts advanced is charged at 3.25% per annum.

12 Taxation

	December 31 2011 $	September 30 2010 $
Current tax	**1,333,305**	914,250
Deferred tax (credit) charge	**(171,762)**	59,398
	1,161,543	973,648

The tax on the profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:

	December 31 2011 $	September 30 2010 $
Profit before taxation	**4,822,940**	3,857,658
Corporation tax at a tax rate of 25% (2010 - 25%)	**1,205,735**	964,415
Income subject to tax at different rate	**(25,697)**	–
Expenses not deductible for tax	**32,637**	19,005
Prior year over provision	**(51,132)**	(9,772)
Taxation charge for the year	**1,161,543**	973,648

(Amounts in Barbados dollars)

12 Taxation*...continued*

The movement on the deferred tax account is as follows:

	December 31 2011 $	September 30 2010 $
Balance - beginning of year	**288,586**	229,188
(Credit) charge for the year	**(171,762)**	59,398
Balance - end of year	**116,824**	288,586

The deferred tax liability consists of the following components:

	December 31 2011 $	September 30 2010 $
Accelerated tax depreciation	**1,429,357**	1,458,735
Bad debt provision	**(962,059)**	(304,392)
	467,298	1,154,343
Deferred tax liability at corporation tax rate of 25% (2010 - 25%)	**116,824**	288,586

13 Share capital

Authorised:

The company is authorised to issue an unlimited number of common shares of no par value.

Issued:

	December 31 2011 $	September 30 2010 $
9,210,857 common shares issued (2010 - 9,210,857)	**9,210,857**	9,210,857

(Amounts in Barbados dollars)

14 Statutory and other reserves

Statutory reserve fund

	December 31 2011 $	September 30 2010 $
Balance, beginning of year	**1,887,450**	1,454,849
Transfer from retained earnings	**549,210**	432,601
Balance, end of year	**2,436,660**	1,887,450

Section 33 of the Financial Institutions Act, 1996 requires that a minimum of 15% of annual net income be appropriated to a reserve fund until the balance of such fund equals the company's share capital.

General loan reserve fund

	December 31 2011 $	September 30 2010 $
Balance, beginning of year	**257,291**	66,009
Transfer (to)/from retained earnings	**(257,291)**	191,282
Balance, end of year	**–**	257,291

	December 31 2011 $	September 30 2010 $
Total reserves	**2,436,660**	2,144,741

The general loan reserve represents transfers from retained earnings to meet qualifying loan impairment requirements under the Financial Institutions Act, 1996.

(Amounts in Barbados dollars)

15 Net interest income

	December 31 2011 $	September 30 2010 $
Interest income		
Cash and other short term funds	**139,287**	102,162
Investment securities	**329,305**	299,740
Finance lease income	**1,153,035**	962,838
Credit related fees	**655,819**	512,310
Loans and advances	**16,196,094**	11,594,487
	18,473,540	13,471,537
Interest expense		
Customers	**(7,562,139)**	(5,578,220)
Net interest income	**10,911,401**	7,893,317

At December 31, 2011, interest income accrued on impaired financial assets amounted to $7,672 (2010 - $23,340).

16 Net fee and commission income

	December 31 2011 $	September 30 2010 $
Fees and commission income		
Management fees	**–**	600
Other	**154,798**	77,672
	154,798	78,272
Fees and commission expense		
Dealer commissions	**55,656**	45,983
	55,656	45,983

(Amounts in Barbados dollars)

17 Net lease income

	December 31 2011 $	September 30 2010 $
Operating lease income	**990,672**	871,590
Depreciation expense	**(726,481)**	(503,187)
Lease repair expenses	**(10,094)**	(13,659)
	254,097	354,744

18 Other operating income

	December 31 2011 $	September 30 2010 $
Loss/(gain) on sale of operating lease assets & repossessed stock	**(56,291)**	31,289
Lease penalty and other charges	**10,453**	567,754
	(45,838)	599,043

19 Net trading and brokerage income

	December 31 2011 $	September 30 2010 $
Foreign exchange transaction gains and losses	**1,676,074**	1,023,660
Brokerage fees	**236,603**	176,139
	1,912,677	1,199,799

20 Operating expenses

	December 31 2011 $	September 30 2010 $
Staff costs and management fees (Note 21)	**3,431,051**	2,297,234
Administrative expenses	**2,405,059**	2,387,546
Provision for VAT recoverable	**23,625**	95,353
Depreciation of property, plant and equipment	**239,660**	232,661
	6,099,395	5,012,794

(Amounts in Barbados dollars)

21 Staff costs

	December 31 2011 $	September 30 2010 $
Salaries and wages	**3,125,495**	2,104,736
National insurance contributions	**132,861**	85,074
Pension costs- defined contribution plan	**75,361**	40,632
Other	**97,334**	66,792
	3,431,051	2,297,234

22 Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These include loans, deposits, and administrative services. The volumes of related party transactions and outstanding balances at year end and related expenses and income for the year are as follows:

	Directors and key Management personnel	
	December 31 2011 $	September 30 2010 $
Loans		
Loans outstanding at beginning of period	**160,310**	65,685
Loans issued during the period	**29,056**	136,000
Loan repayments during the period	**(153,717)**	(41,375)
Loans outstanding at end of period	**35,649**	160,310
Interest income earned	**14,041**	8,954

No provisions have been recognised in respect of loans given to related parties in 2011 and 2010.

Interest is payable at 7.75% and 8.75% per annum (2010: 7.5% and 9.25%). These loans are secured predominantly by vehicles and have fixed terms of repayment.

Amounts due from parent company

	December 31 2011 $	September 30 2010 $
CSGK Finance Holdings Ltd	**56,256**	25,093

Amounts due from parent company bear no interest and have no stated terms of repayment.

(Amounts in Barbados dollars)

22 Related party transactions *...continued*

	Directors and key Management personnel	
	December 31	**September 30**
	2011	**2010**
	$	**$**
Deposits		
Deposits at beginning of period	**213,023**	624,045
Deposits received during the period	**146,299**	33,624
Deposits repaid during the period	**(4,000)**	(444,646)
Deposits at end of period	**355,322**	213,023
Interest expense on deposits	**19,830**	10,951

	December 31	**September 30**
	2011	**2010**
	$	**$**
Key management compensation		
Salaries and benefits	**1,835,033**	1,182,780

Directors' remuneration

In 2011, the total remuneration to the directors was $36,000 (2010 - $9,000).

(Amounts in Barbados dollars)

23 Contingent liabilities and commitments

a) *Legal proceedings*

No contingent liabilities associated with legal action has been disclosed as professional advice indicates that it is unlikely that any significant loss will arise.

b) *Commitments*

The minimum operating lease income is as follows:

	December 31 2011 $	September 30 2010 $
Within one year	**638,878**	774,590
Later than one year and no later than five years	**318,976**	786,473
	957,854	1,561,063

Operating lease rental expense is as follows:

	December 31 2011 $	September 30 2010 $
Within one year	**244,869**	77,801
Later than one year no later than five years	**679,308**	–
	924,177	77,801

At December 31, 2011, the Company had loan commitments as follows:

	December 31 2011 $	September 30 2010 $
Loan commitments	**4,968,785**	6,169,674
	4,968,785	6,169,674

24 Financial instruments, financial risk and capital management

By its nature, the company's activities expose it to a variety of financial risks such as credit risk, market risk (predominantly cash flow interest rate risk) and liquidity risk. The company accepts deposits from customers at fixed interest rates over varying terms of maturity and seeks to earn the appropriate interest margin through lending to commercial and retail borrowers at fixed rates over varying terms of maturity and by investing funds in high quality assets. This note presents information about the company's exposure to each of the above financial risks, the company's objectives, policies and procedures for measuring and managing these risks, as well as the company's management of its capital.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board has established the Credit Committee and the Asset and Liability Committee ("ALCO") both of which contain non-executive members and regularly report to the Board of Directors on their activities. In addition, the Board has established an Audit Committee to assist the directors in overseeing the reliability of the company's financial statements, compliance with legal and regulatory requirements, external auditor independence, as well as business practices and ethical standards. The Audit Committee also oversees compliance with the company's risk management policies and procedures, as well as reviews the adequacy of the risk management framework in relation to the potential risks which the company faces.

a) *Credit risk:*

Credit risk arises from the possibility that counterparties may default on their obligations to the company resulting in a financial loss to the company. Credit risk is considered to be the most significant of the financial risks which the company faces and as a result, the company's financial risk management focuses heavily on managing its exposure to credit risk. Credit risk arises primarily from the company's lending activities that result in loans and advances to customers, including finance leases, as well as investment activities that bring fixed income securities into the company's investment portfolio.

The Board of Directors has delegated the responsibility for and oversight of credit risk management and control to the Credit Committee. In addition, the Credit Committee has responsibility for:

- reviewing internal credit polices and establishing approval limits;
- establishing portfolio composition limits;
- monitoring and assessing the loan portfolio to ensure that the company's lending policies and practices are adhered to;
- reviewing and vetting the company's lending policies and procedures for submission to the Board of Directors;
- approving or declining loan applications submitted to the Committee;
- reviewing and analyzing delinquency statistics; and
- providing general guidance on lending practices

(Amounts in Barbados dollars)

24 Financial instruments, financial risk and capital management *…continued*

a) *Credit risk: …continued*

The company has formulated commercial and retail lending credit policies and guidelines. These policies and guidelines measure, manage, limit and control credit risk and the potential for concentration therein. These polices also cover collateral requirements, credit evaluations and ongoing credit assessments, risk grading and reporting, documentary and legal procedures, as well as compliance with regulatory requirements.

Authorized lending limits are established by the Credit Committee and approved by the Board of Directors. The Chief Executive Officer assigns lending limits to selected credit officers within which they can approve loans that conform to the company's credit policies and guidelines. Management closely monitors the composition of the loan portfolio by industry sector and potential concentration of credit risk therein on a monthly basis - see Note 6 for analysis of loans by industry sector as of December 31, 2011 and September 30, 2010. All loans and advances are made to customers located within Barbados and as a result, there is no need to monitor the loan portfolio by geographic sector.

Exposure to credit risk from loans and advances to customers, including net investment in finance leases, is further managed through the regular analysis of the ability of potential and existing borrowers to meet their contractual obligations. The company's maximum exposure to credit risk is indicated by the carrying amount of its financial assets. The following table illustrates the worst case scenario of credit risk exposure to the company at December 31, 2011 and 2010, without taking into account any collateral held or other credit enhancements which may be in place. This table also includes the impact of loan commitments which are not recognized on the balance sheet.

	December 31 2011 $	September 30 2010 $
Credit risk exposure relative to financial assets reported on the balance sheet are as follows:		
Cash and cash equivalents	**7,080,330**	11,570,396
Treasury bills	**4,972,442**	2,684,686
Due from parent company	**56,256**	25,093
Loans and advances to customers	**138,067,044**	128,758,041
Other assets	**372,765**	824,416
	150,548,837	143,862,632
Credit risk exposure relative to off-balance sheet items are as follows:		
Loan commitments	**4,968,785**	6,169,674
	155,517,622	150,032,306

(Amounts in Barbados dollars)

24 Financial instruments, financial risk and capital management *…continued*

a) *Credit risk: …continued*

The company's main source of credit risk arises from its loans and advances which are inclusive of net investment in finance leases and when combined with loan commitments, represent 92% (previous year - 90%) of the company's maximum exposure to credit risk. As mentioned before, the analysis does not take into account any security or collateral which is normally required by the company on loans in an attempt to mitigate credit risk. The company has specific policies in place detailing the requirement for acceptable collateral. Loans and advances to customers are typically secured by bills of sale on the underlying vehicles and mortgages over the underlying properties, as well as other forms of security such as stocks, bonds, mutual funds and the cash surrender values on borrower's life insurance policies. In order to further minimize credit risk, the company may seek additional collateral from a borrower as soon as there is objective evidence of impairment or other similar indicators. The company has not issued any financial guarantees.

Cash and cash equivalents as well as short term deposits are all placed with other reputable financial institutions which have been pre-approved by the ALCO committee and which are considered to be financially secure. The level of credit risk arising from the remaining financial assets is not considered to be significant.

Loans and advances to customers are summarized as follows:

December 31, 2011

	Loans and advances		Finance Leases		
	Corporate $	Individual $	Corporate $	Individual $	Total $
Neither past due nor impaired	27,906,787	65,298,335	4,448,273	78,758	**97,732,153**
Past due but not impaired	7,595,742	27,861,886	3,778,188	31,090	**39,266,906**
Impaired	368,583	2,308,060	410,638	–	**3,087,281**
	35,871,112	95,468,281	8,637,099	109,848	**140,086,340**
Less: allowances for impairment	(605,374)	(1,555,998)	(88,151)	–	**(2,249,523)**
Total loans and advances to customers	35,265,738	93,912,283	8,548,948	109,848	**137,836,817**
Other loans and Advances					**230,227**
Total loans and advances to customers					**138,067,044**

(Amounts in Barbados dollars)

24 Financial instruments, financial risk and capital management *…continued*

a) *Credit risk: …continued*

September 30, 2010

	Loans and advances		Finance Leases		
	Corporate $	Individual $	Corporate $	Individual $	Total $
Neither past due nor impaired	20,493,592	55,387,806	5,842,066	364,145	82,087,609
Past due but not impaired	13,744,544	28,594,481	3,646,150	–	45,985,175
Impaired	–	1,519,004	98,561	–	1,617,565
	34,238,136	85,501,291	9,586,777	364,145	129,690,349
Less: allowances for impairment	–	(1,144,739)	(61,489)	–	(1,206,228)
Total loans and advances to customers	34,238,136	84,356,552	9,525,288	364,145	128,484,121
Other loans and advances					273,920
Total loans and advances to customers					**128,758,041**

All other classes of financial assets are considered to be neither past due nor impaired.

The company currently utilizes the Central Bank of Barbados Asset Classification and Provisioning Guidelines rating system to assess its loan portfolio. Under this system, customers are segmented into the five rating categories, as summarized in the table below, which reflect the full range of default probabilities. The company assesses the probability of default of individual customers based on the aging of the portfolio of loans and advances which is then mapped to the Central Bank of Barbados' rating categories. This exercise is supplemented by the judgement of experienced credit officers within the company. The table below shows the company's internal rating and the associated impairment provision on loans and advances at December 31, 2011.

		Impairment Allowance			
Company's rating	Description	2011 $	2011 %	2010 $	2010 %
1	Pass	**–**	**0%**	–	0%
2	Special mention	**–**	**0%**	–	0%
3	Substandard	**416,186**	**32%**	53,676	6%
4	Doubtful	**77,716**	**6%**	670,170	74%
5	Loss	**793,562**	**62%**	177,990	20%

(Amounts in Barbados dollars)

24 Financial instruments, financial risk and capital management *…continued*

a) *Credit risk: …continued*

Over time, exposures to default can migrate between classes as the probability of default increases for selected customers. The provisioning guidelines of the Central Bank of Barbados, while used internally for credit rating, can be contrasted with the impairment allowances required under IAS 39, which are based on losses that have been incurred at the balance sheet date rather than expected impairment losses.

The category of Pass typically includes loans which are current and loans where the financial condition of the borrower is generally sound. The Special Mention category includes loans which although up to date, may present credit challenges in the future either as a result of a potential deterioration in the borrower's ability to service the loan or through the impairment of the collateral associated with the loan. Loans are assigned to the Substandard category where well defined credit weaknesses exist such as insufficient cash flow to service the loan and where the company may have to renegotiate the terms of the loan or obtain the collateral. The Doubtful category consists of loans where the collection of the full contractual amounts due is questionable or improbable. In this category, the possibility of incurring a financial loss exists but other factors may be present which could improve the current situation. Finally, the category of Loss is used where the loan is deemed uncollectible and it is not considered practical or desirable to pursue further recovery efforts.

Based on this system, the credit quality of the company's loans and advances to customers which are neither past due nor impaired can be categorized as follows:

	Loans and advances		Finance Leases		December 31 2011 Total
	Corporate	Individual	Corporate	Individual	
	$	$	$	$	$
Internal rating scheme					
1. Pass	21,042,589	63,252,115	4,448,273	78,758	**88,821,735**
2. Special Mention	5,022,038	1,978,691	–	–	**7,000,729**
3. Sub-standard	1,842,160	67,529	–	–	**1,909,689**
4. Doubtful	–	–	–	–	**–**
5. Loss	–	–	–	–	**–**
	27,906,787	**65,298,335**	**4,448,273**	**78,758**	**97,732,153**

(Amounts in Barbados dollars)

24 Financial instruments, financial risk and capital management *…continued*

a) *Credit risk: …continued*

	Loans and advances Corporate $	Loans and advances Individual $	Finance Leases Corporate $	Finance Leases Individual $	September 30 2010 Total $
Internal rating scheme					
1. Pass	18,978,445	52,290,866	5,575,136	364,145	77,208,592
2. Special Mention	31,481	2,075,851	266,930	–	2,374,262
3. Sub-standard	1,483,666	1,021,089	–	–	2,504,755
4. Doubtful	–	–	–	–	–
5. Loss	–	–	–	–	–
	20,493,592	55,387,806	5,842,066	364,145	82,087,609

69% (2010 - 61%) of the company's overall portfolio of loans and advances to customers, (i.e. not just the portion identified as neither past due nor impaired loans) are categorized within the two top grades of the internal rating system.

Included within the table above, are loans with renegotiated terms amounting to $627,547 (2010 - $594,530). Loans with renegotiated terms are considered to be loans which have been restructured due to deterioration in the borrower's financial position and where the company may have made concessions that it would not otherwise consider under normal circumstances.

A financial asset is considered to be past due when a counterparty has failed to make a payment when contractually due. Impairment may not be considered appropriate where the level of security/collateral available is adequate and/or where the stage of collection efforts is sufficiently advanced. The table below summarizes the carrying value of loans and advances to customers which are past due but which management, based on individual assessments, does not consider impaired:

(Amounts in Barbados dollars)

24 Financial instruments, financial risk and capital management *...continued*

a) *Credit risk: ...continued*

December 31, 2011

	Corporate $	Individuals $	Total Loans $
Past due 1 to 5 days	5,594,070	19,888,054	**25,482,124**
Past due 6 to 30 days	368,053	6,360,553	**6,728,606**
Past due over 30 days	910,867	2,336,031	**3,246,898**
	6,872,990	28,584,638	**35,457,628**

	Finance leases $
Past due 1 to 5 days	**2,445,902**
Past due 6 to 30 days	**1,363,376**
Past due over 30 days	**–**
	3,809,278

September 30, 2010

	Corporate $	Individuals $	Total Loans $
Past due 1 to 5 days	12,271,823	17,725,515	29,997,338
Past due 6 to 30 days	32,211	1,735,836	1,768,047
Past due over 30 days	1,440,510	9,133,130	10,573,640
	13,744,544	28,594,481	42,339,025

	Finance Leases $
Past due 1 to 5 days	2,193,450
Past due 6 to 30 days	1,144,051
Past due over 30 days	308,649
	3,646,150

(Amounts in Barbados dollars)

24 Financial instruments, financial risk and capital management *…continued*

a) Credit risk: *…continued*

Impairment and provisioning policies:

Where there is objective evidence of impairment, as a result of one or more events that have occurred subsequent to the initial recognition of a loan, the company establishes an allowance for impairment losses that represents its estimate of the incurred losses within its loan portfolio. Objective evidence that a loan is impaired includes observable data that comes to the attention of the company that a loss event has occurred such as significant financial difficulty of a borrower or a breach of the loan agreement by way of default or delinquency in interest and principal payments. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance established for groups of homogeneous loans in respect of losses that have been incurred but have not been identified on loans subject to the specific impairment assessment. The specific loss component is determined by comparing the individual carrying amount of each loan which is past due 90 days or later with its recoverable amount. The recoverable amount is in turn calculated by comparing the fair value of the collateral to the carrying value or assessing the present value of the future expected cash flows associated with each past due loan. In determining the collective loan loss allowance, observable historical data, experience and judgement is employed.

As at December 31, 2011, the total allowance for impairment against loans and advances to customers amounted to $2,249,523 (2010 - $1,206,228) of which $ 1,287,464 (2010 - $901,836) represents individually impaired loans and the remaining amount of $962,059 (2010 – $304,392) represents the portfolio provision. Included within Note 5 is an analysis showing the movement in this allowance during the year ended December 31, 2011.

The fair value of the collateral for individually impaired loans is as follow:

	2011 $	2010 $
Fair value of collateral	**1,477,332**	651,439

24 Financial instruments, financial risk and capital management *…continued*

b) Market risk:

Market risk is the risk that changes in market prices such as interest rate, equity prices and foreign exchange rates will affect the company's income or the value of its financial instruments. The company is not exposed to price risk in that it holds no equity investments. Similarly, the company is not directly exposed to changes in foreign exchange rates given that the company does not hold significant foreign currency denominated monetary assets or liabilities. The most significant type of market risk to which the company is exposed is interest rate risk, which generally includes cash flow interest rate risk and fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates, whereas fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. All of the company's financial instruments are measured at amortized cost and as a result, the company is not directly exposed to fair value interest rate risk. However, the company is exposed to fluctuations in the prevailing levels of market interest rates whereby net interest margins may increase as a result of these changes or may be reduced in the event that unexpected movements take place.

Interest rate risk

Assuming that the interest bearing financial assets and liabilities as at December 31, 2011 were to remain until maturity or settlement without any action by the company to alter the resulting interest rate risk exposure, an immediate and sustained increase/decrease of 100 basis points in market rates across all maturities would result in an insignificant increase/decrease in the net income of the following year.

Management closely monitors net interest margins, as well as other related ratios such as interest earned to average loans and interest incurred to average deposits. The ALCO Committee's responsibilities include ensuring adherence to the company's policies and procedures concerning asset and liability management, which in addition to liquidity risk, addresses interest rate risk.

(Amounts in Barbados dollars)

24 Financial instruments, financial risk and capital management *…continued*

b) *Market risk: …continued*

Interest rate risk

The table below summarises the company's exposure to interest rate risks. It includes the company's financial instruments at carrying amounts categorised by the earlier of maturity or contractual repricing:

December 31, 2011

	Up to 3 months $	3-12 months $	1-5 years $	Over 5 years $	Non interest bearing $	Total $
Assets						
Cash	11,569,813	–	–	–	–	**11,569,813**
Treasury bills	4,972,442	–	–	–	–	**4,972,442**
Due from parent	–	–	–	–	56,256	**56,256**
Loans and advances to customers	9,892,405	27,417,088	92,311,123	8,446,428	–	**138,067,044**
Other assets	–	–	–	–	200,075	**200,075**
Total financial assets	26,434,660	27,417,088	92,311,123	8,446,428	256,331	**154,865,630**
Liabilities						
Customer deposits	24,055,706	61,453,745	49,695,437	–	–	**135,204,888**
Other liabilities	1,638,210	–	–	–	450,584	**2,088,794**
Total financial liabilities	25,693,916	61,453,745	49,695,437	–	450,584	**137,293,682**
Total repricing gap	740,744	(34,036,657)	42,615,686	8,446,428	(194,253)	**17,571,948**

(Amounts in Barbados dollars)

24 Financial instruments, financial risk and capital management *…continued*

b) *Market risk: …continued*

Interest rate risk

September 2010

	Up to 3 months $	3-12 months $	1-5 years $	Over 5 years $	Non interest bearing $	Total $
Assets						
Cash and short term deposits	14,323,937	–	–	–	–	**14,323,937**
Treasury bills	2,684,686	–	–	–	–	**2,684,686**
Due from parent	–	–	–	–	25,093	**25,093**
Loans and advances to customers	2,995,019	8,406,645	62,882,493	54,473,884	–	**128,758,041**
Other assets	–	–	–	–	824,416	**824,416**
Total financial assets	20,003,642	8,406,645	62,882,493	54,473,884	849,509	**146,616,173**
Liabilities						
Customer deposits	21,769,204	64,633,110	42,037,741	–	–	**128,440,055**
Other liabilities	1,255,290	–	–	–	2,113,218	**3,368,508**
Total financial liabilities	23,024,494	64,633,110	42,037,741	–	2,113,218	**131,808,563**
Total repricing gap	(3,020,852)	(56,226,465)	20,844,752	54,473,884	(1,263,709)	**14,807,610**

24 Financial instruments, financial risk and capital management *…continued*

b) **Market risk:** *…continued*

Foreign exchange risk:

The company is exposed to foreign exchange risk arising primarily from exposure to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management manages this risk by limiting its exposure to US Dollars which has a fixed parity to the functional currency of the company. This fixed parity allows management to predict with relative certainty the potential outcome of foreign exchange transaction and its likely impact on the company's performance. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. At December 31, 2011, all the companies' financial assets and liabilities are denominated in BBD with the exception of $681thousand in cash and $1.034 million in liabilities.

c) Liquidity risk:

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations as they fall due.

The Board of Directors has delegated the responsibility for and oversight of liquidity risk management to the ALCO. The ALCO's responsibilities include but are not limited to:

- monitoring management's adherence to policies and procedures that are established to ensure adequate liquidity at all times;
- establishing asset and liability pricing policies to protect the liquidity structure, as well as to assess the probability of various 'liquidity shocks' and interest rate scenarios;
- ensuring compliance with the company's asset and liability policies and procedures which address the management of liquidity, foreign exchange and interest rate risk;
- managing the balance sheet and ensuring that business strategies are consistent with liquidity requirements; and
- establishing and monitoring relevant liquidity and prudential ratios, as well as specific balance sheet targets.

The company is exposed to daily requirements for its available cash resources arising from maturing customer deposits, the advancement of loans and other cash settled transactions. The company does not maintain sufficient cash resources to meet all of these liquidity needs, as historical industry and company-specific experience has shown that a high level of reinvestment of maturing funds can be predicted with a high level of certainty. The Company, however, has two committed lines of credit in the combined amount of $8 million upon which it can draw to meet unforeseen and unexpected liquidity needs; the line of credit of $3 million currently has an effective rate of 6.8%. The line of credit of $5 million currently has an effective rate of 7.7%.

(Amounts in Barbados dollars)

24 Financial instruments, financial risk and capital management *…continued*

c) Liquidity risk:*…continued*

No amounts have been drawn down on these facilities at December 31, 2011. The table below shows the undiscounted cash flows on the basis of their earliest contractual maturities. Expected cash flows from these instruments can vary significantly from this analysis. For example, customer deposits are expected to maintain a stable or increasing balance and unrecognized loan commitments are not all expected to be drawn down immediately.

Management prepares daily cash flow forecasts to assess liquidity needs in the period ahead. These cash flow forecasts report the current level of liquid resources along with customer deposits maturing within 90 days and after 90 days and maturing investments in the period ahead. Additionally, management closely monitors net free cash flows, as well as the concentration of customer deposits.

The table below represents the company's cash flows payable under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date.

	Up to three months $	Three to twelve months $	One to five years $	Total $
As at December 31, 2011				
Liabilities				
Deposits	25,786,192	62,960,177	54,014,366	142,760,735
Other liabilities	270,732	526,813	1,500,304	2,297,849
Total financial liabilities	26,056,924	63,486,990	55,514,670	145,058,584
As at September 30, 2010				
Deposits	21,835,572	66,351,155	45,977,653	134,164,380
Other liabilities	–	2,113,218	1,449,103	3,562,321
Total financial liabilities	21,835,572	68,464,373	47,426,756	137,726,701

(Amounts in Barbados dollars)

24 Financial instruments, financial risk and capital management *…continued*

c) *Liquidity risk: …continued*

The company holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The company's assets held for managing liquidity risk comprise:

- Cash resources excluding restricted cash
- Certificate of deposits
- Treasury bills
- Committed lines of available credit

d) *Financial instruments by category and fair value:*

At December 31, 2011 the company's financial assets amounting to $150,548,837, (2010 - $143,862,632) all fall within the IAS 39 category of 'loans and receivables' whereas the company's financial liabilities amounting to $137,293,682 (2010 - $131,808,563) all fall within the IAS 39 category of 'financial liabilities measured at amortized cost'. The following table sets out the carrying value of the company's loans and advances to customers and due to customers along with their estimated fair values:

	Carrying value		Fair value	
	December 31 2011 $	September 30 2010 $	December 31 2011 $	September 30 2010 $
Financial assets				
Loans and advances to customers				
Individuals	**94,110,068**	84,916,178	**94,945,047**	83,067,232
Corporate and other entities	**43,956,975**	43,841,863	**44,071,075**	38,039,043
Financial liabilities				
Due to customers				
Financial Institutions	**21,023,648**	26,596,014	**21,005,992**	26,995,420
Individuals	**63,667,389**	56,985,828	**63,027,228**	58,058,832
Business and government	**46,431,190**	42,673,320	**46,188,236**	43,327,878
Other	**4,082,660**	2,184,893	**4,051,389**	2,253,617

24 Financial instruments, financial risk and capital management *…continued*

d) *Financial instruments by category and fair value …continued*

The methods and assumptions used to estimate the fair value of each class of financial instrument for which it is pratical to estimate fair value are as follows:

i) Short-term financial assets and liabilities

The carrying value of these assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets comprise cash and cash equivalents, short term deposits, treasury bills, amounts due from parent company and other liabilities.

ii) Longer-term financial assets and liabilities

The estimated fair value of loans and advances to customers represents the discounted amount of the estimated future cash flows expected to be received. Loans and advances are reported net of provisions for impairment.

iii) The estimated fair value of customer deposits with no stated maturity, which includes non interest bearing deposits, is the amount repayable with notice. The estimated fair value of customer deposits represents the discounted amount of the principal and interest due to customers on fixed rate deposits using interest rates for new debt.

e) Capital management:

The company's objectives when managing its capital are to:

- comply with the capital requirements established by the Central Bank of Barbados;
- safeguard the company's ability to continue as a going concern so that it can continue to provide returns to its shareholders and benefits to other stakeholders; and
- maintain a strong capital base to support the growth and development of its business, as well as to maintain customer and market confidence.

Capital adequacy and the use of regulatory capital are reviewed and monitored monthly by the company's management so as to ensure compliance with the capital requirements imposed externally by the Central Bank of Barbados. The required information concerning capital adequacy is reported to the ALCO and filed with the Central Bank of Barbados on a quarterly basis.

(Amounts in Barbados dollars)

24 Financial instruments, financial risk and capital management *…continued*

d) *Financial instruments by category and fair value …continued*

The Central Bank of Barbados requires that the company:

- hold no less than a minimum level of stated capital of $2,000,000; and
- maintain a ratio of regulatory capital to risk-weighted assets at or above the prescribed minimum requirement of 8%.

e) Capital management

The company's regulatory capital consists entirely of Tier 1 capital, which is comprised of share capital, retained earnings and other reserves created by the appropriation of retained earnings. As at December 31, 2011, the company's capital adequacy ratio was 14.58% (2010 – 12.29 %).

Throughout the current year the company complied with the capital requirements relevant to its licensing and there has been no material change in the company's management of capital during the year compared with the prior year.

The table below summarises the composition of regulatory capital of the company.

	December 31 2011 $	September 30 2010 $
Tier 1 Capital		
Common shares	**9,210,857**	9,210,857
Statutory and other reserves	**2,436,660**	2,144,741
Retained earnings	**9,452,832**	6,083,354
Total qualifying Tier 1 capital	**21,100,349**	17,438,952
Risk-weighted assets		
On-balance sheet	**139,703,954**	135,766,930
Off-balance sheet	**4,968,785**	6,169,674
Total risk-weighted assets	**144,672,739**	141,936,604
Capital adequacy ratio	**14.58%**	12.29%

(Amounts in Barbados dollars)

25 Cash Resources

	December 31 2011 $	September 30 2010 $
Cash	**7,080,330**	8,548,080
Short term deposits	**–**	3,022,316
Restricted Cash	**4,489,483**	2,753,541
Total cash resources	**11,569,813**	14,323,937

The company is required to maintain mandatory reserve deposits with the Central Bank of Barbados representing a percentage of deposits liabilities as cash or deposits with the central bank. These funds are not available to finance the company's day- to- day operations and as such, are excluded from cash resources to arrive at cash and cash equivalents. At December 31, 2011 mandatory deposits amounted to $4,489,483 (2010-$2,753,541.)