ANNUAL REPORT 2010

SIGNIA
FINANCIAL GROUP INC.

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A Banking and Investment Company from Cave Shepherd, GraceKennedy and United Insurance

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At Signia, we understand families because we are family.

2010 OUR CORE VALUES

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

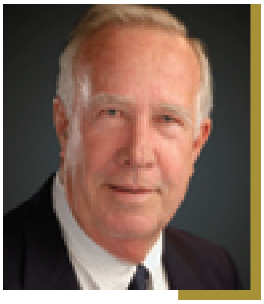
Trust
We promise to exemplify trustworthiness in all our dealings.

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

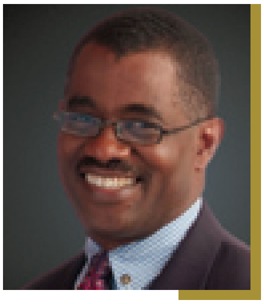
Commitment
We are fully committed to achieving success for our customers, our community, our staff and ourselves.

We work together with you to secure your future.

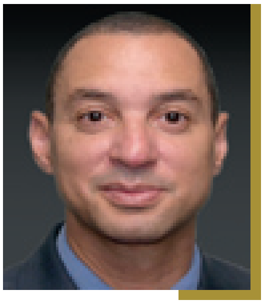
BOARD OF DIRECTORS



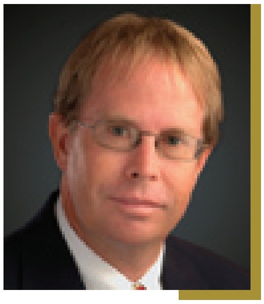
Geoffrey Cave
Chairman



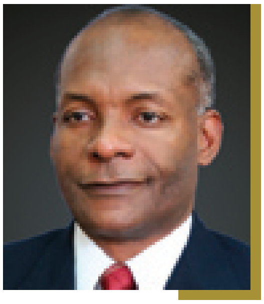
M. Anthony Shaw
Director & CEO



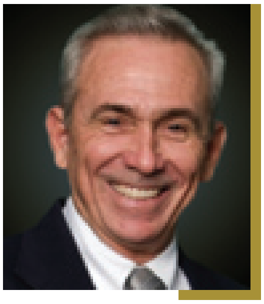
Don Wehby
Director, GraceKennedy



Roger Cave
Director, Cave Shepherd

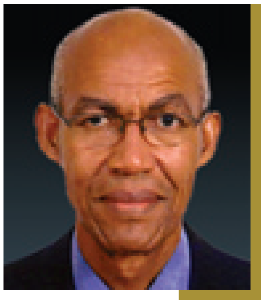


Joe Taffe
Director, GraceKennedy

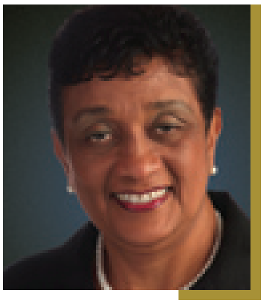


Andy Toppin
Director, United Insurance

John Williams
Director, Cave Shepherd



Dwight Richardson
Director, Independent



Desirée Cherebin
Director, Independent

Courtney Campbell
Director, GraceKennedy

2010 MANAGEMENT TEAM

M. Anthony Shaw
CEO

Frances Parravicino
SNR VP – Corporate & Commercial

Jacqueline Holder
Chief Operating Officer

Margaret Wharton
Retail Banking Manager

Damian Branford
Chief Financial Officer

Ayesha Maycock
Investment Manager

SALES TEAM

Tracia Grant
Relationship Officer

Sacha Simmons
Relationship Officer

Cherian Reifer
Commercial Officer

Samantha Inniss
Foreign Exchange Trader

Deborah Clarke
Deposit Officer

Terry Williams
Broker/Research Analyst

ADMINISTRATIVE TEAM


Quetta Rawlins
Internal Control Officer


Carol Prescod
Accountant


Lauriel Small
Administrative Assistant


Kiera Jones
Reconciliations Officer


Shana Sobers
Credit Control Officer


Salena Rice
Recoveries Assistant


Donelle Michael
Recoveries Assistant


Andrea Harewood
Internal Control Assistant


Sonia Bishop
Personal Banking Assistant


Karen Johnson
Personal Assistant


Caroline Bowen
Receptionist


Ada Holder
Office Attendant


Krystal Clarke
Internal Control Assistant


Keisha Brewster
Internal Control Assistant


Akeisha Thompson
Credit Control Assistant


Joan Brewster
Reconciliations Officer


Natalie Stowe
Recoveries Assistant

CHAIRMAN'S & CEO'S COMMENTS

Signia Financial continued its strong performance for the year ended September 30, 2010. Despite the general downturn in the economy the company achieved profit before tax of $3.9m, a 17% increase over the prior year results of $3.3m.

The Barbadian economy continues to be impacted by the slowdown in the developed economies. Tourism, the main engine of economic growth in Barbados began to recover in 2010, however overall economic activity remains slow.

In spite of this, the company increased its Loans and advances to customers by 21% ($23m) to $129m. Although much of this increase was in consumer lending the company significantly expanded its corporate and commercial loan portfolio during the year.

Financial year 2010 was impacted by high levels of liquidity in the Banking sector. Despite this net interest income increased by 21% ($1.4m) to $7.9m resulting from the careful management of interest margins throughout the year.

Net trading income declined by 14% to $1.2m. Included in net trading income are our Investment management and stock brokerage business and our Foreign exchange trading business lines. Our stock brokerage business was negatively affected by the significant decline in regional trading activity while the foreign exchange market saw a tightening of spreads as a result of the reduced supply in the market.

The company maintains a capital adequacy ratio of 12.29% which is well above the regulatory minimum of 8%.

During this difficult economic environment the Directors are pleased with the company's management of loan delinquency. Throughout the year the delinquency percentages were maintained within acceptable levels and the quality of the loan portfolio continues to be good.

We anticipate continued global economic challenges in financial year 2011 and a continued slow economic environment in Barbados. The focus on managing loan delinquency will have to be maintained as this will continue to be one of the major areas impacting the financial sector.

The Board and various subcommittees continue to meet on a regular basis in accordance with good corporate governance practices.

In closing, on behalf of the Board of Directors, we wish to thank our customers and strategic partners for their continued support and to congratulate the Signia team for their efforts and good performance.

Geoffrey Cave

Geoffrey Cave
Chairman

M. Anthony Shaw
Chief Executive Officer

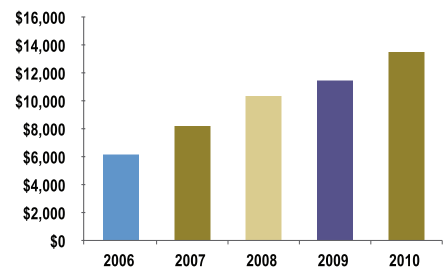
January 07, 2011

FIVE YEAR HIGHLIGHTS

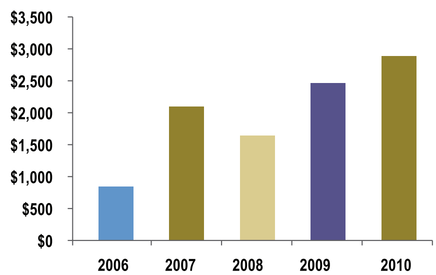
*(Amounts in **thousands** of Barbados dollars)*

$BDS '000s	2010	2009	2008	2007	2006
Operating results					
Interest income	13,472	11,447	10,341	8,165	6,140
Interest expense	5,578	4,911	5,144	4,063	1,981
Net interest income	7,893	6,535	5,197	4,102	4,159
Profit before tax	3,858	3,317	2,131	2,779	1,182
Profit after tax	2,884	2,463	1,639	2,097	840
	2010	**2009**	**2008**	**2007**	**2006**
Financial position					
Loans and advances to customers	128,758	106,013	84,582	71,568	57,099
Total assets	150,482	128,029	105,152	101,064	71,366
Deposits from customers	128,440	110,009	88,894	75,443	59,652
Total liabilities	133,043	112,474	91,259	88,010	60,410

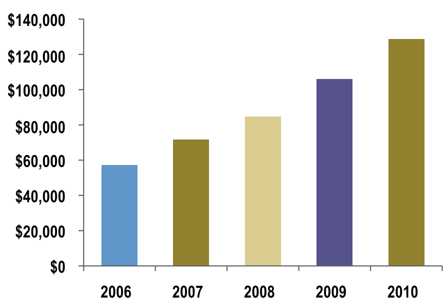
Interest Income 2006 - 2010



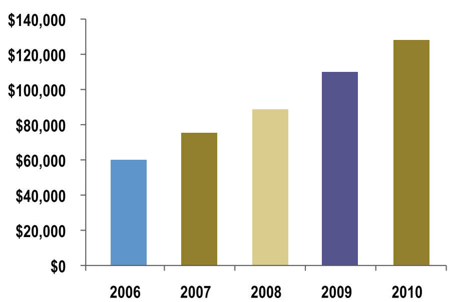
Net Income 2006 - 2010



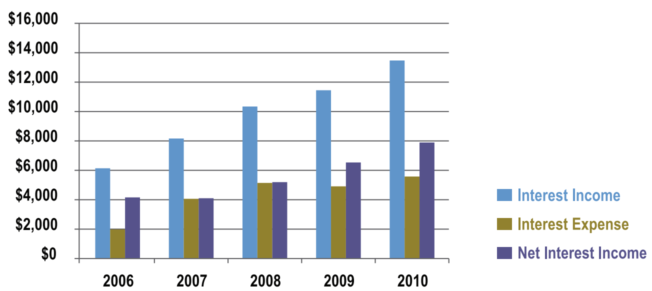
Loans 2006 - 2010



Deposits 2006 - 2010



Net Interest Income



 Your greatest treasure is ours.

INDEPENDENT AUDITORS' 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 September 30, 2010, and the statement of comprehensive income, statement of changes in equity and statement of 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Signia Financial Group Inc. as of September 30, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants
January 07, 2011
Bridgetown, Barbados

BALANCE SHEET

As of September 30, 2010 *(Amounts in Barbados dollars)*

	Notes	2010 $	2009 $
Assets			
Cash resources		**14,323,937**	9,621,483
Treasury bills		**2,684,686**	1,490,590
Due from parent company	4	**25,093**	20,287
Due from financial institutions	5	**-**	5,560,370
Loans and advances to customers	6	**128,758,041**	106,013,168
Investment in associated company	7	**21,265**	-
Property, plant and equipment	8	**501,542**	511,699
Operating lease assets	9	**2,753,617**	2,180,795
Other assets	10	**1,413,587**	2,630,586
Total assets		**150,481,768**	128,028,978
Liabilities			
Due to customers	11	**128,440,055**	110,009,276
Other liabilities	12	**3,391,718**	1,433,236
Current tax payable	13	**922,457**	802,336
Deferred tax liability	13	**288,586**	229,188
Total liabilities		**133,042,816**	112,474,036
Equity			
Share capital	14	**9,210,857**	9,210,857
Statutory and other reserves	15	**2,144,741**	1,520,858
Retained earnings		**6,083,354**	4,823,227
		17,438,952	15,554,942
Total liabilities and shareholder's equity		**150,481,768**	128,028,978

The notes on pages 15 to 51 are an integral part of these financial statements.

Approved by the Board of Directors on January 07, 2011

Geoffrey Cave

Director

Director

STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2010 *(Amounts in Barbados dollars)*

	Share capital $	Statutory and other reserves $	Retained earnings $	Total $
Balance at September 30, 2008	9,210,857	1,085,434	3,595,882	13,892,173
Dividends	–	–	(800,000)	(800,000)
Net income and total comprehensive income for the year	–	–	2,462,769	2,462,769
Transfer to general loan reserves (note 15)	–	66,009	(66,009)	–
Transfer to statutory reserves (note 15)	–	369,415	(369,415)	–
Balance at September 30, 2009	9,210,857	1,520,858	4,823,227	15,554,942
Dividends	–	–	(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 15)	–	191,282	(191,282)	–
Transfer to statutory reserves (note 15)	–	432,601	(432,601)	–
Balance at September 30, 2010	9,210,857	2,144,741	6,083,354	17,438,952

The notes on pages 15 to 51 are an integral part of these financial statements.

2010 STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2010 *(Amounts in Barbados dollars)*

	Notes	2010 $	2009 $
Interest income		**13,471,537**	11,446,511
Interest expense		**(5,578,220)**	(4,911,282)
Net interest income	16	**7,893,317**	6,535,229
Impairment losses on loans and advances	6	**(1,191,004)**	(670,159)
Net interest income after loan impairment charges		**6,702,313**	5,865,070
Fee and commission income	17	**78,272**	116,696
Fee and commission expense	17	**(45,983)**	(43,998)
Net fee and commission income		**32,289**	72,698
Net lease income	18	**354,744**	222,060
Other operating income	19	**599,043**	207,720
Net trading and brokerage income	20	**1,199,799**	1,388,884
Operating expenses	21	**(5,012,794)**	(4,439,191)
Profit before loss from associated company		**3,875,394**	3,317,241
Share of loss from associated company		**(17,736)**	–
Profit before corporation tax		**3,857,658**	3,317,241
Corporation tax expense	13	**(973,648)**	(854,472)
Net income and total comprehensive income for the year		**2,884,010**	2,462,769

The notes on pages 15 to 51 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended September 30, 2010 *(Amounts in Barbados dollars)*

	2010 $	2009 $
Cash flows from operating activities		
Profit before taxation	**3,857,658**	3,317,241
Adjustments for:		
Depreciation of property, plant and equipment and		
Operating lease assets	**735,848**	1,073,017
Share of loss of associated company	**17,736**	-
Impairment loss on loans	**1,191,004**	670,159
Provision on VAT recoverable	**95,353**	528,626
Gain on disposal of property, plant and equipment	**(23,342)**	-
Non credit (gains)/losses	**(116,513)**	33,460
Interest income	**(13,471,537)**	(11,446,511)
Interest expense	**5,578,220**	4,911,282
Gain on sale of operating leased assets and repossessed stock	**(31,289)**	(108,575)
	(2,166,862)	(1,021,301)
Changes in working capital		
Change in restricted cash	**(1,597,219)**	(1,156,322)
(Increase)/decrease in due from parent company	**(4,806)**	412,986
Increase in loans and advances to customers	**(23,888,136)**	(22,150,214)
Decrease/(increase) in other assets	**1,121,792**	(578,313)
Purchase of operating lease assets	**(1,616,888)**	(1,153,443)
Proceeds from disposal of operating lease assets and repossessed stock	**572,168**	711,661
Increase in due to customers	**19,544,655**	21,388,531
Interest paid	**(5,436,806)**	(5,184,868)
Interest received	**12,955,441**	11,286,774
Increase/decrease in other liabilities	**891,603**	(60,625)
Taxation paid	**(794,129)**	(694,256)
Net cash generated from operating activities	**(419,187)**	1,800,610

STATEMENT OF CASH FLOWS

For the year ended September 30, 2010 *(Amounts in Barbados dollars)*

Cash flows from investing activities		
Purchase of property, plant and equipment	**(270,466)**	(130,447)
Proceed from sale of property, plant and equipment	**71,304**	-
Purchase of treasury bills	**(17,128,389)**	(3,551,418)
Investment in associated company	**(39,000)**	-
Maturity of treasury bills	**15,936,225**	2,086,016
Purchase of investments	**(22,699,235)**	(45,016,150)
Maturity of investments	**28,213,572**	50,195,695
Fees received during the year	**440,411**	163,956
Cash from investing activities	**4,524,422**	3,747,652
Cash flows from financing activities		
Payment of dividend	**(1,000,000)**	(800,000)
Net increase in cash	**3,105,235**	4,748,262
Cash and cash equivalents - beginning of year	**8,465,161**	3,716,899
Cash and cash equivalents - end of year	**11,570,396**	8,465,161
Represented by:		
Cash at bank	**8,548,080**	7,438,198
Short term deposits	**3,022,316**	1,026,963
	11,570,396	8,465,161

The notes on pages 15 to 51 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.

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.

a) 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, 2009.

2 Summary of significant accounting policies *…continued*

a) Basis of preparation *…continued*

Standards, amendments and interpretations effective in 2010

- IFRS 7 'Financial instruments - Disclosures' (amendment) - effective January 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings. This standard has no effect on the company's financial statements as it has no financial assets or liabilities carried at fair value.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company has applied IAS 1 (Revised) from October 1, 2009. The company chose to present one statement of comprehensive income.
- A revised version of IAS 23, Borrowing Costs eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for intended use. The application of this standard does not have any effect on the financial statements.

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

- IFRS 2 - 'Share based payments - Vesting conditions and cancellations'
- IFRS 8 - 'Operating segments'
- IFRS 32 and IAS 1 - 'Puttable financial instruments and obligations arising on liquidation'
- IFRIC 13 - 'Customer Loyalty Programmes'
- IFRIC 16 - Hedges of a net investment in a foreign operation.

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 2013, 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

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from July 1, 2009).
- IAS 38 (amendment), 'Intangible Assets' (effective from July 1, 2009).
- IAS 39 'Financial Instruments: Recognition and measurement-eligible hedged items'.
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after July 1, 2009).
- IFRS 1 and Cost of an investment in a subsidiary
- IFRS 3 (revised), 'Business combinations' (effective from July 1, 2009).
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale' (effective January 1, 2010).

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

- IAS 1 (amendment), 'Presentation of financial statements,' The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.
- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010
- 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 ownerships.

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.

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 the 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. Accrual of loans and advances income ceases when instalments are over ninety days in arrears. Interest accrued but not collected as at the date of classification is assessed for impairment . 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 (decreased) by $15,220 in 2010 and $40,774 in 2009.

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 $61,167.

4 Due from parent company

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

(Amounts in Barbados dollars)

5 Due from other Financial Institutions

	2010 $	2009 $
Term deposits	-	5,560,370

Term deposits carry interest rates of (2009 – 3.30% to 4.75%)

6 Loans and advances to customers

	Corporate 2010 $	Individual 2010 $	Total 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**

	Corporate 2009 $	Individual 2009 $	Total 2009 $
Gross loans and advances	33,677,867	73,424,213	107,102,080
Less: impairment	–	(1,088,912)	(1,088,912)
Balance, end of year	**33,677,867**	**72,335,301**	**106,013,168**

(Amounts in Barbados dollars)

6 Loans and advances to customers *continued*

Analysis of Loans by industry sector

	2010 **$**	**2009** **$**
Consumer	**88,737,394**	71,063,008
Transport	**3,172,828**	831,009
Distribution	**1,732,075**	805,566
Manufacturing	**–**	401,226
Land development	**11,390,116**	11,121,496
Other	**24,931,856**	22,879,775
	129,964,269	107,102,080
Current	**40,204,721**	38,394,769
Receivable more than 12 months after the reporting period	**89,759,548**	68,707,311
	129,964,269	107,102,080

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

Impairment losses on loans and advances

	2010 **$**	**2009** **$**
Increase in impairment losses on loans and advances	**1,197,371**	669,475
Amounts written off during the year as uncollectible	**46,898**	265,999
	1,244,269	935,474
Amounts received on loans previously written off	**(53,265)**	(265,315)
	1,191,004	670,159

(Amounts in Barbados dollars)

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

Allowance for impairment

Movement in allowance impairment:

	2010 $ Specific	2010 $ Collective	2010 $ Total	2009 $ Specific	2009 $ Collective	2009 $ Total
Balance, beginning of year	**799,537**	**289,375**	**1,088,912**	601,161	177,948	779,109
Increase in impairment losses	**1,229,252**	**15,017**	**1,244,269**	824,047	111,427	935,474
Loans written off during the year as uncollectible	**(1,157,882)**	–	**(1,157,882)**	(630,039)	–	(630,039)
Amounts recovered during the year	**30,929**	–	**30,929**	4,368	–	4,368
Balance, end of year	**901,836**	**304,392**	**1,206,228**	799,537	289,375	1,088,912

At September 30, 2010, non-accrual loans amounted to $2,523,131 (2009 - $1,477,934). No corporate loans were written off during 2009 and 2010.

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

Gross investment in finance leases receivable:

	2010 $	2009 $
No later than 1 year	**3,575,452**	3,023,205
Later than 1 year and no later than 5 years	**7,866,090**	9,435,014
	11,441,542	12,458,219
Unearned future finance income on finance leases	**(1,490,621)**	(2,480,454)
Net investment in finance leases	**9,950,921**	9,977,765

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

No later than 1 year	**2,898,549**	2,035,613
Later than 1 year and no later than 5 years	**7,052,372**	7,942,152
	9,950,921	9,977,765

(Amounts in Barbados dollars)

7 Investment in associated company

The company has invested $ 39,000 in share capital of an associated company. The company's share of the associated company's loss is $ 17,736.

8 Property, plant and equipment

	Leasehold improvements $	Computers $	Furniture & equipment $	Motor vehicles $	Total $
At 1 October 2008					
Cost	220,814	375,110	318,320	300,117	1,214,361
Accumulated depreciation	(112,672)	(275,290)	(98,345)	(128,970)	(615,277)
Net book value	108,142	99,820	219,975	171,147	599,084
Year ended September 2009					
Opening net book amount	108,142	99,820	219,975	171,147	599,084
Additions	–	–	8,587	121,860	130,447
Depreciation charge	(46,852)	(48,007)	(44,671)	(78,302)	(217,832)
End of year	**61,290**	**51,813**	**183,891**	**214,705**	**511,699**
At 30 September 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**

(Amounts in Barbados dollars)

9 Operating lease assets

Leased vehicles and equipment

	2010 $	2009 $
Cost		
Beginning of year	**3,592,587**	4,803,386
Additions	**1,616,888**	1,153,444
Transfer to repossessed stock	**(1,438,878)**	(1,569,061)
Disposals	**–**	(795,182)
End of year	**3,770,597**	3,592,587
Accumulated depreciation		
Beginning of year	**1,411,792**	1,415,788
Charge for the year	**503,187**	855,185
Transfer to repossessed stock	**(897,999)**	(347,106)
Disposals	**–**	(512,075)
End of year	**1,016,980**	1,411,792
Net book values		
End of year	**2,753,617**	2,180,795
Beginning of year	**2,180,795**	3,387,598

10 Other Assets

	2010 $	2009 $
VAT recoverable	**31,067**	342,726
Prepaid expenses	**179,535**	163,875
Other receivables	**846,023**	400,739
Repossessed stock	**356,962**	1,723,246
	1,413,587	2,630,586
Current	**1,391,978**	2,618,598
Receivable more than 12 months after the reporting period	**21,609**	11,988

(Amounts in Barbados dollars)

11 Due to customers

	2010 $	2009 $
Financial institutions		
Payable at fixed dates	**26,596,014**	24,730,833
Individuals		
Payable with notice	**662,592**	843,939
Payable at fixed dates	**56,323,236**	46,197,801
Business and government		
Payable with notice	**1,849,056**	2,435,195
Payable at fixed dates	**40,824,264**	33,783,209
Other		
Payable at fixed dates	**2,184,893**	2,018,299
Deposits due to customers	**128,440,055**	110,009,276
Payable with notice	**2,511,648**	3,279,134
Payable at fixed dates	**125,928,407**	106,730,142
	128,440,055	110,009,276
Current	**86,717,076**	80,567,124
Payable more than 12 months after the reporting period	**41,722,979**	29,442,152
	128,440,055	110,009,276

The rates of interest on fixed deposits vary in accordance with the length and value of the deposit from 3% to 7% (2009 - 3% to 7.25%). $ 6,525,387 (2009 – $6,071,662) of these deposits are held as security on loans and advances.

12 Other liabilities

	2010 $	2009 $
Due to brokers and related customers	**1,430,769**	531,595
ICF loan	**1,255,290**	–
Other payables	**705,659**	901,641
	3,391,718	1,433,236

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.

(Amounts in Barbados dollars)

13 Taxation

	2010 $	2009 $
Current tax	**922,457**	1,032,979
Prior year over provision	**(8,207)**	(84,304)
Deferred tax charge (credit)	**60,963**	(94,203)
Over provision of prior year tax	**(1,565)**	–
	973,648	854,472

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

	2010 $	2009 $
Profit before taxation	**3,857,658**	3,317,241
Corporation tax at a tax rate of 25% (2009 - 25%)	**964,415**	829,310
Expenses not deductible for tax	**19,005**	109,466
Prior year over provision	**(9,772)**	(84,304)
Taxation charge for the year	**973,648**	854,472

The movement on the deferred tax account is as follows:

	2010 $	2009 $
Balance - beginning of year	**229,188**	323,391
Charge (credit) for the year	**59,398**	(94,203)
Balance - end of year	**288,586**	229,188

The deferred tax liability consists of the following components:

	2010 $	2009 $
Accelerated tax depreciation	**1,458,735**	1,206,127
Bad debt provision	**(304,392)**	(289,375)
	1,154,343	916,752
Deferred tax liability at corporation tax rate of 25% (2009 - 25%)	**288,586**	229,188

(Amounts in Barbados dollars)

14 Share capital

Authorised:

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

Issued:

	2010 $	2009 $
9,210,857 common shares issued (2009 - 9,210,857)	**9,210,857**	9,210,857

15 Statutory and other reserves

Statutory reserve fund

	2010 $	2009 $
Balance, beginning of year	**1,454,849**	1,085,434
Transfer from retained earnings	**432,601**	369,415
Balance, end of year	**1,887,450**	1,454,849

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

	2010 $	2009 $
Balance, beginning of year	**66,009**	–
Transfer from retained earnings	**191,282**	66,009
Balance, end of year	**257,291**	66,009

	2010 $	2009 $
Total reserves	**2,144,741**	1,520,858

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)

16 Net interest income

	2010 $	2009 $
Interest income		
Cash and other short term funds	**102,162**	72,735
Investment securities	**299,740**	379,603
Finance lease income	**962,838**	1,274,082
Credit related fees	**512,310**	360,980
Loans and advances	**11,594,487**	9,359,111
	13,471,537	11,446,511
Interest expense		
Customers	**(5,578,220)**	(4,911,282)
Net interest income	**7,893,317**	6,535,229

At September 30, 2010, interest income accrued on impaired financial assets amounted to $23,340 (2009 - $2,541).

17 Net fee and commission income

	2010 $	2009 $
Fees and commission income		
Management fees	**600**	1,290
Other	**77,672**	115,406
	78,272	116,696
Fees and commission expense		
Dealer commissions	**45,983**	43,998
	45,983	43,998

(Amounts in Barbados dollars)

18 Net lease income

	2010 $	2009 $
Operating lease income	**871,590**	1,098,203
Depreciation expense	**(503,187)**	(855,185)
Lease repair expenses	**(13,659)**	(20,958)
	354,744	222,060

19 Other operating income

	2010 $	2009 $
Gain on the sale of operating lease assets and repossessed stock	**31,289**	108,575
Lease penalty and other charges	**567,754**	99,145
	599,043	207,720

20 Net trading and brokerage income

	2010 $	2009 $
Foreign exchange transaction gains and losses	**1,023,660**	1,123,927
Brokerage fees	**176,139**	264,957
	1,199,799	1,388,884

21 Operating expenses

	2010 $	2009 $
Staff costs and management fees (Note 22)	**2,297,234**	2,099,475
Administrative expenses	**2,387,546**	1,593,258
Provision for VAT recoverable	**95,353**	528,626
Depreciation of property, plant and equipment	**232,661**	217,832
	5,012,794	4,439,191

(Amounts in Barbados dollars)

22 Staff costs

	2010 $	2009 $
Salaries and wages	**2,104,736**	1,826,669
Management fees	**–**	80,000
National insurance contributions	**85,074**	92,871
Pension costs:		
- defined contribution plan	**40,632**	35,899
Other	**66,792**	64,036
	2,297,234	2,099,475

23 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	
	2010 $	2009 $
Loans		
Loans outstanding at 1 October	**65,685**	68,596
Loans issued during the year	**136,000**	10,301
Loan repayments during the year	**(41,375)**	(13,212)
Loans outstanding at 30 September	**160,310**	65,685
Interest income earned	**8,954**	5,454

No provisions have been recognised in respect of loans given to related parties in 2010 and 2009.

Interest is payable at 7.5% and 9.25% per annum (2009: 6.00% and 9.25%). These loans are secured predominantly by vehicles and have fixed terms of repayment.

Amounts due from shareholder

	2010 $	2009 $
GraceKennedy Limited	**25,093**	20,287

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

(Amounts in Barbados dollars)

23 Related party transactions *…continued*

	Directors and key management personnel		Associated companies	
	2010 **$**	**2009** **$**	**2010** **$**	**2009** **$**
Deposits				
Deposits at 1 October	**624,045**	473,664	–	1,000,000
Deposits received during the year	**13,278**	150,381	–	–
Deposits repaid during the year	**(511,023)**	–	–	(1,000,000)
Deposits at 30 September	**126,300**	624,045	–	–
Interest expense on deposits	**3,497**	35,571	–	52,644

	2010 **$**	**2009** **$**
Management fees paid to parent company	–	80,000

	2010 **$**	**2009** **$**
Key management compensation		
Salaries and benefits	**1,182,780**	1,146,944

Directors' remuneration

In 2010, the total remuneration to the directors was $9,000 (2009 - $18,000).

(Amounts in Barbados dollars)

24 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:

	2010 $	2009 $
Within one year	**774,590**	618,556
Later than one year and no later than five years	**786,473**	351,057
	1,561,063	969,613

At September 30, 2010, the Company had loan commitments as follows:

	2010 $	2009 $
Loan commitments	**6,169,674**	4,008,045
	6,169,674	4,008,045

25 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)

25 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 September 30, 2010 and 2009. 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 September 30, 2010 and 2009, 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.

	2010 $	2009 $
Credit risk exposure relative to financial assets reported on the balance sheet are as follows:		
Cash and cash equivalents	**11,570,396**	8,465,161
Treasury bills	**2,684,686**	1,490,590
Due from parent company	**25,093**	20,287
Due from financial institutions	**-**	5,560,370
Loans and advances to customers	**128,758,041**	106,013,168
Other assets	**824,416**	388,751
	143,862,632	121,938,327
Credit risk exposure relative to off-balance sheet items are as follows:		
Loan commitments	**6,169,674**	4,008,045
	150,032,306	125,946,372

(Amounts in Barbados dollars)

25 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 90% (previous year - 87%) 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:

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**

(Amounts in Barbados dollars)

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

a) ***Credit risk:*** *…continued*

September 30, 2009

	Loans and advances		Finance Leases		
	Corporate	Individual	Corporate	Individual	Total
Neither past due nor impaired	12,744,296	48,366,632	7,123,666	304,988	68,539,582
Past due but not impaired	10,943,343	23,475,889	2,549,110	–	36,968,342
Impaired	–	1,297,318	–	–	1,297,318
	23,687,639	73,139,839	9,672,776	304,988	106,805,242
Less: allowances for impairment	–	(1,088,912)	–	–	(1,088,912)
Total loans and advances to customers	23,687,639	72,050,927	9,672,776	304,988	105,716,330
Other loans and advances					296,838
Total loans and advances to customers					106,013,168

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 September 30, 2010.

		Impairment Allowance			
Company's rating	Description	2010 $	2010 %	2009 $	2009 %
1	Pass	–	0%	13,801	2%
2	Special mention	–	0%	66,917	9%
3	Substandard	53,676	6%	26,262	3%
4	Doubtful	670,170	74%	676,057	84%
5	Loss	177,990	20%	16,500	2%

(Amounts in Barbados dollars)

25 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		Total
	Corporate	Individual	Corporate	Individual	2010
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**

(Amounts in Barbados dollars)

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

a) *Credit risk: …continued*

	Loans and advances		Finance Leases		Total
	Corporate	Individual	Corporate	Individual	2009
Internal rating scheme					
1. Pass	10,100,536	46,528,305	7,123,666	304,988	**64,057,495**
2. Special Mention	2,643,760	1,660,220	–	–	**4,303,980**
3. Sub-standard	–	178,107	–	–	**178,107**
4. Doubtful	–	–	–	–	–
5. Loss	–	–	–	–	–
	12,744,296	**48,366,632**	**7,123,666**	**304,988**	**68,539,582**

61% (2009 - 64%) 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 $594,530 (2009 - $582,030). 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:

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)

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

a) Credit risk: *...continued*

September 30, 2009

	Corporate	Individuals	Total Loans
Past due 1 to 5 days	6,072,291	16,547,184	**22,619,475**
Past due 6 to 30 days	44,969	1,397,442	**1,442,411**
Past due over 30 days	4,826,083	5,531,263	**10,357,346**
	10,943,343	23,475,889	**34,419,232**

	Finance Leases
Past due 1 to 5 days	**1,364,828**
Past due 6 to 30 days	**836,114**
Past due over 30 days	**348,168**
	2,549,110

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 September 30, 2010, the total allowance for impairment against loans and advances to customers amounted to $1,206,228 (2009 - $1,088,912) of which $901,836 (2009 - $ 799,537) represents individually impaired loans and the remaining amount of $304,392 (2009 - $289,375) represents the portfolio provision. Included within Note 6 is an analysis showing the movement in this allowance during the year ended September 30, 2010.

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

Impairment and provisioning policies *…continued:*

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

	2010 $	2009 $
Fair value of collateral	**651,439**	1,528,274

Term deposits are all with financial institutions approved by the Asset Liability Committee.

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 September 30, 2010 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)

25 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 contractual repricing:

September 30, 2010

	Up to 3 months $	3-12 months $	1-5 years $	Over 5 years $	Non-interest bearing $	Total $
Assets						
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 and other financing	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**

(Amounts in Barbados dollars)

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

b) *Market risk:* *…continued*

Interest rate risk

September 2009

	Up to 3 months $	3-12 months $	1-5 years $	Over 5 years $	Non interest bearing $	Total $
Assets						
Short term deposits	9,621,483	–	–	–	–	**9,621,483**
Treasury bills	1,490,590	–	–	–	–	**1,490,590**
Due from parent	–	–	–	–	20,287	**20,287**
Term deposits	5,560,370	–	–	–	–	**5,560,370**
Loans and advances to customers and other financing	2,820,539	10,505,189	52,363,344	40,324,096	–	**106,013,168**
Other assets	–	–	–	–	388,751	**388,751**
Total financial assets	19,492,982	10,505,189	52,363,344	40,324,096	409,038	**123,094,649**
Liabilities						
Customer deposits	18,796,940	61,995,761	29,216,575	–	–	**110,009,276**
Other liabilities	–	–	–	–	531,595	**531,595**
Total financial liabilities	18,796,940	61,995,761	29,216,575	–	531,595	**110,540,871**
Total repricing gap	696,042	(51,490,572)	23,146,769	40,324,096	(122,557)	**12,553,778**

25 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 September 30, 2010, all the companies' financial assets and liabilities are denominated in BBD with the exception of $1,857,281 in cash and $ 1,201,218 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)

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

c) *Liquidity risk: …continued*

No amounts have been drawn down on these facilities at September 30, 2010. 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				
September 30, 2010				
Liabilities				
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
As at				
September 30, 2009				
Deposits	19,117,067	63,279,687	32,467,099	114,863,853
Other liabilities	–	1,433,236	–	1,433,236
Total financial liabilities	19,117,067	64,712,923	32,467,099	116,297,089

(Amounts in Barbados dollars)

25 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
- Certificate of deposits
- Committed lines of available credit

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 September 30, 2010 mandatory deposits amounted to $2,753,541 (2009-$1,156,322.)

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

The company's financial assets amounting to $143,862,632, (2009 - $121,938,327) all fall within the IAS 39 category of 'loans and receivables' whereas the company's financial liabilities amounting to $131,808,563 (2009 - $110,540,871) 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	
	2010	2009	**2010**	2009
	$	$	**$**	$
Financial assets				
Loans and advances to customers				
Individuals	**84,916,178**	72,335,301	**83,067,232**	71,550,934
Corporate and other entities	**43,841,863**	33,677,867	**38,039,043**	25,269,421
Financial liabilities				
Due to customers				
Financial Institutions	**26,596,014**	24,730,833	**26,995,420**	25,302,041
Individuals	**56,985,828**	47,041,740	**58,058,832**	46,676,779
Business and government	**42,673,320**	36,218,404	**43,327,878**	34,338,156
Other	**2,184,893**	2,018,299	**2,253,617**	2,032,406

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

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

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

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.

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%.

(Amounts in Barbados dollars)

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

e) Capital management *…continued*

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 September 30, 2010, the company's capital adequacy ratio was 12.29 % (2009 – 13.16%).

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.

	2010 $	2009 $
Tier 1 Capital		
Common shares	**9,210,857**	9,210,857
Statutory and other reserves	**2,144,741**	1,520,858
Retained earnings	**6,083,354**	4,823,227
Total qualifying Tier 1 capital	**17,438,952**	15,554,942
Risk-weighted assets		
On-balance sheet	**135,766,930**	114,152,429
Off-balance sheet	**6,169,674**	4,008,045
Total risk-weighted assets	**141,936,604**	118,160,474
Capital adequacy ratio	**12.29%**	13.16%