Annual Report 2009

SIGNIA
FINANCIAL GROUP INC.

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

Contents

Management Team


Ayesha Maycock
Investment Manager


Margaret Wharton
Retail Banking Manager


Jacqueline Holder
Chief Operating Officer


M. Anthony Shaw
CEO


Frances Parravicino
SNR VP – Corporate & Commercial

Our Core Values

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

Sales Team

Tracia Grant
Relationship Officer

Sacha Simmons
Relationship Officer

Cherian Reifer
Commercial Officer

Shanell Blenman
Research Analyst/Trader

Samantha Inniss
Foreign Exchange Trader

Kofi Farmer
Stock Broker

Our Core Values

Trust

We promise to exemplify trustworthiness in all our dealings.

Chairman's Comments

Signia Financial Group Inc. registered another good performance for fiscal 2009, despite the challenging economic environment affecting the country. Profit after tax increased by 50% and total assets increased by 22% year over year.

The company, which is in its sixth year, has continued to perform well and has successfully carved its niche despite the strong competition from the other financial institutions in the market.

The global recession has restricted the overall growth and economic activity in the country resulting in a 4.4% decline in real GDP and a concurrent rise in unemployment for the first nine months of 2009.

As a result of the increasing unemployment, Signia has adopted more vigilant procedures to ensure the collectability of loans, while being sensitive to our customer's circumstances. At the end of fiscal 2009 the quality of the loan portfolio remained good, with delinquency being kept within targeted levels.

Declining tourist arrivals and reduced demand for high-end villas has caused a slump in net private capital flows, contributing to a reduction in the foreign exchange supply in the country.

In spite of this, the company's foreign exchange business line performed well but the overall growth in the market was impacted by the reduced supply of foreign exchange in the country.

Subsequent to the year end we welcomed Don Wehby and Courtney Campbell to the Board. Don is returning to the Board to replace Douglas Orane, the Chairman and CEO of GraceKennedy Ltd, who has resigned from the Signia Board. We thank Douglas for his sound advice and counsel during his tenure. Courtney Campbell has replaced Wayne Wray, who has also resigned from the Signia Board.

Fiscal 2009 was a difficult year for business and the country. In recognition of this, I wish to thank the Management and staff for a very successful year and their ongoing commitment, without which the company's success would not be possible. I would also like to acknowledge and thank the Board and the various subcommittees of the Board, for their guidance and support throughout the past year. Finally, I wish to convey the Board's gratitude to our customers for their loyalty and I look forward to building on our relationships for the future.

Geoffrey Cave

Geoffrey Cave
Chairman

Board of Directors


Geoffrey Cave
Chairman


M. Anthony Shaw
Director & CEO


Douglas Orane*
Director, GraceKennedy


Roger Cave
Director, Cave Shepherd


Joe Taffe
Director, GraceKennedy

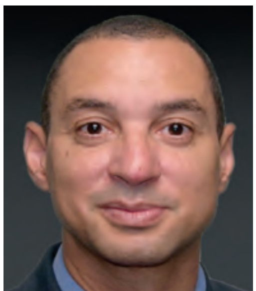

Andy Toppin
Director, United Insurance


John Williams
Director, Cave Shepherd


Dwight Richardson
Director, Independent


Desirée Cherebin
Director, Independent


Wayne Wray*
Director, GraceKennedy


Don Wehby**
Director, GraceKennedy


Courtney Campbell**
Director, GraceKennedy

**Resigned December 1st 2009*

***Appointed December 1st 2009*

Administrative Team

Ada Holder
Office Attendant

Caroline Bowen
Receptionist

Karen Johnson
Personal Assistant

Lauriel Small
Administrative Assistant

Kiera Jones
Reconciliations Officer

Shana Sobers
Credit Control Administrative Assistant

Quetta Rawlins
Credit Control Officer

Carol Prescod
Accountant

Administrative Team


Salena Rice
Recoveries Assistant


Donelle Michael
Recoveries Assistant

Our Core Values

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


Andrea Harewood
Accounts Administrator


Deborah Clarke
Recoveries Officer

Our Core Values

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

Chief Executive Officer's Report

Fiscal 2009 was another successful year for the company. Profit before tax increased by 56% to $3.3 million over the $2.1 million in the prior year.

As in the past few years, the company saw continued growth in the retail lending market with an increase in consumer loans by 24% to $71 million. The overall loan portfolio increased by 25% to $106 million, with the commercial loan portfolio providing a good contribution.

Over the past 5 years the loan portfolio has grown from $31.43 million in 2005 to $106 million in 2009 an increase of 237%. During the corresponding time, the deposit portfolio increased from $45 million in 2005 to $110 million in 2009.

The company has developed a reputation of delivering timely and courteous service. Through this reputation we received strong referral business from existing customers and other referral sources which enhanced our consumer and commercial loan portfolios.

Net interest income increased by 26% year over year to $6.5 million. This increase was attributable to a 10.7% increase in interest income, primarily due to the increase in the size of the loan portfolio. Additionally, interest expense declined to $4.9 million as a result of the general reduction in interest rates which occurred throughout the year under review.

Net trading income increased by 7% to $1.39 million. Included in this increase was 30% increase in foreign exchange gains, which resulted from increased volumes traded. However this increase was offset by the 38% reduction in fees from the stock brokerage department. Regional stock market volumes continue to be negatively affected by the economic downturn. As a result our trading activity has been significantly reduced.

Outlook for Fiscal year 2010

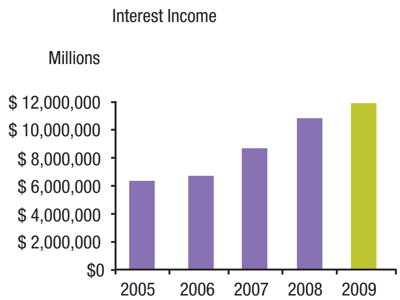
A continuation of the present economic challenges is expected into fiscal 2010. However, we anticipate continued good results for the year ahead based on our ongoing proactive sales and other strategic initiatives. The management of our delinquent loan portfolio will continue to be critical in 2010, to ensure that we address loan arrears in a timely fashion.

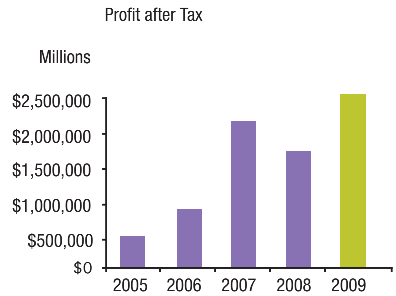
The staff at Signia demonstrated significant effort during fiscal 2009. I wish to thank each member of staff for their continued commitment and loyalty and to all our customers I also say thank you for your support.

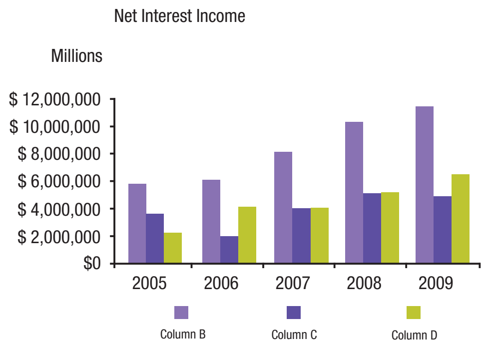
M. Anthony Shaw
Chief Executive Officer

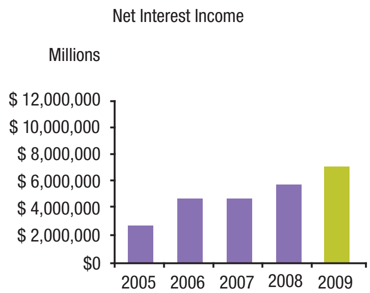
Five Year Highlights

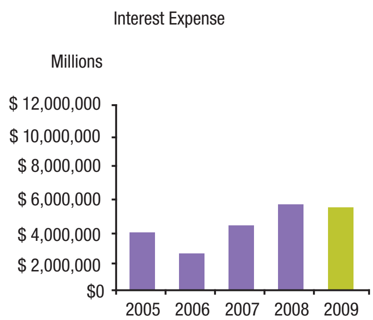
Operating Results (Millions BDS$)	2009	2008	2007	2006	2005
Interest income	**11,446,511**	10,341,377	8,164,500	6,140,243	5,861,923
Interest expense	**4,911,282**	5,144,227	4,062,971	1,980,779	3,643,044
Net interest income	**6,535,229**	5,197,150	4,101,529	4,159,464	2,218,879
Profit before tax	**3,317,241**	2,130,833	2,779,416	1,182,099	604,330
Profit after tax	**2,462,769**	1,638,861	2,097,326	840,437	429,251
Financial Position (Millions BDS$)	**2009**	**2008**	**2007**	**2006**	**2005**
Loans and advances to customers	**106,013,168**	84,582,384	71,567,711	57,099,374	31,428,643
Total assets	**128,028,978**	105,151,671	101,063,703	71,366,303	50,889,872
Deposits from customers	**110,009,276**	88,894,332	75,443,289	59,651,729	45,467,778
Total Liabilities	**112,474,036**	91,259,498	88,010,391	60,410,317	46,100,729

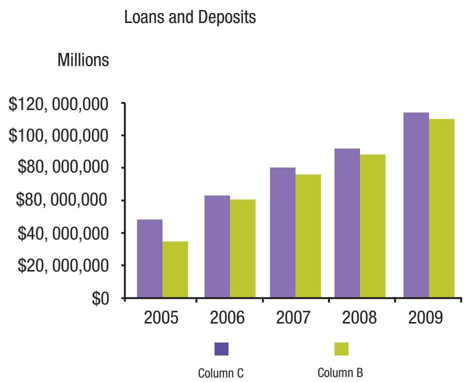












Independent Auditors' Report

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, 2009, and the statement of 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, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants
February 19, 2010
Bridgetown, Barbados

BALANCE SHEET

As of September 30, 2009

(Amounts in Barbados dollars)

	Notes	2009 $	2008 $
Assets			
Cash and cash equivalents		**9,621,483**	3,716,899
Treasury bills		**1,490,590**	–
Due from parent company	4	**20,287**	466,733
Due from financial institutions	5	**5,560,370**	10,720,052
Loans and advances to customers	6	**106,013,168**	84,582,384
Property, plant and equipment	7	**511,699**	599,084
Operating lease assets	8	**2,180,795**	3,387,598
Other assets	9	**2,630,586**	1,678,921
Total assets		**128,028,978**	105,151,671
Liabilities			
Due to customers	10	**110,009,276**	88,894,332
Other liabilities	11	**1,433,236**	1,494,634
Current tax payable		**802,336**	547,141
Deferred tax liability	12	**229,188**	323,391
Total liabilities		**112,474,036**	91,259,498
Equity			
Share capital	13	**9,210,857**	9,210,857
Statutory reserves and other reserves	14	**1,520,858**	1,085,434
Retained earnings		**4,823,227**	3,595,882
		15,554,942	13,892,173
Total liabilities and shareholder's equity		**128,028,978**	105,151,671

The notes on pages 15 to 42 are an integral part of these financial statements.

Approved by the Board of Directors on February 19, 2010

Geoffrey Cave Director

Director

STATEMENT OF CHANGES IN EQUITY

(Amounts in Barbados dollars)

	Share capital $	Statutory and other reserves $	Retained earnings $	Total $
Balance at September 30, 2007	9,210,857	839,605	3,002,850	13,053,312
Dividends	–	–	(800,000)	(800,000)
Net profit for the year	–	–	1,638,861	1,638,861
Transfer to statutory reserves (note 14)	–	245,829	(245,829)	–
Balance at September 30, 2008	**9,210,857**	**1,085,434**	**3,595,882**	**13,892,173**
Dividends	–	–	(800,000)	(800,000)
Net profit for the year	–	–	2,462,769	2,462,769
Transfer to general loan reserves (note 14)	–	66,009	(66,009)	–
Transfer to statutory reserves (note 14)	–	369,415	(369,415)	–
Balance at September 30, 2009	**9,210,857**	**1,520,858**	**4,823,227**	**15,554,942**

The notes on pages 15 to 42 are an integral part of these financial statements.

STATEMENT OF INCOME

(Amounts in Barbados dollars)

	Notes	2009 $	2008 $
Interest income		**11,446,511**	10,341,377
Interest expense		**(4,911,282)**	(5,144,227)
Net interest income	15	**6,535,229**	5,197,150
Fee and commission income	16	**116,696**	154,040
Fee and commission expense	16	**(43,998)**	(41,738)
Net fee and commission income		**72,698**	112,302
Net lease income	17	**222,060**	168,766
Other operating income	18	**207,720**	94,101
Net trading income	19	**1,388,884**	1,294,043
Impairment losses on loans and advances	6	**(670,159)**	(588,997)
Operating expenses	20	**(4,439,191)**	(4,146,532)
Profit before corporation tax		**3,317,241**	2,130,833
Corporation tax expense	12	**(854,472)**	(491,972)
Profit for the year		**2,462,769**	1,638,861

The notes on pages 15 to 42 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(Amounts in Barbados dollars)

	2009 $	2008 $
Cash flows from operating activities		
Profit before taxation	**3,317,241**	2,130,833
Adjustments for:		
Depreciation of property, plant and equipment and operating lease assets	**1,073,017**	1,203,970
Impairment loss on loans	**670,159**	588,997
Provision on VAT recoverable	**528,626**	498,830
Write off of intercompany expenses	**33,460**	–
Interest income	**(11,446,511)**	(10,341,377)
Interest expense	**4,911,282**	5,144,227
Gain on sale of property, plant and equipment	**–**	(16,231)
Gain on sale of operating leased assets and repossessed stock	**(108,575)**	(152,568)
	(1,021,301)	(943,319)
Changes in working capital		
Decrease in due from related parties	**412,986**	275,729
Increase in loans and advances to customers	**(22,150,214)**	(13,197,893)
(Increase)/decrease in other assets	**(578,313)**	9,740,866
Purchase of operating lease assets	**(1,153,443)**	(2,606,757)
Proceeds from disposal of operating lease assets and repossessed stock	**711,661**	1,093,923
Increase in due to customers	**21,388,531**	13,126,826
Interest paid	**(5,184,868)**	(4,820,325)
Interest received	**11,450,730**	9,935,670
Decrease in other liabilities	**(60,625)**	(10,362,188)
Taxation paid	**(694,256)**	(511,391)
Net cash generated from operating activities	**3,120,888**	1,731,141
Cash flows from investing activities		
Purchase of operating lease assets	**(130,447)**	(114,215)
Proceeds from disposal of property, plant and equipment	**–**	52,185
Purchase of treasury bills	**(3,551,418)**	(2,470,865)
Maturity of treasury bills	**2,086,016**	5,250,000
Purchase of investments	**(45,016,150)**	(19,334,470)
Maturity of investments	**50,195,695**	8,723,394
Cash from/(used in) investing activities	**3,583,696**	(7,893,971)
Cash flows from financing activities		
Payment of dividend	**(800,000)**	(800,000)
Net increase/(decrease) in cash	**5,904,584**	**(6,962,830)**
Cash and cash equivalents – beginning of year	**3,716,899**	**10,679,729**
Cash and cash equivalents - end of year	**9,621,483**	**3,716,899**
Represented by:		
Cash at bank	**8,594,520**	3,716,899
Short term deposits	**1,026,963**	–
	9,621,483	3,716,899

The notes on pages 15 to 42 are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

(Amounts in Barbados dollars)

1 Incorporation, ownership and principal activities

Signia Financial Group Inc. (the company or the Bank) 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. Significant accounting policies applied are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates. The areas involving a higher degree of judgement and or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, interpretations and amendments effective 1 January 2008

The following standards were effective in 2009 but were not relevant or did not result in any change in the Bank's financial statement.

IFRIC 14, IAS 19 –The limit on a defined benefit asset, minimum funding requirements and their interaction.
IFRIC 11, IFRS 2 –Group and treasury share transactions.
IAS 39 (Amendment), Reclassification of Financial Assets.

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

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit 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 will be 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 Bank will apply IAS 1 (Revised) from October 1, 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Bank will apply the IAS 39 (Amendment) from October 1, 2009 but is not expected to have an impact on the Bank's financial statements.

2 Summary of significant accounting policies ...continued

There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008. These amendments are unlikely to have an impact on the Bank's accounts and have therefore not been analysed in detail.

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

IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 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 will be no impact on earnings.

IAS 36 (Amendment), Impairment of Assets (effective January 1, 2009)
IAS 38 (Amendment), Intangible Assets (effective January 1, 2009)
These amendments are unlikely to have an impact on the Bank's accounts and have therefore not been analysed in detail.

Interpretations and amendments to existing standards that are not yet effective and not relevant to the Bank's operations

IAS 16 (Amendment), Property, Plant and Equipment (effective January 1, 2009)
IAS 19 (Amendment), Employee Benefits (effective January 1, 2009)
IAS 20 (Amendment), Accounting for Government Grants and Disclosure of Government Assistance (effective January 1, 2009)
IAS 23 (Revised), Borrowing costs (effective January 1, 2009)
IAS 23 (Amendment), Borrowing costs (effective January 1, 2009)
IAS 27 (Amendment), Consolidated and Separate Financial Statements (effective January 1, 2009)
IAS 27 (Revised), Consolidated and Separate Financial Statements (effective January 1, 2009)
IAS 28 (Amendment), Investment in Associates (effective January 1, 2009)
IAS 29 (Amendment), Financial Reporting in Hyperinflationary Economies (effective January 1, 2009)
IAS 31 (Amendment), Interests in Joint Ventures (effective January 1, 2009)
IAS 32 (Amendment), Financial Instruments: Presentation and IAS 1 (Amendment), Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation (effective January 1, 2009)
IAS 36 (Amendment), Impairment of assets effective January 1, 2009)
IAS 38 (Amendment), Intangible of assets effective January 1, 2009)
IAS 39 (Amendment), Eligible Financial Instruments: Recognition and Measurement (effective January 1, 2009)
IAS 39 (Amendment), Financial Instruments: Recognition and Measurement (effective January 1, 2009)
IAS 40 (Amendment), Investment Property (effective January 1, 2009)
IAS 41 (Amendment), Agriculture (effective January 1, 2009)
IFRS 1 (Amendment), First Time Adoption of IFRS
IFRS 2, (Amendment), Share Based Payments (effective January 1, 2009)
IFRS 3 (Revised), Business Combinations (effective July 1, 2009)
IFRS 5, (Amendment), Non-current Assets Held-for-Sale and Discontinued Operations (effective July 1, 2009)
IFRS 8, Operating Segments (effective January 1, 2009)
IFRIC 11, 'IFRS 2 - Group and treasury share transactions
IFRIC 12, 'Service Concession Arrangements'
IFRIC 13, Customer Loyalty Programmes (effective July 1, 2008)
IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15, Agreements for Construction of Real Estates (effective January 1, 2009)
IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective October 1, 2008)
IFRIC 17, Distributions of Non-Cash Assets to Owners (effective July 1, 2009)

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.

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

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 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.

Purchases and sales of financial assets are recognised on trade-date - the date on which the company commits to purchase or sell 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 measured at amortised cost are deposits from customers or banks.

e) Impairment of financial asset

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 individually 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:

2 Summary of significant accounting policies ...continued

- 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. If the Bank 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) 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.

g) 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.

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 income statement.

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

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.

h) 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 income statement 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 to the lessor by way of penalty is recognised as income in the period in which termination has taken place.

i) 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'.

j) 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.

k) 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.

l) 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.

m) Interest income and expense

Interest income and expense are recognised in the income statement 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 reversed and charged against current income. Income from leasing of motor vehicles and from term deposits and investments is recognised using the effective interest method.

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

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.

n) 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.

o) 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 a portfolio of loans before the decrease can be identified with an individual loan 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 that the net present value of estimated cash flows differs by +/- 5%, the net income for the year would have increased (decreased) by $40,774 in 2009 and $16,777 in 2008.

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. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for these transactions based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision.

c) Provision

The company is subject to VAT and recognises a liability for VAT audit issues based on estimates of whether additional taxes may be due. 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 the VAT receivable by $38,928.

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

	2009 $	2008 $
Term deposits	**5,560,370**	**10,720,052**

Term deposits carry interest rates of 3.30% to 4.75% (2008 – 5.1% to 6.25%). All term deposits are current.

6 Loans and advances to customers

	Corporate 2009 $	Individual 2009 $	Total 2009 $
Gross loans and advances	33,795,798	73,306,282	107,102,080
Less: impairment	–	(1,088,912)	(1,088,912)
Balance, end of year	**33,795,798**	**72,217,370**	**106,013,168**

	Corporate 2008 $	Individual 2008 $	Total 2008 $
Gross loans and advances	24,132,579	61,228,914	85,361,493
Less: impairment	–	(779,109)	(779,109)
Balance, end of year	**24,132,579**	**60,449,805**	**84,582,384**

Analysis of Loans by industry sector

	2009 $	2008 $
Consumer	71,063,008	57,227,768
Transport	831,009	641,652
Distribution	805,566	447,478
Manufacturing	401,226	404,718
Land development	11,121,496	1,517,691
Other	22,879,775	25,122,186
	107,102,080	85,361,493
Current	38,394,769	30,402,624
Non-Current	68,707,311	54,958,869
	107,102,080	**85,361,493**

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

(Amounts in Barbados dollars)

6 Loans and advances to customers ...continued

Impairment losses on loans and advances

	2009 $	2008 $
Increase in impairment losses on loans and advances	**669,475**	588,997
Amounts written off during the year as uncollectible	**265,999**	–
	935,474	588,997
Income received on loans previously written off	**(265,315)**	–
	670,159	588,997

Allowance for impairment

Movement in allowance impairment:

	2009 $ Specific	2009 $ Collective	2009 $ Total	2008 $ Specific	2008 $ Collective	2008 $ Total
Balance, beginning of year	**601,161**	**177,948**	**779,109**	509,275	–	509,275
Increase in impairment losses	**824,047**	**111,427**	**935,474**	411,049	177,948	588,997
Loans written off during the year as uncollectible	**(630,039)**	–	**(630,039)**	(323,737)	–	(323,737)
Amounts recovered during the year	**4,368**	–	**4,368**	4,574	–	4,574
Balance, end of year	**799,537**	**289,375**	**1,088,912**	601,161	177,948	779,109

At September 30, 2009, non-accrual loans amounted to $1,477,934 (2008 - $557,023). No corporate loans were written off or provided for during 2008 and 2009.

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

Gross investment in finance leases receivable:

	2009 $	2008 $
No later than 1 year	**3,023,205**	3,713,368
Later than 1 year and no later than 5 years	**9,435,014**	9,316,767
	12,458,219	13,030,135
Unearned future finance income on finance leases	**(2,480,454)**	(2,794,597)
Net investment in finance leases	**9,977,765**	10,235,538

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

No later than 1 year	**2,035,613**	2,429,468
Later than 1 year and no later than 5 years	**7,942,152**	7,806,070
	9,977,765	10,235,538

(Amounts in Barbados dollars)

7 Property, plant and equipment

	Leasehold improvements $	Computers $	Furniture & equipment $	Motor vehicles $	Total $
At 1 October 2007					
Cost	220,814	456,130	339,555	291,820	1,308,319
Accumulated depreciation	(68,509)	(285,507)	(107,023)	(77,979)	(539,018)
Net book value	152,305	170,623	232,532	213,841	769,301
Year ended September 2008					
Opening net book amount	152,305	170,623	232,532	213,841	769,301
Additions	–	7,707	48,167	58,341	114,215
Disposals	–	(2,071)	(13,045)	(35,864)	(50,980)
Depreciation charge	(44,163)	(76,439)	(47,679)	(65,171)	(233,452)
End of year	**108,142**	**99,820**	**219,975**	**171,147**	**599,084**
At 30 September 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**	**214,70**	**511,699**

(Amounts in Barbados dollars)

8 Operating lease assets

Leased vehicles and equipment

	2009 $	2008 $
Cost		
Beginning of year	**4,803,386**	3,970,367
Additions	**1,153,444**	2,606,757
Transfer to repossessed stock	**(1,569,061)**	–
Disposals	**(795,182)**	(1,773,738)
End of year	**3,592,587**	4,803,386
Accumulated depreciation		
Beginning of year	**1,415,788**	1,309,100
Charge for the year	**855,185**	970,519
Transfer to repossessed stock	**(347,106)**	–
Disposals	**(512,075)**	(863,831)
End of year	**1,411,792**	1,415,788
Net book values		
End of year	**2,180,795**	3,387,598
Beginning of year	**3,387,598**	2,661,267

9 Other Assets

	2009 $	2008 $
Loan receivable	–	35,381
VAT recoverable	**342,726**	1,105,316
Prepaid expenses	**163,875**	135,728
Due from customers	**388,751**	394,496
Repossessed stock	**1,723,246**	–
Other receivables	**11,988**	8,000
	2,630,586	1,678,921

NOTES TO FINANCIAL STATEMENTS (CONT'D)

(Amounts in Barbados dollars)

10 Due to customers

	2009 $	2008 $
Financial institutions		
Payable at fixed dates	**24,730,833**	19,566,071
Individuals		
Payable on demand	**843,939**	825,086
Payable at fixed dates	**46,197,801**	42,797,172
Business and government		
Payable on demand	**2,435,195**	1,472,022
Payable at fixed dates	**33,783,209**	22,078,343
Other		
Payable on demand	**–**	–
Payable at fixed dates	**2,018,299**	2,155,638
Deposits due to customers	**110,009,276**	88,894,332
Payable on demand	**3,279,134**	2,297,108
Payable at fixed dates	**106,730,142**	86,597,224
	110,009,276	88,894,332
Current	**80,567,124**	65,112,764
Non current	**29,442,152**	23,781,568
	110,009,276	88,894,332

The rates of interest on fixed deposits vary in accordance with the length and value of the deposit from 3.0% to 7.25% (2008 - 4.6 % to 7.75%).

11 Other liabilities

	2009 $	2008 $
Due to brokers and related customers	**531,595**	875,702
Other payables	**901,641**	618,932
	1,433,236	1,494,634

(Amounts in Barbados dollars)

12 Taxation

	2009 $	2008 $
Current tax	**1,032,979**	475,225
Prior year over provision	**(84,304)**	–
Deferred tax (credit) charge	**(94,203)**	16,747
	854,472	491,972

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

	2009 $	2008 $
Profit before taxation	**3,317,241**	2,130,833
Corporation tax at a tax rate of 25% (2008 - 25%)	**829,310**	532,708
Expenses not deductible for tax	**109,466**	31,180
Prior year over provision	**(84,304)**	(71,916)
Taxation charge for the year	**854,472**	491,972

The movement on the deferred tax account is as follows:

	2009 $	2008 $
Balance - beginning of year	**323,391**	306,644
(Credit) charge for the year	**(94,203)**	16,747
Balance - end of year	**229,188**	323,391

The deferred tax liability consists of the following components:

	2009 $	2008 $
Accelerated tax depreciation	**916,752**	1,293,566
Deferred tax liability at corporation tax rate of 25% (2008 - 25%)	**229,188**	323,391

NOTES TO FINANCIAL STATEMENTS (CONT'D)

(Amounts in Barbados dollars)

13 Share capital

Authorised:

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

Issued:

	2009 $	2008 $
9,210,857 common shares issued (2008 - 9,210,857)	**9,210,857**	9,210,857

14 Statutory and other reserves

Statutory reserve fund

	2009 $	2008 $
Balance, beginning of year	**1,085,434**	839,605
Transfer from retained earnings	**369,415**	245,829
Balance, end of year	**1,454,849**	1,085,434

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

	2009 $	2008 $
Balance, beginning of year	**–**	–
Transfer from retained earnings	**66,009**	–
Balance, end of year	**66,009**	–

	2009 $	2008 $
Total reserves	**1,520,858**	1,085,434

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

	2009 $	2008 $
Interest income		
Cash and other short term funds	**72,735**	390,213
Investment securities	**379,603**	54,522
Finance lease income	**1,274,082**	1,006,189
Credit related fees and commissions	**360,980**	241,152
Loans and advances	**9,359,111**	8,649,301
	11,446,511	10,341,377
Interest expense		
Customers	**(4,911,282)**	(5,144,227)
Net interest income	**6,535,229**	5,197,150

At September 30, 2009, interest income accrued on impaired financial assets amounted to $2,541 (2008 - $29,077).

16 Net fee and commission income

	2009 $	2008 $
Fees and commission income		
Management fees	**1,290**	5,208
Other	**115,406**	148,832
	116,696	154,040
Fees and commission expense		
Dealer commissions	**43,998**	41,738
	43,998	41,738

17 Net lease income

	2009 $	2008 $
Operating lease income	**1,098,203**	1,139,285
Depreciation expense	**(855,185)**	(970,519)
Lease repair expenses	**(20,958)**	–
	222,060	168,766

NOTES TO FINANCIAL STATEMENTS (CONT'D)

(Amounts in Barbados dollars)

18 Operating income

	2009 $	2008 $
Gain on the sale of property, plant and equipment	–	16,231
Gain on the sale of operating lease assets and repossessed stock	**108,575**	77,870
Other	**99,145**	–
	207,720	94,101

19 Net trading income

	2009 $	2008 $
Foreign exchange transaction gains and losses	**1,123,927**	864,658
Brokerage fees	**264,957**	429,385
	1,388,884	1,294,043

20 Operating expenses

	2009 $	2008 $
Staff costs and management fees (Note 21)	**2,099,475**	1,765,205
Administrative expenses	**1,593,258**	1,649,045
Provision for VAT recoverable	**528,626**	498,830
Depreciation of property, plant and equipment	**217,832**	233,452
	4,439,191	4,146,532

21 Staff costs and management fees

	2009 $	2008 $
Salaries and wages	**1,826,669**	1,389,807
Management fees	**80,000**	200,000
National insurance contributions	**92,871**	83,005
Pension costs:		
- defined contribution plan	**35,899**	30,502
Other	**64,036**	61,891
	2,099,475	1,765,205

(Amounts in Barbados dollars)

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 relating expenses and income for the year are as follows:

	Directors and key Management personnel	
	2009	**2008**
	$	**$**
Loans		
Loans outstanding at 1 October	**68,596**	157,047
Loans issued during the year	**10,301**	26,907
Loan repayments during the year	**(13,212)**	(115,358)
Loans outstanding at 30 September	**65,685**	68,596
Interest income earned	**5,454**	6,783

No provisions have been recognised in respect of loans given to related parties in 2009 and 2008.

Interest is payable at 6.00% and 9.25% per annum (2008: 6.00% and 9.25%). These loans are secured predominantly by vehicles and have fixed terms of repayment.

Amounts due from parent company

	2009	**2008**
	$	**$**
GraceKennedy Limited	**20,287**	423,728
CSGK Finance Holdings Limited	–	43,005
	20,287	466,733

Amounts due from parent company bear no interest and have no stated terms of repayment. During the year the company wrote off $33,460 in amounts due from parent company.

	Directors and key management personnel		Associated companies	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Deposits				
Deposits at 1 October	**473,664**	433,530	**1,000,000**	3,095,474
Deposits received during the year	**150,381**	41,484	–	–
Deposits repaid during the year	–	(1,350)	**(1,000,000)**	(2,095,474)
Deposits at 30 September	**624,045**	473,664	–	1,000,000
Interest expense on deposits	**35,571**	31,300	**52,644**	112,079

(Amounts in Barbados dollars)

22 Related party transactions ...continued

	2009 $	2008 $
Management fees paid to parent company	**80,000**	200,000

	2009 $	2008 $
Key management compensation		
Salaries and benefits	**1,146,944**	703,654

Directors' remuneration

In 2009, the total remuneration to the directors was $18,000 (2008 - $3,000).

22 Contingent liabilities and commitments

a) Legal proceedings

An amount of $40,000 representing a provision for a certain legal claim brought against the company by a customer is included in other liabilities.
Besides the provision made, no contingent liability 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:

	2009 $	2008 $
Within one year	**618,556**	890,818
Later than one year and no later than five years	**351,057**	1,105,505
	969,613	1,996,323

At September 30, 2009, the Company had loan commitments as follows:

	2009 $	2008 $
Loan commitments	**4,008,045**	1,533,691
	4,008,045	1,533,691

(Amounts in Barbados dollars)

23 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 contains 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.

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, 2009 and 2008. 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, 2009 and 2008, without taking into account any collateral held or other credit enhancements which may be in place.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

(Amounts in Barbados dollars)

23 Financial instruments, financial risk and capital management ...continued

a) Credit risk:..continued

This table also includes the impact of loan commitments which are not recognized on the balance sheet .

	2009 $	2008 $
Credit risk exposure relative to financial assets reported on the balance sheet are as follows:		
Cash and cash equivalents	**9,621,483**	3,716,899
Treasury bills	**1,490,590**	–
Due from parent company	**20,287**	466,733
Due from financial institutions	**5,560,370**	10,720,052
Loans and advances to customers	**106,013,168**	84,582,384
Other assets	**388,751**	394,496
	123,094,649	99,880,564
Credit risk exposure relative to off-balance sheet items are as follows:		
Loan commitments	**4,008,045**	1,533,691
	127,102,694	101,414,255

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 87% (previous year - 85%) 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 all 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.

(Amounts in Barbados dollars)

23 Financial instruments, financial risk and capital management …continued

a) Credit risk:..continued

Loans and advances to customers are summarized as follows:

September 30, 2009

	Loans and advances		Finance Leases		
	Corporate	Individual	Corporate	Individual	Total
Neither past due nor impaired	23,547,508	70,303,091	9,665,980	187,562	**103,704,141**
Past due but not impaired	140,131	743,009	124,222	–	**1,007,362**
Impaired	–	2,093,739	–	–	**2,093,739**
	23,687,639	73,139,839	9,790,202	187,562	**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	9,790,202	187,562	**105,716,330**
Other loans and advances					**296,838**
Total loans and advances to customers					**106,013,168**

September 30, 2008

	Loans and advances		Finance Leases		
	Corporate	Individual	Corporate	Individual	Total
Neither past due nor impaired	12,913,373	57,502,093	9,264,125	827,475	80,507,066
Past due but not impaired	120,732	598,901	143,938	–	863,571
Impaired	48,673	3,370,852	–	–	3,419,525
	13,082,778	61,471,846	9,408,063	827,475	84,790,162
Less: allowances for impairment	–	(779,109)	–	–	(779,109)
Total loans and advances to customers	13,082,778	60,692,737	9,408,063	827,475	84,011,053
Other loans and advances					571,331
Total loans and advances to customers					**84,582,384**

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, 2009.

(Amounts in Barbados dollars)

23 Financial instruments, financial risk and capital management …continued

a) Credit risk:..continued

		Impairment Allowance			
Company's rating	**Description**	**2009 $**	**2009 %**	**2008 $**	**2008 %**
1	Pass	13,801	2%	216,445	36%
2	Special mention	66,917	9%	66,136	11%
3	Substandard	26,262	3%	84,173	14%
4	Doubtful	676,057	84%	234,407	39%
5	Loss	16,500	2%	–	0%

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**	**2009**
Internal rating scheme					
1. Pass	18,618,343	62,011,260	9,612,865	187,562	90,430,030
2. Special Mention	4,929,165	7,637,591	49,485	–	12,616,241
3. Sub-standard	–	651,191	3,630	–	654,821
4. Doubtful	–	3,049	–	–	3,049
5. Loss	–	–	–	–	-
	23,547,508	70,303,091	9,665,980	187,562	103,704,141

	Loans and advances		Finance Leases		Total
	Corporate	**Individual**	**Corporate**	**Individual**	**2008**
Internal rating scheme					
1. Pass	12,913,373	57,399,042	8,445,777	827,475	79,585,667
2. Special Mention	–	1,476	369,772	–	371,248
3. Sub-standard	–	101,575	448,576	–	550,151
4. Doubtful	–	–	–	–	–
5. Loss	–	–	–	–	–
	12,913,373	57,502,093	9,264,125	827,475	80,507,066

(Amounts in Barbados dollars)

23 Financial instruments, financial risk and capital management ...continued

a) *Credit risk:..continued*

98% (2008 - 98%) 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 $582,030 (2008 - $358,973). 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, 2009

	Corporate	Individuals	Total Loans
Past due 1 to 5 days	63,184	437,415	**500,599**
Past due 6 to 30 days	221	31,568	**31,789**
Past due over 30 days	76,726	274,026	**350,752**
	140,131	743,009	**883,140**

	Finance Leases
Past due 1 to 5 days	**35,649**
Past due 6 to 30 days	**41,198**
Past due over 30 days	**47,375**
	124,222

September 30, 2008

	Corporate	Individuals	Total Loans
Past due 1 to 5 days	108,366	352,693	**461,059**
Past due 6 to 30 days	12,366	246,208	**258,574**
Past due over 30 days	–	–	**–**
	120,732	598,901	**719,633**

	Finance Leases
Past due 1 to 5 days	**97,217**
Past due 6 to 30 days	**28,746**
Past due over 30 days	**17,975**
	143,938

(Amounts in Barbados dollars)

23 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 31 days or later with its recoverable amount. The recoverable amount is in turn calculated as 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, 2009, the total allowance for impairment against loans and advances to customers amounted to $1,088,912 (2008 - $779,109) of which $779,537 (2008 - $ 601,161) represents individually impaired loans and the remaining amount of $289,375 (2008 - $177,948) represents the portfolio provision. Included within Note 6 is an analysis showing the movement in this allowance during the year ended September 30, 2009.

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

	2009 **$**	2008 $
Fair value of collateral -individual	**1,528,274**	2,772,314

No provision was required for commercial loans and advances.

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.

(Amounts in Barbados dollars)

23 Financial instruments, financial risk and capital management ...continued

Interest rate risk

Assuming that the interest bearing financial assets and liabilities as at September 30, 2009 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.

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, 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	**111,540,871**
Total repricing gap	696,042	(51,490,572)	23,146,769	40,324,096	(122,557)	**12,553,778**

NOTES TO FINANCIAL STATEMENTS (CONT'D)

(Amounts in Barbados dollars)

23 Financial instruments, financial risk and capital management ...continued

Interest rate risk:...continued

September 2008

	Up to 3 months $	3-12 months $	1-5 years $	Over 5 years $	Non interest bearing $	Total $
Assets						
Short term deposits	3,716,899	–	–	–	–	**3,716,899**
Treasury bills	–	–	–	–	–	**–**
Due from parent	–	–	–	–	466,733	**466,733**
Investments	–	10,720,052	–	–	–	**10,720,052**
Loans and advances to customers and other financing	1,279,495	6,215,460	44,962,930	32,124,499	–	**84,582,384**
Other assets					394,496	**394,496**
Total financial assets	4,996,394	16,935,512	44,962,930	32,124,499	861,229	**99,880,564**
Liabilities						
Customer deposits	20,111,749	45,001,105	23,781,680	–	–	**88,894,534**
Other liabilities	–	–	–	–	1,494,634	**1,494,634**
Total financial liabilities	20,111,749	45,001,105	23,781,680	–	1,494,634	**90,389,168**
Total repricing gap	(15,115,355)	(28,065,593)	21,181,250	32,124,499	(633,405)	**9,491,396**

(Amounts in Barbados dollars)

23 Financial instruments, financial risk and capital management ...continued

(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 $11 million upon which it can draw to meet unforeseen and unexpected liquidity needs; the line of credit of $6 million carries an interest rate of prime less 1.25%. Currently the effective rate is 7.30 %. The line of credit of $5 million carries an interest rate of prime rate less 1.0 %. The effective rate is presently 8.75%. No amounts have been drawn down on these facilities at September 30, 2009. 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 $	Over five years $	Total $
As at September 30, 2009					
Liabilities					
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**
As at September 30, 2008					
Deposits	20,222,336	46,347,344	26,649,983	–	**93,219,663**
Other liabilities	–	1,494,634	–	–	**1,494,634**
Total financial liabilities	20,222,336	47,841,978	26,649,983	–	**94,714,297**

23 Financial instruments, financial risk and capital management ...continued

d) Financial instruments by category and fair value:

The company's financial assets amounting to $123,094,649 (2008 - $99,880,564) all fall within the IAS 39 category of 'loans and receivables' whereas the company's financial liabilities amounting to $111,442,512 (2008 - $90,389,168) 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	
	2009	2008	**2009**	2008
	$	$	**$**	$
Financial assets				
Loans and advances to customers				
Individuals	**72,217,370**	60,449,805	**71,550,934**	59,482,916
Corporate and other entities	**33,795,798**	24,132,579	**25,269,421**	23,784,116
Financial liabilities				
Due to customers				
Financial Institutions	**24,730,833**	19,566,071	**25,302,041**	19,914,496
Individuals	**47,041,740**	43,622,258	**46,676,779**	45,535,528
Business and government	**36,218,404**	23,550,365	**34,338,156**	22,216,130
Other	**2,018,299**	2,155,638	**2,032,406**	2,234,960

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:

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 on demand. 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.

(Amounts in Barbados dollars)

23 Financial instruments, financial risk and capital management ...continued

a) Capital management:..continued

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 the minimum level of regulatory capital; and
- maintain a certain ratio of regulatory capital to risk-weighted assets at or above the prescribed minimum of 7%.

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, 2009, the company's capital adequacy ratio was 13.16 % (2008 - 14.60%).

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.

	2009 $	2008 $
Tier 1 Capital		
Common shares	**9,210,857**	9,210,857
Statutory reserve	**1,520,858**	1,085,434
Retained earnings	**4,823,227**	3,595,882
Total qualifying Tier 1 capital	**15,554,942**	13,892,173
Risk-weighted assets		
On-balance sheet	**114,152,429**	93,602,110
Off-balance sheet	**4,008,045**	1,533,691
Total risk-weighted assets	**118,160,474**	95,135,801
Capital adequacy ratio	**13.16%**	14.60%