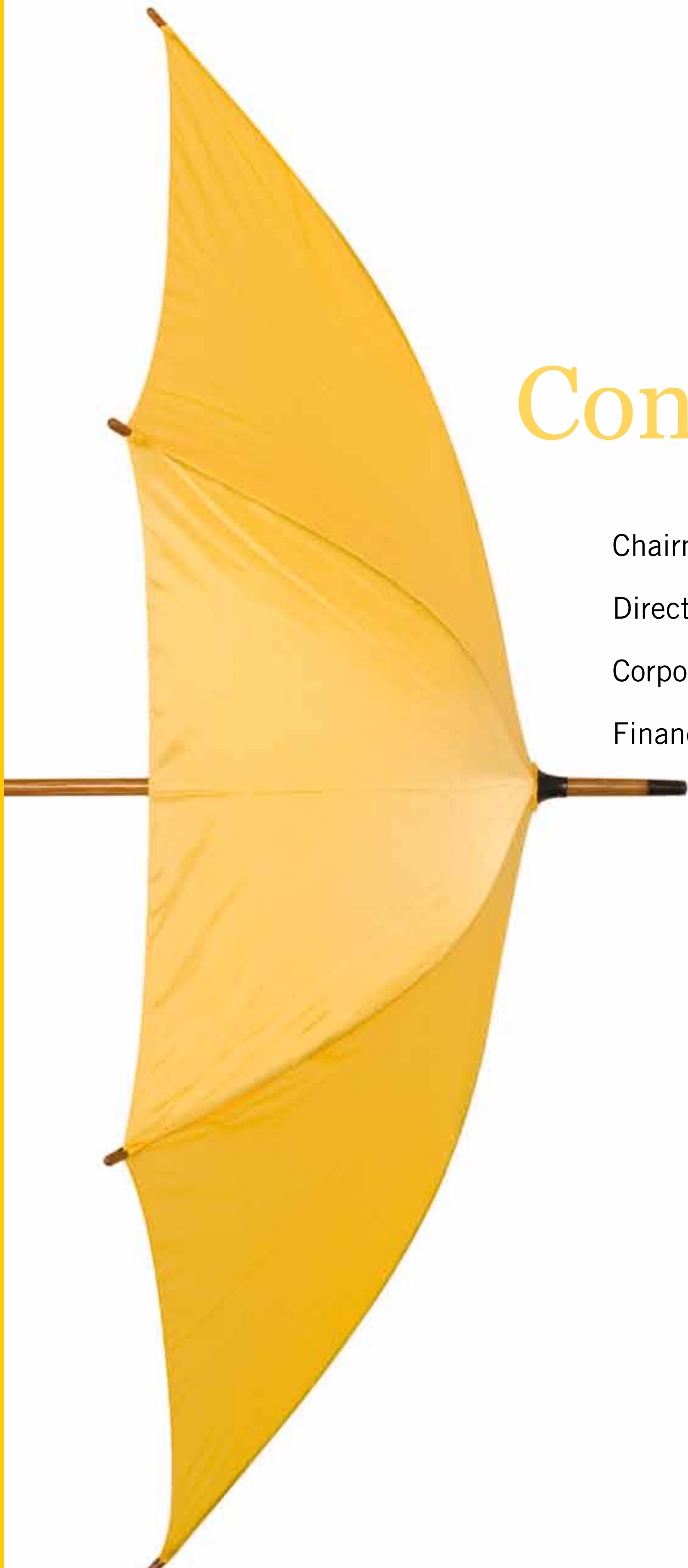
WEATHERING THE STORM

2010 ANNUAL REPORT

CARIBBEAN FINANCE COMPANY LIMITED

Mission

Caribbean Finance Company Limited aims to be the leader in the non-bank financial sector of Trinidad & Tobago, by offering quality financial facilities to its clients through personalized and efficient service at all levels in our institution.



Contents

Chairman's Report

I am pleased to report that the financial results for the year ended December 31, 2010 is a clear indication that the company's management team together with the dedication and hard work of the support staff have been able to achieve remarkable results. We have weathered the difficulties in the economy posting a profit before taxation of $18,797,665, which is 6.41% more than the previous year. Earnings per share increased from .84c at the end of 2009 to .96c as at December 31st, 2010.

We have been able to maintain the desired level of our loans to customers, which increased marginally from $279M to $282M despite a lack of economic activity and consumer demand.

Due to excess liquidity in the system, the acceptance of new deposits was limited during the year as the majority of matured deposits were renewed, even though at reduced rates, indicating consumer confidence in CFC. The reduction in our cost of funds has resulted in an increase in the net interest income of $3.2M over that of the previous year.

On June 17, 2011 Caribbean Finance Company Limited will celebrate its 40-year anniversary. The year 2011 will also be challenging, however, another successful year is projected as management continues to improve the quality of the loan portfolio and effectively control the credit and other risk involved.

I would like to thank our customers and depositors for the loyalty and confidence placed in the company, and to acknowledge the management and staff's contribution to the continued success of the company.

Reyaz Ahamad
Chairman
16 March 2010

Director's Report

The Directors have pleasure in submitting their Report and the Financial Statements for the year ended 31 December 2010.

Financial Results	$
Profit before taxation	18,797,665
Less: Taxation	(4,405,461)
Profit after taxation	14,392,204
Less: Transfer to statutory reserve	(1,426,780)
	12,965,424
Retained earnings at beginning of year	72,267,294
Adjustment to general banking reserve	40,385
	85,273,103
Dividends	(4,500,000)
Retained earnings at end of year	80,773,103

Auditors

PricewaterhouseCoopers retire and being eligible, offer themselves for re-appointment.

By Order of the Board

Aegis Business Solutions Limited
Secretary

AEGIS BUSINESS SOLUTIONS LIMITED

Corporate Information

Registered Office
22 Kew Place, Port of Spain

Head Office
17-19 Tragarete Road, Port of Spain

Branch
27-31 Cipero Road, San Fernando

Classes of Business
1. Finance House/Finance Company
2. Mortgage Institution
3. Confirming House or Acceptance House
4. Leasing Corporation

Directors
Reyaz Ahamad
Chairman
22 Kew Place, Port of Spain

Brian Sheppard
Managing Director
17-19 Tragarete Road, Port of Spain

Joseph Franklin
22 Kew Place, Port of Spain

Russell Martineau
50 Pembroke Street, Port of Spain

Anthony Agostini
4 Nelson Street, Port of Spain

Steve Mathura
29 Alberto Street, Woodbrook

Gillian Pollidore
5 Fitt Street, Woodbrook

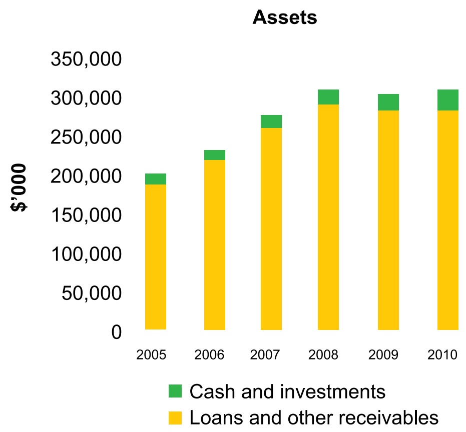
Secretary
Aegis Business Solutions Limited
18 Scott Bushe Street
Port of Spain

Bankers
Scotiabank Trinidad and Tobago Limited
56-58 Richmond Street
Port of Spain

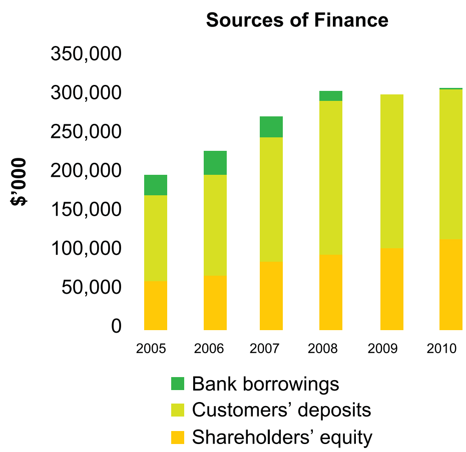
Attorney at Law
MG Daly & Partners
115A Abercromby Street
Port of Spain

Auditors
PricewaterhouseCoopers
11-13 Victoria Avenue
Port of Spain

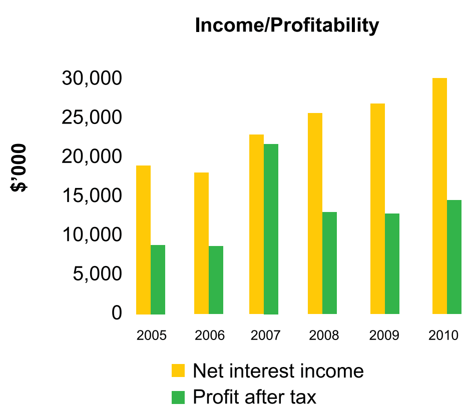
Financial Highlights



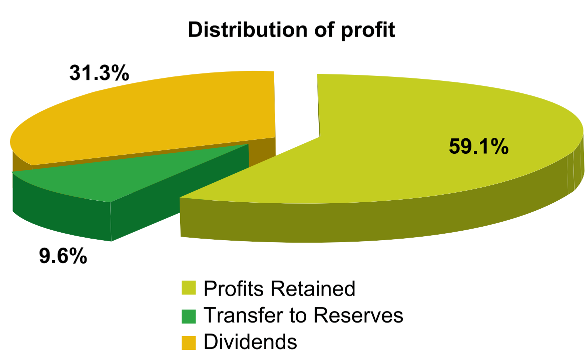
	As at 31 December					
	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000
Loans and other receivables	186,227	217,936	259,406	288,300	279,330	282,340
Cash and investments	10,273	11,718	15,085	18,225	21,757	26,211



	Year ended 31 December					
	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000
Shareholders' equity	61,992	68,437	85,764	94,810	103,425	113,353
Customers' deposits	108,024	125,859	157,521	194,888	193,718	190,779
Bank borrowings	25,025	32,694	26,077	12,266	-	-



	Year ended 31 December					
	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000
Net interest income	18,846	17,751	22,646	25,473	26,717	29,936
Profit after tax	8,742	8,524	21,577	12,846	12,615	14,392



	Year ended 31 December	
	2010 $'000	%
Profits Retained	8,505	59.1%
Transfer to Reserves	1,387	9.6%
Dividends	4,500	31.3%
Profit After Taxation	14,392	100.0%

Independent Auditor's Report

To the shareholders of
Caribbean Finance Company Limited

Report on the financial statements

We have audited the accompanying financial statements of Caribbean Finance Company Limited, which comprise the statement of financial position as of 31 December 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, as set out on pages 7 to 42.

Management's responsibility for the financial statements

Management is responsible for the preparation and the 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Caribbean Finance Company Limited as of 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
Port of Spain,
Trinidad, West Indies
16 March 2011

CB Wharfe (Senior Partner), F Aziz-Mohammed, WK Daniel, A Gopaulsingh, BA Hackett, H Mohammed, F Parsotan, S Ragobar, SW Ramirez, A West

PricewaterhouseCoopers, PO Box 550, 11-13 Victoria Avenue, Port of Spain, Trinidad, West Indies
T: (868) 299 0700, F: (868) 623 6025, www.pwc.com/tt

Board of Director’s

From left to right:

Mr. Joseph Franklin, Mr. Anthony Agostini, Ms. Gillian Pollidore, Mr. Steve Mathura, Mr. Reyaz Ahamad (Chairman), Mr. Russell Martineau S.C. and Mr. Brian Sheppard (Managing Director)

Management Team

From left to right:

Mrs. Seeta Nancy Sobrian (I.T. Manager), Mr. Brian Sheppard (Managing Director) and Mrs. Sherrine Gordon (Operations Manager).

Financial Highlights

Statement Of Financial Position
(Expressed in Trinidad and Tobago Dollars)

	Notes	2010 $	31 December 2009 $	2008 $
Assets				
Cash resources	4	7,003,922	2,616,006	316,975
Statutory deposit with Central Bank	5	18,434,216	18,434,216	17,230,416
Investments available-for-sale	6	772,672	706,313	677,537
Loans and other receivables	7	282,339,676	279,330,223	288,300,417
Premises and equipment	8	1,652,361	1,475,848	1,505,584
Other assets		255,108	488,615	137,812
Taxation recoverable		—	11,928	—
Total Assets		310,457,955	303,063,149	308,168,741
Liabilities				
Short term financing		—	—	7,462,894
Customers' deposits	9	190,779,122	193,718,131	194,888,264
Bank overdraft		—	—	4,802,941
Other liabilities		1,007,075	1,062,616	746,187
Taxation payable		656,755	—	1,417,653
Deferred tax liabilities	10	161,999	857,243	241,058
Dividends		4,500,000	4,000,000	3,800,000
Total Liabilities		197,104,951	199,637,990	213,358,997
Shareholders' Equity				
Share capital	11	15,000,000	15,000,000	15,000,000
Retained earnings		80,773,103	72,267,294	64,854,264
Statutory reserve	12	15,000,000	13,573,220	12,311,678
General banking reserve	12	2,544,260	2,584,645	2,643,802
Investment revaluation reserve		35,641	—	—
Total Shareholders' Equity		113,353,004	103,425,159	94,809,744
Total Liabilities And Equity		310,457,955	303,063,149	308,168,741

The notes on pages 11 to 42 form an integral part of these financial statements.

On 16 March 2011, the Board of Directors of Caribbean Finance Company Limited authorised these financial statements for issue.

Director:

Director:

Financial Highlights

Caribbean Finance Company Limited

Statement Of Comprehensive Income
(Expressed in Trinidad and Tobago Dollars)

	Notes	Year Ended 31 December 2010 $	2009 $
Interest income	13	41,538,047	42,798,765
Interest expense	14	(11,602,146)	(16,082,134)
Net Interest Income		29,935,901	26,716,631
Other income	15	490,939	449,902
Total Net Income		30,426,840	27,166,533
Impairment expense on loans and other financing, net of recoveries	7.3	(3,929,997)	(2,032,987)
Operating expenses	16	(7,699,178)	(7,467,552)
Total Non-Interest Expenses		(11,629,175)	(9,500,539)
Profit Before Taxation		18,797,665	17,665,994
Taxation	17	(4,405,461)	(5,050,579)
Profit After Taxation		14,392,204	12,615,415
Other Comprehensive Income			
Fair value gains on investments available-for-sale	6.2	35,641	—
Other Comprehensive Income For The year		35,641	—
Total Comprehensive Income For The year		14,427,845	12,615,415
Earnings Per Share	18	$ 0.96	$ 0.84

The notes on pages 11 to 42 form an integral part of these financial statements.

Financial Highlights

Statement Of Changes In Equity
(Expressed in Trinidad and Tobago Dollars)

	Notes	Share Capital $	Statutory Reserve $	General Banking Reserve $	Retained Earnings $	Investment Revaluation Reserve	Total Shareholders' Equity $
Year ended 31 December 2010							
Balance at 1 January 2010		15,000,000	13,573,220	2,584,645	72,267,294	—	103,425,159
Profit after taxation		—	—	—	14,392,204	—	14,392,204
Other comprehensive income for the year		—	—	—	—	35,641	35,641
Transfer to statutory reserve	12	—	1,426,780	—	(1,426,780)	—	—
Adjustment to general banking reserve	12	—	—	(40,385)	40,385	—	—
Dividends	19	—	—	—	(4,500,000)	—	(4,500,000)
Balance at 31 December 2010		15,000,000	15,000,000	2,544,260	80,773,103	35,641	113,353,004
Year ended 31 December 2009							
Balance at 1 January 2009		15,000,000	12,311,678	2,643,802	64,854,264	—	94,809,744
Profit after taxation		—	—	—	12,615,415	—	12,615,415
Transfer to statutory reserve	12	—	1,261,542	—	(1,261,542)	—	—
Adjustment to general banking reserve	12	—	—	(59,157)	59,157	—	—
Dividends	19	—	—	—	(4,000,000)	—	(4,000,000)
Balance at 31 December 2009		15,000,000	13,573,220	2,584,645	72,267,294	—	103,425,159

The notes on pages 11 to 42 form an integral part of these financial statements.

Statement Of Cash Flows
(Expressed in Trinidad and Tobago Dollars)

	Notes	Year Ended 31 December 2010 $	2009 $
Cash Flows From Operating Activities			
Profit before taxation		18,797,665	17,665,994
Adjustments for			
Impairment losses on loans		3,929,997	2,032,987
Depreciation	8	373,437	315,439
Loss on disposal of fixed assets		35,762	11,613
Profit Before Changes In Operating Assets and Liabilities		23,136,861	20,026,033
(Increase)/decrease in operating assets			
Loans and other receivables		(6,939,450)	6,937,207
Other assets		233,507	(350,803)
Statutory deposit with Central Bank		—	(1,203,800)
(Decrease)/increase in operating liabilities			
Customers' deposits		(2,939,009)	(1,170,133)
Other liabilities		(55,541)	316,429
Corporation tax paid		(4,400,000)	(5,815,500)
Green fund levy paid		(43,902)	(48,475)
Net Cash Provided By Operating Activities		8,992,466	18,690,958
Cash Flows From Investing Activities			
Purchase of fixed assets		(585,712)	(307,751)
Proceeds from sale of fixed assets		—	10,435
Increase in investments		(18,838)	(28,776)
Net Cash Used In Investing Activities		(604,550)	(326,092)
Financing Activities			
Dividends paid		(4,000,000)	(3,800,000)
(Repayments)/proceeds on short term financing		—	(7,462,894)
Net Cash Used In Financing Activities		(4,000,000)	(11,262,894)
Net Increase In Cash And Cash Equivalents		4,387,916	7,101,972
Cash And Cash Equivalents At Beginning Of Year		2,616,006	(4,485,966)
Cash And Cash Equivalents At End Of Year		7,003,922	2,616,006
Represented By:			
Cash resources	4	7,003,922	2,616,006

The notes on pages 11 to 42 form an integral part of these financial statements.

Notes to the Financial Statements
31 December 2010

1 Incorporation And Activities

Caribbean Finance Company Limited is a limited liability company incorporated in the Republic of Trinidad and Tobago on 17 June 1971. It is licensed under the Financial Institutions Act, 2008.

The Company is a wholly owned subsidiary of Universal Investments Limited.

The principal activities of the Company are lending through hire purchase agreements and mortgage bills of sale on motor vehicles and the acceptance of deposits for fixed terms. The Company also provides credit through trade financing and leasing.

The address of its registered office is 22 Kew Place, Port of Spain.

2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention as modified by the revaluation of investments available-for-sale.

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. 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.

(a) *New and amended standards adopted by the Company*

'Improvements to IFRS' were issued in 2008 and 2009. They contain numerous amendments to IFRS that the International Accounting Standards Board (IASB) considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that resulted in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS. Some of these amendments are effective for annual periods beginning on or after 1 January 2010. There were no material changes to the Company's accounting policies and disclosures as a result of these amendments.

Notes to the Financial Statements
31 December 2010

2 **Significant Accounting Policies (Continued)**

2.1 **Basis of preparation (continued)**

(b) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Company (although they may affect the accounting for future transactions and events)*

Standard	Content	Applicable for financial years beginning on/after
IAS 1	Presentation of financial statements (amended)	1 January 2010
IAS 27	Consolidated and separated financial statements (revised)	1 January 2010
IAS 36	Impairment of assets (amended)	1 January 2010
IFRS 2	Group cash-settled share-based payment transactions (amendment)	1 January 2010
IFRS 3	Business combinations (revised)	1 July 2009
IFRS 5	Non-current assets held for sale and discontinued operations (amendment)	1 January 2010
IFRIC 9	Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement.	1 July 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009

Notes to the Financial Statements
31 December 2010

2 **Significant Accounting Policies (Continued)**

2.1 **Basis of preparation (continued)**

(c) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted by the Company*

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2011 or later periods, but the Company has not early adopted them:

Standard	Content	Applicable for financial years beginning on/after
IAS 24	Related part disclosures (revised)	1 January 2011
IAS 32	Classification of rights issues (amendment)	1 February 2010
IFRS 9	Financial instruments	1 January 2013
IFRIC 14	Prepayments of a minimum funding requirement (amendment)	1 January 2011
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010

- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company will apply the revised standard from 1 January 2011. The revised standard is not expected to have a material impact on the Company's financial statements.

- Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The revised standard is not expected to have any impact on the Company's financial statements.

Notes to the Financial Statements
31 December 2010

2 Significant Accounting Policies (Continued)

2.1 Basis of preparation (continued)

(c) _New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted by the Company (continued)_

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The standard is not expected to have a material impact on the Company's financial statements.

- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011 and should be applied retrospectively to the earliest comparative period presented. The amendments are not expected to have any impact on the Company's' financial statements.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Company will apply the interpretation from 1 January 2011. The interpretation is not expected to have any impact on the Company's financial statements.

2.2 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Trinidad and Tobago dollars which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the reporting currency at 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 of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Notes to the Financial Statements
31 December 2010

2 Significant Accounting Policies (Continued)

2.3 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash on hand, balances with banks and short term funds net of bank overdraft. Short term funds are short-term highly liquid investments with original purchased maturities of 90 days or less.

2.4 Financial assets

The Company classifies its financial assets as "investments avaliable-for-sale" and "loans and other receivables". Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

a) Investments available-for-sale

The Company classifies its investments as available for sale. Management determines the classification of its financial assets at initial recognition. Investments available-for-sale are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates.

All purchases and sales of investments available-for-sale are recognised on the trade date, which is the date on which the Company commits to purchase or sell the investment. Investments available-for-sale are derecognised when the rights to receive cash flows from the investment have expired or the Company has transferred substantially all risks and rewards of ownership.

Investments available-for-sale are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, investments available-for-sale are carried at fair value. Gains and losses arising from changes in the fair value of investments available-for-sale are recognised directly in other comprehensive income until the investment is derecognised, sold or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for an investment, the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

b) Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market, other than:

(i) those the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates at fair value through the profit or loss;

(ii) those that the entity upon initial recognition designates as available-for-sale; or

(iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and other receivables are carried at amortised cost using the effective interest method. Interest on loans is included in profit or loss and is reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in profit or loss as 'Impairment expense on loans and other financing, net of recoveries'.

Notes to the Financial Statements
31 December 2010

2 Significant Accounting Policies (Continued)

2.5 Impairment of financial assets

a) *Financial assets carried at fair value*

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

b) *Financial assets carried at amortised cost*

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

(i) significant financial difficulty of the issuer or debtor;
(ii) a breach of contract, such as default or delinquency in payments;
(iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
(iv) the disappearance of an active market for that financial asset because of financial difficulties;
(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of individual assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of issuers or debtors in the group; or
- national or local economic conditions that correlate with defaults on assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. 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 recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and other 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 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 statement of comprehensive income. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

Notes to the Financial Statements
31 December 2010

2 Significant Accounting Policies (Continued)

2.5 Impairment of financial assets (continued)

b) *Financial assets carried at amortised cost (continued)*

When a loan is uncollectible, it is written off against the related allowance for impairment losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

2.6 Leases

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable and included under loans and other financing. The difference between the gross receivable and the present value of the receivable is recognised as unearned interest.

2.7 Premises and equipment

Premises and equipment are stated at historical cost less accumulated 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, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is computed using the following methods to allocate their cost to their residual values over their estimated useful lives, as follows:

<u>Reducing balance basis</u>

Leasehold improvements	-	10%
Furniture and fittings	-	10%
Motor vehicles	-	25%
Office and computer equipment	-	12% - 20%%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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

Notes to the Financial Statements
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2 Significant Accounting Policies (Continued)

2.8 Short term financing

Short term financing is recognised initially at fair value net of transaction costs incurred. Short term financing is subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

2.9 Provisions

Provisions are recognised 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.10 Income tax

(a) *Current income tax*

Income tax payable (receivable) is calculated on the basis of the applicable tax law in Trinidad and Tobago and is recognised as an expense (income) for the period.

(b) *Deferred income tax*

Deferred income 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 income 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 asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from accelerated tax depreciation and revaluation of investments available-for-sale.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.11 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

Notes to the Financial Statements
31 December 2010

2 Significant Accounting Policies (Continued)

2.12 Revenue recognition

i *Interest income and expense*

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transactions costs, and all other premiums and discounts.

ii. *Fees and commissions*

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Company has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commissions and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

2.13 Defined contribution plan

The Company has a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are charged to the statement of comprehensive income on the accrual basis.

2.14 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

Notes to the Financial Statements
31 December 2010

2 Significant Accounting Policies (Continued)

2.15 Comparative information

Where necessary comparatives have been adjusted to conform with changes in presentation in the current year. The following are the details of the changes made to comparative information.

As at 31 December 2009	**As Previously Reported $**	**Amounts Reclassified $**	**As Adjusted $**
Cash resources	21,722,712	(19,106,706)	2,616,006
Statutory deposit with Central Bank	—	18,434,216	18,434,216
Investments available-for-sale	33,823	672,490	706,313
As at 31 December 2008			
Cash resources	18,191,105	(17,874,130)	316,975
Statutory deposit with Central Bank	—	17,230,416	17,230,416
Investments available-for-sale	33,823	643,714	677,537

The above reclassifications were necessary to improve overall presentation.

3 Critical Accounting Estimates And Judgements

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

The Company reviews its underlying portfolios to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the underlying portfolios. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on financial assets in the group. Management uses estimates based on historical loss experience for financial assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b) Income taxes

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

Notes to the Financial Statements
31 December 2010

4 Cash Resources

	2010 $	2009 $	2008 $
Cash on hand and in bank	5,888,425	2,511,835	217,548
Money market mutual funds	1,115,497	104,171	99,427
Included in cash and cash equivalents	7,003,922	2,616,006	316,975

Cash at bank and money market mutual funds were neither past due nor impaired as of the statement of financial position dates. These are held with local financial institutions which have not defaulted in the past and are considered to be credit worthy.

5 Statutory Deposit With Central Bank

The Financial Institutions Act, 2008 requires that every non-banking financial institution licensed under the Act in the Republic of Trinidad and Tobago hold a non-interest bearing deposit account with the Central Bank of Trinidad and Tobago equivalent to 9% of the total deposit liabilities of that institution.

6 Investments Available-for-sale

	2010 $	2009 $	2008 $
Trinidad and Tobago Unit Trust Corporation			
- First Unit Scheme (Note 6.1)	33,823	33,823	33,823
Roytrin Mutual Funds	738,849	672,490	643,714
	772,672	706,313	677,537
Balance at beginning of year	706,313	677,537	647,045
Net additions/disposals of investments available-for-sale	18,838	28,776	30,492
Net fair value gains recognised in other comprehensive income (Note 6.2)	47,521	—	—
Balance at end of year	772,672	706,313	677,537

6.1 This represents an investment in the initial capital of the Trinidad and Tobago Unit Trust Corporation.

6.2 Net fair value gains were recognised in other comprehensive income as follows:

	2010 $	2009 $	2008 $
Net fair value gains on investments available-for-sale	47,521	—	—
Tax on fair value gains (Note 10)	(11,880)	—	—
Amount recognised in other comprehensive income	35,641	—	—

Notes to the Financial Statements
31 December 2010

7 Loans And Other Receivables

	2010 $	2009 $
Installment loans	317,112,246	325,351,019
Finance leases (Note 7.4)	5,779,019	7,600,621
Trade financing	11,941,370	5,015,944
Mortgage loans	7,862,678	4,989,785
	342,695,313	342,957,369
Unearned finance charges	(54,809,022)	(59,182,903)
	287,886,291	283,774,466
Provision for impaired loans and other receivables	(5,546,615)	(4,444,243)
	282,339,676	279,330,223
Non-current portion	252,409,836	256,411,640
Current portion	29,929,840	22,918,583
	282,339,676	279,330,223

7.1 Performing and non performing loans and other receivables

	2010 $	2009 $
Performing	336,670,452	336,587,634
Non-performing	6,024,861	6,369,735
	342,695,313	342,957,369

7.2 Reconciliation of provision for impaired loans and other receivables

	2010 $	2009 $
Balance at start of year	4,444,243	3,083,481
Loans written off, net of recoveries	(1,781,894)	(226,417)
Charge for the year	2,884,266	1,587,179
Balance at end of year	5,546,615	4,444,243

Notes to the Financial Statements
31 December 2010

7 Loans And Other Receivables (Continued)

7.3 Impairment expense on loans and other receivables

	2010 $	2009 $
Charge for the year	2,884,266	1,587,179
Amounts not previously provided for now written off, net of recoveries	1,045,731	445,808
	3,929,997	2,032,987

7.4 Finance leases

	2010 $	2009 $
Gross investment in finance leases	5,779,019	7,600,621
Unearned finance charges	(719,718)	(919,250)
Net investment in finance leases	5,059,301	6,681,371
Gross investment in finance leases		
Not later than 1 year	906,834	2,047,046
Later than 1 year and not later than 5 years	4,872,185	5,553,575
	5,779,019	7,600,621

7.5 Fair Values

Loans and other receivables are stated net of specific provision. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially consistent with their carrying values.

7.6 Loan Commitments

There were no loan commitments at the statement of financial position date.

Notes to the Financial Statements
31 December 2010

8 Premises And Equipment

	Leasehold Improvements $	Furniture and Fittings $	Motor Vehicles $	Office and Computer Equipment $	Total $
Year ended 31 December 2010					
Opening net book value	160,803	144,283	421,751	749,011	1,475,848
Additions	20,971	13,435	249,403	301,903	585,712
Disposals	—	—	(8,503)	(27,259)	(35,762)
Depreciation charge	(18,906)	(16,068)	(165,663)	(172,800)	(373,437)
Closing net book value	162,868	141,650	496,988	850,855	1,652,361
At 31 December 2010					
Cost	234,625	301,519	1,012,747	1,726,358	3,275,249
Accumulated depreciation	(71,757)	(159,869)	(515,759)	(875,503)	(1,622,888)
Net book value	162,868	141,650	496,988	850,855	1,652,361
Year ended 31 December 2009					
Opening net book value	131,066	149,626	441,286	783,606	1,505,584
Additions	43,000	11,088	107,143	146,520	307,751
Disposals	—	—	—	(22,048)	(22,048)
Depreciation charge	(13,263)	(16,431)	(126,678)	(159,067)	(315,439)
Closing net book value	160,803	144,283	421,751	749,011	1,475,848
At 31 December 2009					
Cost	213,654	288,048	803,345	1,554,240	2,859,287
Accumulated depreciation	(52,851)	(143,765)	(381,594)	(805,229)	(1,383,439)
Net book value	160,803	144,283	421,751	749,011	1,475,848
At 31 December 2008					
Cost	170,654	276,960	696,201	1,451,467	2,595,282
Accumulated depreciation	(39,588)	(127,334)	(254,915)	(667,861)	(1,089,698)
Net book value	131,066	149,626	441,286	783,606	1,505,584

Notes to the Financial Statements
31 December 2010

9 Customers' Deposits

	2010 $	2009 $
Deposit balances	187,497,537	188,243,794
Accrued interest	3,281,585	5,474,337
	190,779,122	193,718,131
Current portion	183,250,123	180,804,916
Non-current portion	7,528,999	12,913,215
	190,779,122	193,718,131

9.1 Sectoral analysis

	2010		2009	
	$	%	$	%
Consumers	175,802,909	93.8	178,867,367	95.0
Commercial	11,694,628	6.2	9,376,427	5.0
	187,497,537	100	188,243,794	100

10 Deferred Tax Liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25%.

The movement in the deferred income tax liability is as follows:

	2010 $	2009 $
At beginning of year	857,243	241,058
(Credit)/charge for the year (see Note 17)	(635,035)	209,692
Investments available-for-sale		
- Fair value gains during the year	11,880	—
Adjustment to prior year's estimates	(72,089)	406,493
At end of year	161,999	857,243

The net deferred tax liability is attributable to:

	2010 $	2009 $
Accelerated tax depreciation on leased assets, premises and equipment	150,119	857,243
Fair value gains on investments available-for-sale	11,880	—
Net deferred tax liability	161,999	857,243

Notes to the Financial Statements
31 December 2010

11 Share Capital

	2010 $	2009 $
Authorised		
An unlimited number of shares of no par value		
Issued and fully paid		
15,000,000 ordinary shares of no par value	15,000,000	15,000,000

12 Reserves

Statutory Reserve

The Financial Institutions Act, 2008 requires financial institutions to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is equal to the paid up capital of the institution.

General Banking Reserve

Commencing 1 January 2001, the Company maintains a general banking reserve for unforeseeable risks and future losses. This is calculated as 1% on all loans for which specific provisions were not established.

13 Interest Income

Loans and other receivables	41,502,094	42,721,007
Cash resources and investments available-for-sale	35,953	77,758
	41,538,047	42,798,765

14 Interest Expense

Customers' deposits	11,352,763	15,566,226
Bank charges and short term financing	249,383	515,908
	11,602,146	16,082,134

15 Other Income

Fees and commissions	490,939	449,902

Notes to the Financial Statements
31 December 2010

16 Operating Expenses

	2010 $	2009 $
Staff costs (Note 16.1)	3,567,348	3,504,435
Administrative and other expenses	2,271,328	2,294,289
Depreciation	373,437	315,439
Directors' fees	112,500	117,000
Deposit insurance premium*	391,443	345,718
Office rent	600,060	600,060
Professional fees	347,300	278,998
Loss on disposal of assets	35,762	11,613
	7,699,178	7,467,552

*Statutory regulations governing the operations of banks and other financial institutions in the Republic of Trinidad and Tobago stipulate that an annual premium be paid to the Deposit Insurance Corporation amounting to 0.2% of average deposit liabilities outstanding at the end of each quarter of the preceding year.

16.1 Staff Costs

	2010 $	2009 $
Salaries	3,168,560	3,124,182
National insurance	134,589	124,447
Pension contributions	98,075	97,947
Other long term benefits	166,124	157,859
	3,567,348	3,504,435
Average number of employees during the year	24	24

17 Taxation

	2010 $	2009 $
Corporation tax		
- Current year	5,124,905	4,758,876
- Adjustments to prior year's estimates	(56,222)	(372,957)
Deferred tax (credit)/charge (see Note 10)		
- Current year	(635,035)	209,692
- Adjustments to prior year's estimates	(72,089)	406,493
Green fund levy		
- Current year	43,882	47,334
- Adjustments to prior year's estimates	20	1,141
	4,405,461	5,050,579

Notes to the Financial Statements
31 December 2010

17 Taxation (Continued)

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

	2010 $	2009 $
Profit before taxation	18,797,665	17,665,994
Corporation tax calculated at a tax rate of 25%	4,699,416	4,416,499
Expenses not deductible for tax purposes	16,079	104,444
Income not assessable for tax	(7,913)	(8,094)
Non reversing adjustment for finance leases	(217,712)	455,719
Accelerated tax adjustment not previously recognised	—	406,493
Adjustments to prior year's estimates	(128,311)	(372,957)
Green fund levy	43,902	48,475
	4,405,461	5,050,579

18 Earnings Per Share

Profit attributable to shareholders	14,392,204	12,615,415
Number of ordinary shares in issue	15,000,000	15,000,000
Earnings per share	$0.96	$0.84

19 Dividends

Proposed and declared- $0.30 per share (2009 – $0.2667)	4,500,000	4,000,000

20 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

A number of transactions are entered into with related parties in the normal course of business. These include loans and deposits. These transactions were substantially carried out on commercial terms and conditions and at market rates. The outstanding balances at the year-end are as follows:

(a) **Outstanding balances at year-end arising from related party transactions and related income and expense for the year are as follows:**

<u>Loans and other receivables</u>		
Affiliated companies	344,198	652,786
<u>Customers' deposits</u>		
Directors and key management personnel	33,149,867	29,767,092
<u>Interest income</u>		
Affiliated companies	66,518	90,023
<u>Interest expense</u>		
Directors and key management personnel	925,853	1,365,795

(b) **Key management compensation**

Salaries and other short term benefits	978,706	771,064

Notes to the Financial Statements
31 December 2010

21 Financial Risk Management

21.1 Financial Risk Factors

The Company's activities expose it to a number of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risks is core to the financial business and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects in the Company's financial performance.

The Company's risk management system serves to identify the various risks specific to the activities and operations of the Company and to document policies and procedures to address these risks. These risk management policies set appropriate risk limits and controls and monitor the risks and adherence to limits by means of reliable and up to date management systems.

The Board of Directors is responsible for the overall risk management approach and for approving risk strategies and principles. The Board of Directors discharges its responsibilities through the Asset/Liability/Credit Committee (ALCCO) which has overall responsibility to oversee the implementation of policies for identifying, evaluating and monitoring significant risks to which the Company is exposed. The main types of risks the Company is exposed to are credit risk, liquidity risk, interest rate risk and operational risk.

The Audit Committee oversees how management monitors compliance with the Company's policies and procedures. The Audit Committee is assisted in its oversight role by the Internal Auditors. The Internal Auditors undertake regular reviews of management's controls and procedures, the results of which are reported to the Audit Committee.

21.1.1 Credit Risk

a) Definition

The Company takes on credit risk which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation.

b) Management of risk

Credit risk is the most important risk for the Company's business which principally arises in lending activities that lead to loans and other receivables. In order to effectively manage credit risk, the following is considered:

(i) Proper judgment of the creditworthiness of the borrower when analysing the loan application;
(ii) Adequate collateral held as security for funds advanced;
(iii) Maintenance of a strict and aggressive collection policy;
(iv) Monthly review of the risk ratios for the measurement of credit risk;
(v) Maintenance of a prudent loan provisioning policy;
(vi) Monitor exposures against limits to any one borrower or borrower group;
(vii) The Asset/Liability/Credit Committee to be informed of any large exposures to any one borrower or borrower group in default;
(viii) The information technology system for reporting, monitoring and controlling risks is properly maintained and updated;
(ix) Regular reporting to the Board of Directors on the performance of the loan portfolio.

Notes to the Financial Statements
31 December 2010

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.1 Credit Risk (Continued)

c) Maximum exposure to credit risk before collateral held or other credit enhancements

	2010 $	2009 $	2008 $
Cash resources	7,003,922	2,616,006	316,975
Statutory deposit with Central Bank	18,434,216	18,434,216	17,230,416
Instalment loans	264,789,299	268,238,877	266,135,909
Finance leases	5,059,301	6,681,371	8,689,625
Trade financing	11,941,370	5,015,944	11,989,786
Mortgage loans	6,096,321	3,838,274	4,568,578
	313,324,429	304,824,688	308,931,289
Less allowance for impairment	(5,546,615)	(4,444,243)	(3,083,481)
	307,777,814	300,380,445	305,847,808

The above table represents a worst case scenario of credit risk exposure to the Company as at 31 December 2010, 2009 and 2008 without taking into account any collateral held.

Notes to the Financial Statements
31 December 2010

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.1 Credit Risk (Continued)

d) Analysis of financial assets

	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
As at 31 December 2010				
Cash on hand and due from banks	7,003,922	—	—	7,003,922
Statutory deposit with Central Bank	18,434,216	—	—	18,434,216
Loans and other receivables:				
- Instalment	208,163,943	37,505,319	19,120,037	264,789,299
- Finance leases	2,999,330	1,184,900	875,071	5,059,301
- Trade financing	11,941,370	—	—	11,941,370
- Mortgages	5,992,259	104,062	—	6,096,321
	229,096,902	38,794,281	19,995,108	287,886,291
Total	254,535,040	38,794,281	19,995,108	313,324,429
As at 31 December 2009				
Cash on hand and due from banks	2,616,006	—	—	2,616,006
Statutory deposit with Central Bank	18,434,216	—	—	18,434,216
Loans and other receivables:				
- Instalment	217,523,254	34,092,200	16,623,423	268,238,877
- Finance leases	2,360,197	2,431,029	1,890,145	6,681,371
- Trade financing	5,015,944	—	—	5,015,944
- Mortgages	553,782	3,284,492	—	3,838,274
	225,453,177	39,807,721	18,513,568	283,774,466
Total	246,503,399	39,807,721	18,513,568	304,824,688
As at 31 December 2008				
Cash on hand and due from banks	316,975	—	—	316,975
Statutory deposit with Central Bank	17,230,416	—	—	17,230,416
Loans and other receivables:				
- Instalment	231,037,500	22,701,451	12,396,958	266,135,909
- Finance leases	5,516,575	3,173,050	—	8,689,625
- Trade financing	11,989,786	—	—	11,989,786
- Mortgages	4,430,828	137,750	—	4,568,578
	252,974,689	26,012,251	12,396,958	291,383,898
Total	270,522,080	26,012,251	12,396,958	308,931,289

Notes to the Financial Statements
31 December 2010

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.1 Credit Risk (Continued)

e) Ageing analysis of past due but not impaired loans and other receivables

	Less than 1 mth $	More than 1-2 mths $	2-6 mths $	6 mths $	Total $
As at 31 December 2010					
Loans and other receivables:					
- Instalment	35,738,757	1,405,615	360,947	—	37,505,319
- Finance leases	1,184,900	—	—	—	1,184,900
- Mortgages	104,062	—	—	—	104,062
	37,027,719	1,405,615	360,947	—	38,794,281
As at 31 December 2009					
Loans and other receivables:					
- Instalment	31,260,456	1,946,985	884,759	—	34,092,200
- Finance leases	1,498,448	109,438	44,187	778,956	2,431,029
- Mortgages	3,284,492	—	—	—	3,284,492
	36,043,396	2,056,423	928,946	778,956	39,807,721

These relate to loans which have exceeded the contractual payment period. Loans within this category are continuously monitored by the Company's management to ensure all collection options are exercised to bring these accounts up to date.

f) Loans and other receivables individually impaired – fair value of collateral held

	Carrying value (before provisions) 2010 $	Fair value of collateral 2010 $	Carrying value (before provisions) 2009 $	Fair value of collateral 2009 $
Installment	19,120,037	21,621,481	16,623,423	17,579,920
Finance Leases	875,071	971,544	1,890,145	1,809,529
	19,995,108	22,593,025	18,513,568	19,389,449

Collateral on these loans comprise mortgages over real estate, hire purchase agreements and stock over trade financing.

Notes to the Financial Statements
31 December 2010

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.1 Credit Risk (Continued)

g) Allowance for impairment losses on loans and other receivables

	Instalment loans $	Finance leases $	Total $
At 31 December 2010			
Balance at beginning of year	4,141,052	303,191	4,444,243
Amounts written off net of net of recoveries	(1,299,399)	(482,495)	(1,781,894)
Charge for the year	2,444,152	440,114	2,884,266
Balance at end of year	5,285,805	260,810	5,546,615
Charge for the year	2,444,152	440,114	2,884,266
Amounts directly written off, net of recoveries	908,808	136,923	1,045,731
Impairment losses	3,352,960	577,037	3,929,997
At 31 December 2009			
Balance at beginning of year	3,083,481	—	3,083,481
Amounts written off net of net of recoveries	(226,417)	—	(226,417)
Charge for the year	1,283,988	303,191	1,587,179
Balance at end of year	4,141,052	303,191	4,444,243
Charge for the year	1,283,988	303,191	1,587,179
Amounts directly written off, net of recoveries	445,808	—	445,808
Impairment losses	1,729,796	303,191	2,032,987

These amounts comprise specific and portfolio allowances.

Notes to the Financial Statements
31 December 2010

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.1 Credit Risk (Continued)

h) Repossessed collateral

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. As at the statement of financial position date, there were no repossessed properties classified within loans and other receivables.

i) Loans and other receivables renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

	2010 $	2009 $
Renegotiated loans and other receivables:		
Continuing to be impaired after restructuring	661,805	101,071
Non–impaired after restructuring – would otherwise have been impaired	1,497,164	587,298
Non–impaired after restructuring – would otherwise not have been impaired	—	—
	2,158,969	688,369

Notes to the Financial Statements
31 December 2010

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.1 Credit Risk (Continued)

j) Concentration of risks of loans and other receivables

	Instalment loans $	Finance leases $	Trade Financing $	Mortgage loans $	Total $
At 31 December 2010					
Consumer	58,091,807	—	—	—	58,091,807
Manufacturing	15,249,072	281,439	—	—	15,530,511
Communications	51,507,938	920,289	—	2,816,504	55,244,731
Real estate	1,042,860	—	—	—	1,042,860
Hotel and restaurant	7,702,847	—	—	—	7,702,847
Energy	1,577,915	—	—	—	1,577,915
Distribution	8,080,743	—	11,941,370	—	20,022,113
Construction	42,103,139	968,376	—	—	43,071,515
Private Sector	1,761,503	—	—	2,874,402	4,635,905
Agriculture	17,652,921	—	—	—	17,652,921
Utilities	529,325	—	—	—	529,325
Other	59,489,229	2,889,197	—	405,415	62,783,841
	264,789,299	5,059,301	11,941,370	6,096,321	287,886,291
At 31 December 2009					
Consumer	54,689,285	—	—	553,782	55,243,067
Manufacturing	15,620,829	600,873	—	—	16,221,702
Communications	53,103,959	53,655	-	3,284,492	56,442,106
Real estate	800,984	—	—	—	800,984
Hotel and restaurant	7,790,348	—	—	—	7,790,348
Energy	1,018,791	—	—	—	1,018,791
Distribution	4,813,287	—	5,015,944	—	9,829,231
Construction	46,341,375	1,496,966	—	—	47,838,341
Private Sector	1,680,318	—	—	—	1,680,318
Agriculture	19,508,339	—	—	—	19,508,339
Utilities	1,149,288	—	—	—	1,149,288
Other	61,722,074	4,529,877	—	—	66,251,951
	268,238,877	6,681,371	5,015,944	3,838,274	283,774,466

Notes to the Financial Statements
31 December 2010

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.2 Liquidity Risk

a) Definition

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

b) Management of risk

Liquidity risk arises when the Company is unable to meet its payment obligations associated with its financial liabilities, repay its depositors and affects its ability to lend. In order to effectively manage this risk, the following is considered:

(i) Daily monitoring of the cash flows;
(ii) Review projections to ensure that the daily requirements can be met;
(iii) Customers' deposit maturities are monitored to ensure the availability of funding to repay depositors;
(iv) Scheduling of loans and other financing and customers' deposits maturities to ensure an even spread in the disbursement of funds;
(v) Standby lines of credit established;
(vi) The Company maintains an overdraft facility which bears interest at 8.25% per annum (2009 – 9.75%). This overdraft facility together with the short term financing through bankers' acceptances, totals $20 million, all of which is secured by a debenture over the assets of the Company.

c) Maturity analysis of financial instruments

The table below presents the cash flows payable by the Company under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table for financial liabilities are the contractual undiscounted cash flows.

	Carrying Amount $	Up to One Year $	One to Five Years $	Total $
As at 31 December 2010				
Financial liabilities		**Undiscounted cash flows**		
Customers' deposits	190,779,122	187,803,368	7,718,896	195,522,264
Other liabilities	5,507,075	5,507,075	—	5,507,075
	196,286,197	193,310,443	7,718,896	201,029,339
Financial assets		**Discounted cash flows**		
Cash and short term funds	7,003,922	7,003,922	—	7,003,922
Statutory deposit	18,434,216	18,434,216	—	18,434,216
Loans and other receivables	287,886,291	150,434,276	137,452,015	287,886,291
	313,324,429	175,872,414	137,452,015	313,324,429

Notes to the Financial Statements
31 December 2010

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.2 Liquidity Risk (Continued)

c) Maturity analysis of financial instruments (continued)

	Carrying Amount $	Up to One Year $	One to Five Years $	Total $
As at 31 December 2009				
Financial liabilities		**Undiscounted cash flows**		
Customers' deposits	193,718,131	187,622,100	13,158,442	200,780,542
Other liabilities	5,062,616	5,062,616	—	5,062,616
	198,780,747	192,684,716	13,158,442	205,843,158
Financial assets		**Discounted cash flows**		
Cash and short term funds	2,616,006	2,616,006	—	2,616,006
Statutory deposit	18,434,216	18,434,216	—	18,434,216
Loans and other receivables	283,774,466	146,761,962	137,012,504	283,774,466
	304,824,688	167,812,184	137,012,504	304,824,688

Notes to the Financial Statements
31 December 2010

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.3 Market Risk

The Company is inherently exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk can be subdivided into three categories namely interest rate risk, currency risk and other price risk.

a) Interest rate risk

(i) Overview

Interest rate risk can be further subdivided into two types: 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. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company carries all of its assets at amortised cost and as such is only exposed to cash flow interest rate risk. Financial liabilities, because of their short term nature, tend to reprice at a faster rate than the longer term financial assets thereby creating a short term interest rate mismatch.

(ii) Management of risk

The Company's interest rate risk management process includes the following:
- Monitoring of current and anticipated movements in lending and deposit rates in the market utilising market intelligence, Central Bank data, emerging trends and other relevant data sources;
- Monitoring of competitors' rates;
- Ensuring an appropriate balance between risk and return is achieved during the pricing process;
- Ensuring adherence to policies over approval of interest rates;
- Ensuring that stand by facilities at the lowest short term interest rates are available to meet short term demands for funds;
- Monitoring volatility in the market to achieve optimal balance between bank borrowings and fixed deposits.

(iii) Sensitivity analysis

For the purposes of illustrating its exposure to interest rate risk, the Company has prepared a sensitivity analysis showing what the profit before tax would have been had interest rates been 50 basis points higher or lower. In preparing this calculation, the Company assumed that the change in interest rate would have affected its new lending, rates and renewals of deposits in the respective financial year. Similar assumptions were used for both reporting periods.

As at 31 December 2010, had interest rates been 50 basis points higher/lower, profit before taxation would have been lower/higher by $273,611 (2009: $215,589). This has no impact on other components of equity.

Notes to the Financial Statements
31 December 2010

21 Financial Risk Management (Continued)

21.1 Financial Risk Factors (Continued)

21.1.3 Market Risk (Continued)

b) Currency risk

The Company has no significant exposure to currency risk.

c) Other price risk

The Company has very limited exposure to other price risk as it does not hold any significant investments in equities and commodities.

21.2 Capital Risk

The Company's objectives when managing capital are as follows:

(i) To comply with the capital requirements set out by the Central Bank of Trinidad and Tobago (CBTT);

(ii) To safeguard the Company's ability to continue as a going concern so it can continue to provide returns to shareholders and benefits for other stakeholders;

(iii) To maintain a strong capital base to support the development of its business.

The Company meets its objectives for managing capital and ensures adherence to the requirements of regulatory authorities by continuous monitoring of the regulations and by ensuring that the relevant procedures and controls are in place within the Company's systems.

The Company holds a license under the Financial Institutions Act 2008 to carry on business of a financial nature and as such has to comply with the following capital requirements.

(i) The Company is required to have a minimum paid up share capital of TT$15,000,000.

(ii) The Company must transfer a minimum of 10% of its Profit After Taxation to the Statutory Reserve until the balance on the Reserve is not less than the paid up capital of the Company.

(iii) The Company is required to have qualifying capital of not less than 8% of its risk adjusted assets.

Notes to the Financial Statements
31 December 2010

21 Financial Risk Management (Continued)

21.2 Capital Risk (Continued)

The table below summarises the composition of regulatory capital and the capital adequacy ratios of the Company.

	2010 $'000	2009 $'000
Qualifying capital	113,353	103,425
Risk adjusted assets	285,826	281,009
Capital adequacy ratio	39.66%	36.80%

The increase of the regulatory capital in the current year was due to the contribution of the current year's profit.

During the two years ended 2010 and 2009, the Company complied with the externally imposed capital requirements to which they are subject.

22 Contingent Liabilities and Commitments

There are no contingent liabilities or commitments as at year end (2009 - nil).

Notes

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CARIBBEAN FINANCE
COMPANY LIMITED

17 - 19 Tragarete Road, Port of Spain, Trinidad.
Tel: 625-4580/Fax: 623-3921

27 - 31 Cipero Road, San Fernando, Trinidad.
Tel: 653-6861/Fax: 652-1644