Caribbean Finance Company Limited

Annual Report 2009

Caribbean Finance Company Limited

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Caribbean Finance Company Limited

Directors' Report

The Directors have pleasure in submitting their Report and the Financial Statements for the year ended 31 December 2009.

Financial Results	**$**
Profit before taxation	17,665,994
Less: Taxation	(5,050,579)
Profit after taxation	12,615,415
Less: Transfer to statutory reserve	(1,261,542)
	11,353,873
Retained earnings at beginning of year	64,854,264
Adjustment to general banking reserve	59,157
	76,267,294
Dividends	(4,000,000)
Retained earnings at end of year	72,267,294

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
Secretary

Caribbean Finance Company 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
Anthony Agostini	4 Nelson Street, Port of Spain
Steve Mathura	29 Alberto Street, Woodbrook
Gillian Pollidore	5 Fitt Street, Woodbrook

Caribbean Finance Company Limited

Corporate Information (Continued)

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

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 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and 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 2009, 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
19 March 2010

Caribbean Finance Company Limited

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

	Notes	31 December 2009 $	2008 $
Assets			
Cash resources	4	21,722,712	18,191,105
Investments available for sale	5	33,823	33,823
Loans and other receivables	6	279,330,223	288,300,417
Premises and equipment	7	1,475,848	1,505,584
Sundry receivables and prepayments		488,615	137,812
Taxation recoverable		11,928	--
Total Assets		303,063,149	308,168,741
Liabilities			
Short term financing	8	--	7,462,894
Customers' deposits	9	193,718,131	194,888,264
Bank overdraft	10	--	4,802,941
Sundry payables and accruals		1,062,616	746,187
Taxation payable		--	1,417,653
Deferred taxation	11	857,243	241,058
Dividends		4,000,000	3,800,000
Total Liabilities		199,637,990	213,358,997
Shareholders' Equity			
Share capital	12	15,000,000	15,000,000
Retained earnings		72,267,294	64,854,264
Statutory reserve	13	13,573,220	12,311,678
General banking reserve	13	2,584,645	2,643,802
Total Shareholders' Equity		103,425,159	94,809,744
Total Liabilities And Equity		303,063,149	308,168,741

The notes on pages 11 to 37 form an integral part of these financial statements.

On 17 March 2010, the Board of Directors of Caribbean Finance Company Limited authorised these financial statements for issue.

Director: ______________________ Director: ______________________

Caribbean Finance Company Limited

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

	Notes	Year Ended 31 December 2009 $	2008 $
Interest income	14	42,798,765	41,612,240
Interest expense	15	(16,082,134)	(16,139,332)
Net Interest Income		26,716,631	25,472,908
Other income	16	449,902	380,551
Total Net Income		27,166,533	25,853,459
Impairment expense on loans and other financing, net of recoveries	6.4	(2,032,987)	(1,310,023)
General administrative expenses	17	(7,176,941)	(6,646,823)
Other operating expenses		(290,611)	(280,181)
Total Non-Interest Expenses		(9,500,539)	(8,237,027)
Profit Before Taxation		17,665,994	17,616,432
Taxation	18	(5,050,579)	(4,770,805)
Profit After Taxation		12,615,415	12,845,627
Earnings Per Share	19	$ 0.84	$ 0.86

The notes on pages 11 to 37 form an integral part of these financial statements.

Caribbean Finance Company Limited

Statement of Changes in Equity
(Expressed in Trinidad and Tobago Dollars)

	Note	Share Capital $	Retained Earnings $	Statutory Reserve $	General Banking Reserve $	Total Shareholders' Equity $
Year ended 31 December 2008						
Balance at 1 January 2008		15,000,000	57,307,390	11,027,115	2,429,612	85,764,117
Profit after taxation		--	12,845,627	--	--	12,845,627
Transfer to statutory reserve	13	--	(1,284,563)	1,284,563	--	--
Adjustment to general banking reserve	13	--	(214,190)	--	214,190	--
Dividends		--	(3,800,000)	--	--	(3,800,000)
Balance at 31 December 2008		15,000,000	64,854,264	12,311,678	2,643,802	94,809,744
Year ended 31 December 2009						
Balance at 1 January 2009		15,000,000	64,854,264	12,311,678	2,643,802	94,809,744
Profit after taxation		--	12,615,415	--	--	12,615,415
Transfer to statutory reserve	13	--	(1,261,542)	1,261,542	--	--
Adjustment to general banking reserve	13	--	59,157		(59,157)	--
Dividends		--	(4,000,000)	--	--	(4,000,000)
Balance at 31 December 2009		15,000,000	72,267,294	13,573,220	2,584,645	103,425,159

The notes on pages 11 to 37 form an integral part of these financial statements.

Caribbean Finance Company Limited

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

	Note	Year Ended 31 December 2009 $	2008 $
Operating Activities			
Profit before taxation		17,665,994	17,616,432
Adjustments for			
Depreciation	7	315,439	358,018
Loss/(gain) on disposal of fixed assets		11,613	(4,603)
Operating Profit Before Changes In Operating Assets and Liabilities		17,993,046	17,969,847
(Increase)/decrease in operating assets			
Loans and other receivables		8,970,194	(28,894,368)
Sundry receivables and prepayments		(350,803)	(34,596)
Statutory deposit with Central Bank		(1,203,800)	(3,594,075)
Increase/(decrease) in operating liabilities			
Customers' deposits		(1,170,133)	37,367,727
Sundry payables and accruals		316,429	(638,431)
Corporation tax paid		(5,815,500)	(4,333,091)
Green fund levy paid		(48,475)	(45,671)
Cash Provided By Operating Activities		18,690,958	17,797,342
Investing Activities			
Purchase of fixed assets		(307,751)	(295,892)
Proceeds from sale of fixed assets		10,435	106,045
Cash Used In Investing Activities		(297,316)	(189,847)
Financing Activities			
Dividends paid		(3,800,000)	(4,250,000)
(Repayments)/proceeds on short term financing		(7,462,894)	(13,009,970)
Cash Used In Financing Activities		(11,262,894)	(17,259,970)
Net Increase In Cash And Cash Equivalents		7,130,748	347,525
Cash And Cash Equivalents At Beginning Of Year		(3,842,252)	(4,189,777)
Cash And Cash Equivalents At End Of Year		3,288,496	(3,842,252)
Represented By:			
Cash	4	3,288,496	960,689
Bank overdraft		--	(4,802,941)
		3,288,496	(3,842,252)

The notes on pages 11 to 37 form an integral part of these financial statements.

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.

a Basis of preparation

These financial statements are prepared in Trinidad and Tobago dollars under the historical cost convention modified for the revaluation of investment securities available for sale. The Company's accounting policies conform with International Financial Reporting Standards.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. 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.

Changes in International Financial Reporting Standards

a) Standards effective in 2009

- 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 for fair value measurements by level of a fair value measurement hierarchy. The entity has to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The adoption of the amendment results in additional disclosure but does not have an impact on profit of the Company.

2 **Significant Accounting Policies (Continued)**

a **Basis of preparation (continued)**

a) Standards effective in 2009 (continued)

- IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the entity presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. The adoption of the amendment does not have a significant impact on the presentation of the financial statements of the Company.

- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This has no effect on the Company's financial statements.

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting', and is effective for annual periods beginning on or after 1 January 2009. The new standard requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. This has no effect on the Company's financial statements.

- IAS 40, 'Investment property', amendment (and consequential amendment to IAS 16, 'Property, plant and equipment'). The amendments are part of the IASB's annual improvements project published in May 2008 and are effective from 1 January 2009. Property that is under construction or development for future use as investment property is brought within the scope of IAS 40. Where the fair value model is applied, such property is measured at fair value. However, where fair value of investment property under construction is not reliably determinable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. This has no effect on the Company's financial statements.

- IAS 23, 'Borrowing costs'. A revised version was issued in March 2007. Under the revised standard, an entity is required to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed. The capitalization is required for qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. This has no effect on the Company's financial statements.

- IFRIC 5, 'Agreements for the construction of real estate' (effective form 1 January 2009). The interpretation clarifies whether IAS 18, 'Revenue" or IAS 11 'Construction contracts' should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. This has no effect on the Company's financial statements.

2 **Significant Accounting Policies (Continued)**

a **Basis of preparation (continued)**

a) Standards effective in 2009 (continued)

- IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement. The consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Company's operations as it does not have any loyalty programmes.

b) Standards, amendments and interpretations issued but not yet effective

The following standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on 1 January 2010 and are not expected to be relevant to the Company:

- IFRS 1 and IAS 27, 'Cost of an investment in a subsidiary, jointly-controlled entity or associate'. The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and requires an entity to present dividends from investments in subsidiaries, jointly controlled entities and associates as income in the separate financial statements of the investor.
- IFRS 3, 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquired net assets. All acquisition-related costs should be expensed.
- IAS 27, 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss.
- IAS 39, 'Financial instruments: Recognition and measurement – Eligible hedged items'. The amendment 'Eligible hedged items' was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations.

2 **Significant Accounting Policies (Continued)**

a **Basis of preparation (continued)**

b) Standards and interpretations issued but not yet effective (continued)

- IFRIC 17, 'Distribution of non-cash assets to owners'. IFRIC 17 was issued in November 2008. It addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognized when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit and loss . Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation.

- IFRIC 18, 'Transfers of assets from customers'. IFRIC 18 was issued in January 2009. It clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must then use that item to provide the customer with ongoing access to supply of goods and/or services. The Company is not impacted by applying IFRIC 18.

- IFRS 9, 'Financial instruments part 1: Classification and measurement'. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:
    - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
    - An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.
    - All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

  While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption.

2 **Significant Accounting Policies (Continued)**

a **Basis of preparation (continued)**

c) Early adoption of standards

The Company did not early-adopt new or amended standards in 2009.

d) Impairment of IFRS

'Improvements to IFRS' were issued in May 2008 and April 2009. They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

b **Foreign currency translation**

Functional and presentation 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.

c **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 **Significant Accounting Policies (Continued)**

d **Financial assets**

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

Investments available for sale

The Company classifies its investments as available for sale. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates are classified as available for sale. Available for sale investments are initially recognized at fair value (which includes transaction costs) and are subsequently re-measured at fair value based on quoted market prices. Gains and losses arising from changes in the fair value of available for sale investments are recognised directly in equity until the investment is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income. Gains and losses arising from the disposal of available for sale investments are recognised in the statement of comprehensive income.

The fair values of quoted investments in active markets are based on current bid prices. For unlisted securities and those where the market is not active, the Company establishes fair value by 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.

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: (a) 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 income statement; (b) those that the entity upon initial recognition designates as available for sale; or (c) 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 amortized cost using the effective interest method.

2 **Significant Accounting Policies (Continued)**

e **Impairment of financial assets**

i) Financial assets carried at fair value

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss, is removed from equity and recognised in the statement of comprehensive income.

ii) Financial assets carried at amortised cost

The Company assesses at each balance sheet 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.

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) Adverse changes in the payment status of borrowers in the portfolio; and
  (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists. 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 and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

2 **Significant Accounting Policies (Continued)**

e **Impairment of financial assets (continued)**

ii) Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

f **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.

g **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>Straight line basis</u>

Leasehold improvements	-	10% per annum

<u>Reducing balance basis</u>

Furniture and fittings	-	10% per annum
Motor vehicles	-	25% per annum
Office and computer equipment	-	12.5% - 20% per annum
Leasehold improvements	-	10% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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.

2 Significant Accounting Policies (Continued)

h Computer software development costs

Generally, costs associated with developing computer software programmes are recognised as an expense as incurred. However, expenditure that enhances and extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the reducing balance method over their expected useful lives.

i 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.

j 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.

k Deferred taxation

Deferred income tax is recognised, 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 temporary difference arises from the difference between the accounting and tax treatment of depreciation on premises and equipment and assets under finance leases.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

l 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.

2 **Significant Accounting Policies (Continued)**

m **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.

n **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.

o **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.

p **Comparative information**

Where necessary comparatives have been adjusted to conform with changes in presentation in the current year.

3 Critical Accounting Estimates And Judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. These 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and other financing

The Company reviews its loans and other financing portfolios to assess impairment on a periodic basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgements 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. 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.

4 Cash Resources

	2009 $	2008 $
Cash on hand and in bank	2,511,835	217,548
Money market mutual funds	776,661	743,141
Included in cash and cash equivalents	3,288,496	960,689
Statutory deposit with Central Bank*	18,434,216	17,230,416
	21,722,712	18,191,105

*The Financial Institutions Act, 2008 requires that all licensees hold and maintain a non-interest deposit account with the Central Bank of Trinidad and Tobago, which at the balance sheet date was the equivalent of 9% of the total deposit liabilities (2008 – 9%).

5 Investments Available For Sale

	2009 $	2008 $
Trinidad and Tobago Unit Trust Corporation - First Unit Scheme	33,823	33,823

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

6 Loans And Other Receivables

	2009 $	2008 $
Installment loans	325,351,019	323,712,217
Finance leases (Note 6.5)	7,600,621	9,999,989
Trade financing	5,015,944	11,989,786
Mortgage loans	4,989,785	6,148,634
	342,957,369	351,850,626
Unearned finance charges	(59,182,903)	(60,466,728)
	283,774,466	291,383,898
Provision for impaired loans and other receivables	(4,444,243)	(3,083,481)
	279,330,223	288,300,417
Maturing after one year	256,411,640	259,990,116
Maturing within one year	22,918,583	28,310,301
	279,330,223	288,300,417

6.1 Sectoral analysis

	2009 $	2009 %	2008 $	2008 %
Consumers	67,837,230	19.8	58,798,030	16.7
Unincorporated businesses	99,238,843	28.9	97,889,766	27.8
Limited liability companies	175,881,296	51.3	195,162,830	55.5
	342,957,369	100	351,850,626	100

6.2 Performing and non performing loans and other receivables

	2009 $	2008 $
Performing	336,587,634	349,242,723
Non-performing	6,369,735	2,607,903
	342,957,369	351,850,626

6 **Loans And Other Receivables (Continued)**

6.3 **Reconciliation of provision for impaired loans and other receivables**

	2009 $	2008 $
Balance at start of year	3,083,481	2,665,090
Loans written off, net of recoveries	(226,417)	(679,057)
Charge for the year	1,587,179	1,097,448
Balance at end of year	4,444,243	3,083,481

6.4 **Impairment expense on loans and other receivables**

Charge for the year	1,587,179	1,097,448
Amounts not previously provided for now written off, net of recoveries	445,808	212,575
	2,032,987	1,310,023

6.5 **Finance leases**

Gross investment in finance leases	7,600,621	9,999,989
Unearned finance charges	(919,250)	(1,310,364)
Net investment in finance leases	6,681,371	8,689,625
Gross investment in finance leases		
Not later than 1 year	2,047,046	2,340,527
Later than 1 year and not later than 5 years	5,553,575	7,659,462
	7,600,621	9,999,989

There were no loan commitments at the balance sheet date.

7 **Premises And Equipment**

	Leasehold Improvements $	Furniture and Fittings $	Motor Vehicles $	Office and Computer Equipment $	Total $
At 31 December 2007					
Cost	170,654	269,269	800,984	1,279,837	2,520,744
Accumulated depreciation	(25,025)	(110,975)	(223,305)	(492,287)	(851,592)
Net book value	145,629	158,294	577,679	787,550	1,669,152
Year ended 31 December 2008					
Opening net book value	145,629	158,294	577,679	787,550	1,669,152
Additions	-	11,384	90,000	194,508	295,892
Disposals	-	(3,632)	(89,504)	(8,306)	(101,442)
Depreciation charge	(14,563)	(16,420)	(136,889)	(190,146)	(358,018)
Closing net book value	131,066	149,626	441,286	783,606	1,505,584
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
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

8	**Short Term Financing**	**2009** **$**	**2008** **$**
	Short term financing	--	7,166,043
	Accrued interest	--	296,851
		--	7,462,894

The Company maintained short term facilities in the form of bankers acceptances with financial institutions. There were no short term financing amounts outstanding at the year end. Interest rates in 2008 ranged from 9.05% to 9.40%.

9	**Customers' Deposits**	**2009** **$**	**2008** **$**
	Deposit balances	188,243,794	189,419,517
	Accrued interest	5,474,337	5,468,747
		193,718,131	194,888,264
	Maturity within one year	148,098,579	143,580,003
	Maturity after one year	45,619,552	51,308,261
		193,718,131	194,888,264

9.1 **Sectoral analysis**	**2009**		**2008**	
	$	**%**	**$**	**%**
Consumers	178,867,367	95.0	173,925,982	91.8
Commercial	9,376,427	5.0	15,493,535	8.2
	188,243,794	100	189,419,517	100

10 **Bank Overdraft**

The Company maintains an overdraft facility which bears interest at 9.75% per annum (2008 – 12.75%). This overdraft facility together with the short term financing through bankers' acceptances, totals $40 million, all of which is secured by a debenture over the assets of the Company. The overdraft balance at the year end was Nil (2008: $4,802,941).

11 **Deferred Taxation**

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:

	2009 $	2008 $
At beginning of year	241,058	277,710
Debit/(credit) for the year (see Note 18)	209,692	(36,652)
Prior year adjustment	406,493	--
At end of year	857,243	241,058

The net deferred tax liability is attributable to:

	2009 $	2008 $
- Leased assets	476,211	(45,901)
- Other assets	381,032	286,959
Net deferred tax liability	857,243	241,058

12 **Share Capital**

Authorised
An unlimited number of shares of no par value

	2009 $	2008 $
Issued and fully paid		
15,000,000 ordinary shares of no par value	15,000,000	15,000,000

13 **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.

Caribbean Finance Company Limited

Notes To The Financial Statements (Continued)
31 December 2009

		2009 $	2008 $
14	**Interest Income**		
	Loans and other receivables	42,721,007	41,491,516
	Other	77,758	120,724
		42,798,765	41,612,240
15	**Interest Expense**		
	Customers' deposits	15,566,226	13,981,840
	Bank overdraft and short term financing	515,908	2,157,492
		16,082,134	16,139,332
16	**Other Income**		
	Fees and commissions	449,902	375,948
	Gain on sale of premises and equipment	--	4,603
		449,902	380,551
17	**General Administrative Expenses**		
	Staff costs (Note 17.1)	3,504,435	2,933,087
	Depreciation	315,439	358,018
	Directors' fees	117,000	126,000
	Deposit insurance premium*	345,718	283,343
	Office rent	600,060	611,611
	Professional fees	278,998	280,180
	Advertising	354,486	372,351
	Security	257,442	214,227
	Telephone	241,302	254,397
	Other	1,162,061	1,213,609
		7,176,941	6,646,823

*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.

17.1	Staff Costs		
	Salaries	3,124,182	2,601,884
	National insurance	124,447	118,925
	Pension contributions	97,947	78,980
	Other long term benefits	157,859	133,298
		3,504,435	2,933,087
	Average number of employees during the year	24	26

Caribbean Finance Company Limited

Notes To The Financial Statements (Continued)
31 December 2009

		2009 $	2008 $
18	**Taxation**		
	Corporation tax		
	- Current year	4,758,876	4,765,143
	- Prior year	(372,957)	(3,357)
	Deferred tax (credit)/charge (see Note 11)		
	- Current year	209,692	(36,652)
	- Prior year	406,493	--
	Green fund levy		
	- Current year	47,334	45,671
	- Prior year	1,141	--
		5,050,579	4,770,805

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

	2009 $	2008 $
Profit before taxation	17,665,994	17,616,432
Corporation tax calculated at a tax rate of 25%	4,416,499	4,404,108
Expenses not deductible for tax purposes	104,444	112,752
Income not assessable for tax	(8,094)	(11,932)
Non reversing adjustment for finance leases	455,719	223,563
Accelerated tax adjustment not previously recognised	406,493	--
Prior year over provision	(372,957)	(3,357)
Green fund levy	48,475	45,671
	5,050,579	4,770,805

19 **Earnings Per Share**

	2009 $	2008 $
Profit attributable to shareholders	12,615,415	12,845,627
Number of ordinary shares in issue	15,000,000	15,000,000
Earnings per share	$0.84	$0.86

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 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:**

Loans and other receivables	**2009 $**	**2008 $**
Associated companies	652,786	480,623
Customers' deposits		
Directors and key management personnel	29,767,092	29,434,174
Interest income		
Associated companies	90,023	90,782
Interest expense		
Directors and key management personnel	1,365,795	1,174,349

(b) **Key management compensation**

Salaries and other short term benefits	771,064	657,791

21 Fair Values Of Financial Assets And Liabilities

Financial assets and liabilities not carried at fair value include cash resources, loans and other receivables, customers' deposits, short term financing and bank overdraft. The following comments are relevant to their fair value.

Assets

Cash resources

Since these assets are short term in nature, the values are indicative of realisable value.

Loans and other receivables

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.

Liabilities

Customers' deposits

Customers' deposits are estimated to have discounted cash flow values which approximate carrying values.

Short term financing and bank overdraft

These items are carried at amounts which reflect contractual obligations. The carrying amounts are a reasonable estimate of the fair values because of their short-term nature.

22 Financial Risk Management

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.

22 Financial Risk Management (Continued)

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 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.

22.1 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 analyzing 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.

Caribbean Finance Company Limited

Notes To The Financial Statements (Continued)
31 December 2009

22 **Financial Risk Management (Continued)**

22.1 **Credit Risk (Continued)**

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

	2009 $	2008 $
Cash resources	21,722,712	18,191,105
Loans and other receivables	283,774,466	291,383,898
	305,497,178	309,575,003

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

d) Analysis of financial assets

	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
As at 31 December 2008				
Cash resources	18,191,105	--	--	18,191,105
Loans and other receivables				
- Instalment	231,037,500	22,701,461	12,396,958	266,135,919
- Finance leases	5,516,575	3,173,041	--	8,689,616
- Trade financing	11,989,786	--	--	11,989,786
- Mortgages	4,430,828	137,749	--	4,568,577
	252,974,689	26,012,251	12,396,958	291,383,898
Total	271,165,794	26,012,251	12,396,958	309,575,003
As at 31 December 2009				
Cash resources	21,722,712	--	--	21,722,712
Loans and other receivables				
- Instalment	217,523,254	34,092,209	16,623,423	268,238,886
- Finance leases	2,360,197	2,431,020	1,890,145	6,681,362
- 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	247,175,889	39,807,721	18,513,568	305,497,178

22 **Financial Risk Management (Continued)**

22.1 **Credit Risk (Continued)**

d) Analysis of financial assets (continued)

i) Aging analysis of past due but not impaired loans and other receivables

	Less than 1 mth $	1-2 mths $	2-6 mths $	More than 6 mths $	Total $
As at 31 December 2008					
Loans and other receivables					
- Instalment	19,611,347	2,431,502	658,612	--	22,701,461
- Finance leases	3,173,041	--	--	--	3,173,041
- Mortgages	137,749	--	--	--	137,749
	22,922,137	2,431,502	658,612	--	26,012,251
As at 31 December 2009					
Loans and other receivables					
- Instalment	31,260,456	1,946,985	884,768	--	34,092,209
- Finance leases	1,498,448	109,438	44,178	778,956	2,431,020
- Mortgages	3,284,492	--	--	--	3,284,492
	36,043,396	2,056,423	928,946	778,956	39,807,721

ii) The fair value of collateral for individually impaired loans as at the year end was $19,389,440 (2008: $13,766,304).

22 **Financial Risk Management (Continued)**

22.2 **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;
(ii) Customers' deposit maturities are monitored to ensure the availability of funding to repay depositors;
(iii) Scheduling of loans and other financing and customers' deposits maturities to ensure an even spread in the disbursement of funds;
(iv) Standby lines of credit established.

c) Maturity analysis of financial liabilities

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Up to One Year $	One to Five Years $	Total $
As at 31 December 2008			
Liabilities			
Customers' deposits	172,067,964	33,756,807	205,824,771
Short term borrowings	7,500,000	--	7,500,000
Other liabilities	10,806,790	--	10,806,790
Total Liabilities (Contractual undiscounted cash flows)	190,374,754	33,756,807	224,131,561
As at 31 December 2009			
Liabilities			
Customers' deposits	186,776,851	14,003,691	200,780,542
Other liabilities	5,062,616	--	5,062,616
Total Liabilities (Contractual undiscounted cash flows)	191,839,467	14,003,691	205,843,158

22 **Financial Risk Management (Continued)**

22.3 **Market Risk**

The Company takes on exposure 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 prices. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Interest rate risk

a) Definition

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

b) Management of risk

The Company is not exposed to significant interest rate risk as its core financial assets and financial liabilities, which comprise loans and other financing, customers' deposits and short term financing are at fixed rates and are held to maturity. As such, any fluctuations in market interest rates are not expected to impact on the carrying values of the financial assets and liabilities. Some interest rate cash flow risk does arise from using short term financing for medium term lending. However, since all the Company's business is conducted locally, lending and funding market interest rates will be influenced by common market conditions and are expected to move similarly. To further mitigate this risk, management sets interest rates on loans and other financing facilities taking into consideration the effects of an increase in funding cost during the short to medium term.

c) Concentration of interest rate risk

	Up To One Year $	One To Five Years $	Over Five Years $	Non-Interest Bearing $	Total $
As at 31 December 2008					
Assets					
Cash and short term funds	960,689	--	--	17,230,416	18,191,105
Loans and other receivables	28,310,308	250,016,296	9,973,813	--	288,300,417
Total Financial Assets	29,270,997	250,016,296	9,973,813	17,230,416	306,491,522
Liabilities					
Customers' deposits	164,944,174	29,944,090	--	--	194,888,264
Bank overdraft	4,802,941	--	--	--	4,802,941
Short term financing	7,462,894	--	--	--	7,462,894
Total Financial Liabilities	177,210,009	29,944,090	--	--	207,154,099
Interest Sensitivity Gap	(147,939,012)	220,072,206	9,973,813		

22 **Financial Risk Management (Continued)**

22.3 **Market Risk**

Interest rate risk (continued)

d) Concentration of interest rate risk (continued)

	Up To One Year $	One To Five Years $	Over Five Years $	Non-Interest Bearing $	Total $
As at 31 December 2009					
Assets					
Cash and short term funds	3,288,496	--	--	18,434,216	21,722,712
Loans and other receivables	20,425,741	252,074,358	6,830,124	--	279,330,223
Total Financial Assets	23,714,237	252,074,358	6,830,124	18,434,216	301,052,935
Liabilities					
Customers' deposits	180,804,913	12,913,218	--	--	193,718,131
Total Financial Liabilities	180,804,913	12,913,218	--	--	193,718,131
Interest Sensitivity Gap	(157,090,676)	239,161,140	6,830,124		

Currency risk

The Company has no significant exposure to currency risk as all its financial assets and liabilities are denominated in Trinidad and Tobago Dollars.

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.

22 **Financial Risk Management (Continued)**

22.4 **Capital Risk**

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

(i) To comply with the capital requirements set out by the Regulator;

(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.

	2009 $'000	**2008 $'000**
Qualifying capital	103,425	94,810
Risk adjusted assets	281,009	290,288
Capital adequacy ratio	36.80%	32.67%

23 **Contingent Liabilities and Commitments**

There are no capital or lease commitments or any contingent liabilities as at the year end.