2009

ANNUAL REPORT

CAPITAL & CREDIT FINANCIAL GROUP LTD

Providing Total Financial Solutions

Solid.SAFE.**Secure**

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the members of

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

Report on the Financial Statements

We have audited the financial statements of Capital & Credit Financial Group Limited (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group), set out on pages 31 to 106 which comprise the Group's and the Company's balance sheets as at December 31, 2009, the Group's and the Company's profit and loss accounts, statement of comprehensive income, statements of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. 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 consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the Group and the Company as at December 31, 2009 and of the Group's and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on additional requirements of the Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained and the financial statements are in agreement with and give the information required in the manner so required by the Jamaican Companies Act.

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica
February 26, 2010

Carey O. Metz, Audley L. Gordon, Winston G. Robinson, Fagan E. Calvert, Gihan C. deMel

Consultants: T. Sydney Fernando, Donald S. Reynolds.

Member of
Deloitte Touche Tohmatsu

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2009

	Notes	2009 $'000	2008 $'000
ASSETS			
Cash resources	5	2,238,294	1,134,594
Investment in securities	6	10,823,479	11,084,670
Pledged assets	7	21,699,958	24,768,278
Investment in associates	9	23,811	11,890
Other investment	10	15,000	15,000
Loans (after provision for loan losses)	11	6,833,886	7,626,062
Intangible assets	12, 40	390,828	457,679
Accounts receivable	13, 40	680,970	598,340
Property and equipment	14	111,476	130,017
Deferred tax assets	15, 40	469,499	500,644
Income tax recoverable		62,051	101,311
Customers' liability under acceptances, guarantees and letters of credit as per contra		405,970	590,346
Total assets		43,755,222	47,018,831

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2009

	Notes	2009 $'000	2008 $'000
LIABILITIES			
Deposits	16	8,335,744	9,377,986
Due to financial institutions		920,435	791,962
Securities sold under repurchase agreements	17	27,431,458	29,754,023
Loan participation	18	737,098	814,790
Loan payable	19	-	76,474
Accounts payable	20	169,479	397,896
Liabilities under acceptances, guarantees and letters of credit as per contra		405,970	590,346
Preference shares	21	24,122	23,577
		38,024,306	41,827,054
STOCKHOLDERS' EQUITY			
Share capital	21	1,995,844	1,995,844
Statutory reserve fund	22, 40	493,110	453,940
Capital reserve	23	742,861	742,861
Retained earnings reserve	24	1,515,442	1,515,442
Fair value reserve	25, 40	(835,438)	(1,075,217)
Loan loss reserve	11	336,854	207,538
Foreign currency translation reserve		16,777	8,074
Unappropriated profits	40	1,465,217	1,343,124
Attributable to stockholders of the parent company		5,730,667	5,191,606
Non-controlling interest	40	249	171
		5,730,916	5,191,777
Total liabilities and stockholders' equity		43,755,222	47,018,831

The Notes on Pages 42 to 106 form an integral part of the Financial Statements.

The financial statements on Pages 31 to 106 were approved and authorised for issue by the Directors on February 26, 2010 and are signed on its behalf by:

Ryland T. Campbell Chairman	Curtis A. Martin Director	Andrew B. Cocking Director	Kelvin St. C. Roberts Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED DECEMBER 31, 2009

	Notes	2009 $'000	2008 $'000
NET INTEREST INCOME AND OTHER REVENUE			
Interest on investments		4,161,653	4,163,780
Interest on loans		1,326,513	1,037,802
Total interest income		5,488,166	5,201,582
Interest expense		4,214,058	3,946,229
Net interest income	26	1,274,108	1,255,353
Commission and fee income	27	177,410	129,355
Net gains on securities trading		(91,818)	93,591
Foreign exchange trading and translation		463,743	236,731
Dividend income		65,199	95,518
Gain on sale of property and equipment		8	6,779
Other income		70,440	18,790
Total operating income		684,982	580,764
Share of loss of associated company		(9,618)	(4,671)
Net interest income and other revenue		1,949,472	1,831,446
NON-INTEREST EXPENSES			
Staff costs	28	643,730	668,617
Loan loss expense, less recovery	11	313,524	50,656
Finance charges – interest on bank loan		-	11,458
Bank charges		42,264	38,705
Property expense		122,163	99,935
Depreciation and amortisation	12,14	110,061	102,029
Information technology costs		60,973	41,902
Marketing and corporate affairs		98,947	88,274
Professional fees		102,513	71,231
Regulatory costs		30,984	33,578
Irrecoverable general consumption tax		45,523	40,866
Other operating expenses		91,039	134,652
Total non-interest expenses		1,661,721	1,381,903
PROFIT BEFORE TAXATION		287,751	449,543
Taxation	29, 40	(2,888)	60,048
NET PROFIT	30, 40	290,639	389,495
Attributable to:			
Stockholders of the parent company		290,579	355,070
Non-controlling interest	40	60	34,425
		290,639	389,495
Earnings per stock unit	31, 40	31¢	38¢

The Notes on Pages 42 to 106 form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2009

	Notes	2009 $'000	2008 $'000
NET PROFIT		290,639	389,495
Other comprehensive income			
Exchange difference arising on translation of foreign operations		8,703	9,483
Available-for-sale financial assets			
Net gains /(losses) arising on revaluation of available-for-sale financial assets during the year		259,537	(1,569,519)
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	25	89,360	(91,848)
		348,897	(1,661,367)
Income tax relating to components of other comprehensive income	15	(109,100)	554,568
Other comprehensive income for the year (net of tax)		248,500	(1,097,316)
Total comprehensive income for the year		539,139	(707,821)
Total comprehensive income attributable to:			
Stockholders of the parent company		539,061	(742,243)
Non-controlling interest		78	34,422
		539,139	(707,821)

The Notes on Pages 42 to 106 form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2009

	Notes	Share Capital $'000	Statutory Reserve Fund $'000	Capital Reserve $'000	Retained Earnings Reserve $'000	Fair Value Reserve $'000	Loan loss Reserve $'000	Unappropriated Profit $'000	Foreign currency Translation Reserve $'000	Attributable to equity holders of the Parent $'000	Non-controlling Interest $'000	Total $'000
Balance at December 31, 2007		514,654	408,601	742,861	1,515,442	31,579	74,611	1,189,267	(1,409)	4,475,606	1,481,113	5,956,719
Net profit for the year	40	-	-	-	-	-	-	355,070	-	355,070	34,425	389,495
Other comprehensive income for the year	40	-	-	-	-	(1,106,796)	-	-	9,483	(1,097,313)	(3)	(1,097,316)
Total comprehensive income for the year		-	-	-	-	(1,106,796)	-	355,070	9,483	(742,243)	34,422	(707,821)
Bonus issue of preference shares	21	-	-	-	-	-	-	(22,947)	-	(22,947)	-	(22,947)
Transfer to loan loss reserve	11	-	-	-	-	-	132,927	(132,927)	-	-	-	-
Transfer to statutory reserve fund	22, 40	-	45,339	-	-	-	-	(45,339)	-	-	-	-
Issue of shares, net of cost	21	1,481,190	-	-	-	-	-	-	-	1,481,190	(1,515,364)	(34,174)
Balance at December 31, 2008	40	1,995,844	453,940	742,861	1,515,442	(1,075,217)	207,538	1,343,124	8,074	5,191,606	171	5,191,777
Net profit for the year		-	-	-	-	-	-	290,579	-	290,579	60	290,639
Other comprehensive income for the year		-	-	-	-	239,779	-	-	8,703	248,482	18	248,500
Total comprehensive income for the year		-	-	-	-	239,779	-	290,579	8,703	539,061	78	539,139
Transfer to loan loss reserve	11	-	-	-	-	-	129,316	(129,316)	-	-	-	-
Transfer to statutory reserve fund	22	-	39,170	-	-	-	-	(39,170)	-	-	-	-
Balance at December 31, 2009		1,995,844	493,110	742,861	1,515,442	(835,438)	336,854	1,465,217	16,777	5,730,667	249	5,730,916

The Notes on Pages 42 to 106 form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009

	Notes	2009 $'000	2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		290,639	389,495
Interest income		(5,488,166)	(5,201,582)
Interest expense		4,214,058	3,946,229
Loan loss expense, less recovery		325,610	55,492
Depreciation and amortisation	12,14	110,061	102,029
Gain on sale of property and equipment		(8)	(6,779)
Loss from associated company	30	9,618	4,671
Taxation (credit)/charge		(2,888)	60,048
		(541,076)	(650,397)
Movement in working capital			
Accounts receivable		(82,632)	155,051
Loans receivable		576,640	(1,061,584)
Accounts payable		(242,533)	194,299
Cash used by operations		(289,601)	(1,362,631)
Income tax		(35,807)	(141,652)
Interest paid		(4,346,980)	(3,927,902)
Net cash used in operating activities		(4,672,388)	(5,432,185)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of property and equipment		44	7,582
Acquisition of property and equipment	14	(24,705)	(47,638)
Acquisition of intangible assets	12	-	(12,344)
Decrease in investment in securities		2,713,894	6,775,859
Interest received		5,581,764	4,988,196
Investment in securities		(21,539)	-
Net cash provided by investing activities		8,249,458	11,711,655
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposits		(1,039,150)	1,671,080
Securities sold under repurchase agreements		(2,212,258)	(7,428,240)
Loan participation		(69,878)	(1,139,895)
Due to financial institutions		135,780	(402,889)
Loan payable		(74,946)	(180,556)
Cost of shares issued		-	(78,440)
Net cash used in financing activities		(3,260,452)	(7,558,940)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		316,618	(1,279,470)
OPENING CASH AND CASH EQUIVALENTS		423,467	1,667,391
Effects of foreign exchange rate changes		22,821	35,546
CLOSING CASH AND CASH EQUIVALENTS	32	762,906	423,467

Prior year items for net profit, taxation and accounts receivable have been restated to conform to the Note 40 adjustments.
The Notes on Pages 42 to 106 form an integral part of the Financial Statements.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

BALANCE SHEET AT DECEMBER 31, 2009

	Notes	2009 $'000	2008 $'000
ASSETS			
Cash resources		10,409	1,650
Investment in securities	6	61,063	62,941
Securities purchased under resale agreements		-	371
Investment in subsidiaries	8	2,455,267	2,447,844
Investment in associates	9	115,865	98,807
Loans receivable	11	71,486	68,171
Intangible asset	12	1,648	2,245
Accounts receivable	13	1,648	13,181
Property and equipment	14	5,997	6,858
Income tax recoverable		7,518	7,471
Deferred tax assets	15	23,462	27,381
Total assets		2,754,363	2,736,920
LIABILITIES			
Accounts payable	20	12,917	57,400
Loan payable	19	136,743	76,474
		149,660	133,874
STOCKHOLDERS' EQUITY			
Share capital	21	1,995,844	1,995,844
Capital reserve	23	587,190	587,190
Fair value reserve	25	(9,509)	(16,790)
Unappropriated profits		31,178	36,802
		2,604,703	2,603,046
Total liabilities and stockholders' equity		2,754,363	2,736,920

The Notes on Pages 42 to 106 form an integral part of the Financial Statements.

The financial statements on Pages 31 to 106 were approved and authorised for issue by the Directors on February 26, 2010 and are signed on its behalf by:

Ryland T. Campbell	Curtis A. Martin	Andrew B. Cocking	Kelvin St. C. Roberts
Chairman	Director	Director	Director

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

PROFIT AND LOSS ACCOUNT
YEAR ENDED DECEMBER 31, 2009

	Notes	2009 $'000	2008 $'000
INCOME			
Interest	26	14,622	16,515
Commission and fee income		35,075	27,349
Dividend income		4,353	69,555
(Losses)/gains on disposal of securities available-for-sale		(3,969)	11,513
Gain on sale of property and equipment		-	6,779
Other income		16	145
		50,097	131,856
EXPENSES			
Finance charges – interest on bank loan		28,645	11,458
Foreign exchange translation		5,583	8,254
Professional fees		14,047	5,554
Depreciation and amortisation	12,14	1,667	1,997
Bank charges		20	5
Irrecoverable general consumption tax		355	1,756
Other expenses		5,125	14,109
		55,442	43,133
(LOSS)/PROFIT BEFORE TAXATION		(5,345)	88,723
Taxation	29	279	4,602
NET (LOSS)/PROFIT	30	(5,624)	84,121

The Notes on Pages 42 to 106 form an integral part of the Financial Statements.

CAPITAL & CREDIT FINANCIAL GROUP LI MITED

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2009

	Notes	2009 $'000	2008 $'000
NET (LOSS)/PROFIT		(5,624)	84,121
OTHER COMPREHENSIVE INCOME			
Available-for-sale financial assets			
Net gains/(losses) arising on revaluation of available-for-sale financial assets during the year		6,952	(137)
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	25	3,969	(11,513)
		10,921	(11,650)
Income tax relating to components of other comprehensive income	15	(3,640)	3,883
Other comprehensive income for the year (net of tax)		7,281	(7,767)
Total comprehensive income for the year		1,657	76,354

The Notes on Pages 42 to 106 form an integral part of the Financial Statements.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2009

	Notes	Share Capital $'000	Capital Reserve $'000	Fair Value Reserve $'000	Unappropriated Profits $'000	Total $'000
Balance at December 31, 2007		514,654	524,669	(9,023)	15,202	1,045,502
Net profit for the year		-	-	-	84,121	84,121
Other comprehensive income for the year	18	-	-	(7,767)	-	(7,767)
Total comprehensive income for the year		-	-	(7,767)	84,121	76,354
Transfer of unrealised gains to capital reserve		-	62,521	-	(62,521)	-
Issue of shares, net of cost	21	1,481,190	-	-	-	1,481,190
Balance at December 31, 2008		1,995,844	587,190	(16,790)	36,802	2,603,046
Net loss for the year		-	-	-	(5,624)	(5,624)
Other comprehensive income for the year	18	-	-	7,281	-	7,281
Total comprehensive income for the year		-	-	7,281	(5,624)	1,657
Balance at December 31, 2009		1,995,844	587,190	(9,509)	31,178	2,604,703

The Notes on Pages 42 to 106 form an integral part of the Financial Statements.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009

	Notes	2009 $'000	2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss)/profit		(5,624)	84,121
Depreciation and amortisation	12,14	1,667	1,997
Taxation		279	4,602
Dividend income		(4,353)	(62,521)
Interest income		(14,622)	(16,515)
Interest expense		28,645	11,458
Gain on sale of property and equipment		-	(6,779)
		5,992	16,363
Movement in working capital			
Accounts receivable		11,744	7,179
Loans received		(1,415)	53,417
Accounts payable		(44,482)	50,616
Cash (used in)/generated by operations		(28,161)	127,575
Income tax paid		(24,955)	(418)
Interest paid		(47)	(11,718)
Net cash (used in)/provided by operating activities		(53,163)	115,439
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in loan to associated company		-	(4,290)
Purchase of shares in subsidiary		-	(1,927)
Investment in associates		(17,059)	(2,860)
Advance to subsidiary		(7,104)	(56,013)
Proceeds on sale of property and equipment		-	7,582
Acquisition of property and equipment	14	(209)	-
Dividend received		4,142	-
Interest received		12,403	1,664
Decrease in investments		27,167	197,163
Net cash provided by investing activities		19,340	141,319
CASH FLOWS FROM FINANCING ACTIVITIES			
Cost of shares issued		-	(78,440)
Loans received from subsidiary		131,525	-
Loan repayment		(74,946)	(180,502)
Net cash provided by/(used in) financing activities		56,579	(258,942)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		22,756	(2,184)
OPENING CASH AND CASH EQUIVALENTS		2,021	4,205
Effects of foreign exchange rate changes		(14,368)	-
CLOSING CASH AND CASH EQUIVALENTS	32	10,409	2,021

The Notes on Pages 42 to 106 form an integral part of the Financial Statements.

1 GROUP IDENTIFICATION

(a) Capital & Credit Financial Group Limited ("the Company") is incorporated in Jamaica. Its registered office is 6 – 8 Grenada Way, Kingston 5.

The company's main business is that of holding investments in business enterprises. On May 15, 2008 the company was listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange simultaneously.

The subsidiaries and their principal activities are as follows:

Subsidiaries	Place of Incorporation and operation	Proportion of direct ownership interest	Proportion of voting power held	Principal Activities
Capital & Credit Merchant Bank Limited	Jamaica	100%	100%	Taking deposits, granting loans and trading in foreign currencies.
Capital & Credit Remittance Limited	Jamaica	100%	100%	Facilitating the electronic transfer of funds to and from Jamaica.
Capital & Credit Payment Systems Limited	Cayman Islands	100%	100%	Holding investments.
Capital & Credit Holdings Inc.	United States of America	80%	100%	Investment in Capital & Credit International Inc., an investment banking entity in the USA.

The company and its subsidiaries are collectively referred to as the "Group".

As indicated in Note 21, at the extraordinary meeting of the Shareholders of the Banking Subsidiary, Capital & Credit Merchant Bank Limited (CCMB) held on March 31, 2008, approved the Scheme of Arrangement that required CCMB to transfer its shareholdings in its wholly-owned subsidiary, Capital & Credit Securities Limited (CCSL) and its 70% owned subsidiary, Capital & Credit Fund Managers Limited (CCFM) to the company.

Subsequent to the approval by the Shareholders, issues arose in relation to the sale consideration and the tax consequences for the transfer of the shareholdings in CCSL and CCFM to finalise the reorganisation of the Group of Companies as intended.

As a result, the directors on November 7, 2008 approved that the aspect of the reorganization relating to the transfer of CCMB's shareholding in the two subsidiaries be rescinded. The restoration of the ownership of the companies to CCMB does not in any way, affect the control of the said companies, as wholly-owned by the Company.

(b) Capital & Credit Merchant Bank Limited ("the banking subsidiary"), is licensed under the Financial Institutions Act and the Securities Act and regulated by the Bank of Jamaica (the supervisor) and the Financial Services Commission. The Bank's preference shares are listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange, while its ordinary shares were de-listed upon the listing of the Company's ordinary shares.

The Bank has two subsidiaries, Capital & Credit Securities Limited and Capital & Credit Fund Managers Limited. Both subsidiaries are incorporated and domiciled in Jamaica.

1 **GROUP IDENTIFICATION (Cont'd)**

(b) (Cont'd)

The principal activities of the Bank's subsidiaries are as follows:

Subsidiaries	Place of incorporation and operation	Proportion of direct ownership interest	Proportion of voting power held	Principal Activities
Capital & Credit Securities Limited	Jamaica	100%	100%	Dealing in securities, stockbroking, portfolio planning, pension fund management and investment advisory services.
Capital & Credit Fund Managers Limited	Jamaica	69.85%	69.85%	Management of Jamaica Investment Fund and the selling of units to the public on its behalf.

- Capital & Credit Securities Limited is licensed under the Securities Act and regulated by the Financial Services Commission and the Jamaica Stock Exchange.
- Capital & Credit Fund Managers Limited is licensed under the Unit Trust Act and regulated by the Financial Services Commission.

(c) Associated companies:

Name of associate	Place of Incorporation (or registration) and operation	Proportion of direct ownership interest	Proportion of voting power held	Principal activities
Express Remittance Services (Cayman) Limited	Cayman Islands	0%	40%	Facilitating the transfer of funds from the Cayman Islands to Jamaica.
Capital & Credit Fund Managers Limited	Jamaica	29.94%	99.79%	Management of Jamaica Investment Fund and the selling of units to the public on its behalf.

2 **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Standards and Interpretations affecting presentation and disclosures

The following new and revised Standards and interpretations have been adopted in the current period and the effects are detailed below. Details of other Standards and Interpretations adopted in these financial statements but have had no effect on the amounts reported are set out elsewhere in this note.

Standards affecting presentation and disclosure

- IAS 1 (as revised in 2007): Presentation of Financial Statements. The main objective of the revision in IAS 1 was to aggregate information in financial statements on the basis of shared characteristics. Adoption of IAS 1 affected Group's presentation of owner changes in equity and of non-owner changes in equity (comprehensive income).

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Cont'd)

Standards and Interpretations affecting presentation and disclosures (Cont'd)

IAS 1 (as revised in 2007): Presentation of Financial Statements (Cont'd)

The revision required the presentation of comprehensive income in one or two statements and the Group has adopted the two statement method to present the comprehensive income. Presentation of Group's statement of changes in equity has also been amended to comply with the revisions. In addition, the revised Standard requires presentation of a third statement of financial position (balance sheet) at January 1, 2008 when applying policy changes retrospectively. However the Group has not presented a third statement for the reason described below under the caption IFRS 8.

- IFRS 7: Financial Instruments – Improving Disclosures about financial instruments. The amendments to IFRS 7 expanded the disclosure required in respect of fair value measurements and liquidity risk. In particular, the amendment requires the disclosure of fair value measurements by level of a fair value hierarchy. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional relief offered in the amendments.

- IFRS 8: Operating Segments. IFRS 8 is a disclosure Standard and has replaced IAS 14. The new Standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal purposes. Adoption of IFRS 8 has not resulted in a change in the basis on which segment information is presented in comparison to previous years and has not resulted in changes in the financial performance and positions reported for the current and prior accounting periods. Therefore the Group has not presented a third statement of financial position (balance sheet) at January 1, 2008. (See also Note 34)

Standards and Interpretations adopted with no effect on the financial statements

- *IAS* 23 *(Revised) - Borrowing Costs* - The revision removes the option of either capitalising borrowing costs relating to qualifying assets or expensing these borrowing costs. The revised standard requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale.

- *IAS 28 (Revised) Investments in Associates* – effective January 1, 2009. The amendment addresses Impairment of investments in associates as it gives clarification that an investment in an associate is treated as a single asset for impairment testing. Therefore, an impairment loss recorded by an investor after applying the equity method is not allocated against any goodwill included in the equity accounted investment balance. Such an impairment loss should be reversed in a subsequent period to the extent that the recoverable amount of the associate increases.

- *Under the amendments to IAS* 32 (Revised) *Financial instruments: Presentation* – effective January 1, 2009. *Puttable Instruments and Obligations Arising on Liquidation,* certain financial instruments that currently meet the definition of a financial liability will be classified as equity because they represent the residual interest in the net assets of the entity.

- *Under the amendments to IFRS 2 (Revised) Share-based payment* – effective January 1, 2009. V*esting Conditions and Cancellations,* the terms 'vesting conditions' and 'cancellations' were clarified as follows. Vesting conditions are service and performance conditions only. Features of a share-based payment that are not vesting conditions should be included in the grant date fair value of the share-based payment. A cancellation of equity instruments is accounted for as an acceleration of the vesting period.

- *IFRIC 13 Customer Loyalty Programmes - Effective July 1 2008.* This Interpretation addresses the accounting by entities that provide their customers with incentives to buy goods or services by providing awards (called 'award credits') as part of a sales transaction. IFRIC 13 requires the entity that grants the awards to account for the sales transaction that gives rise to the award credits as a 'multiple-element revenue transaction' and to allocate the fair value of the consideration received or receivable between the award credits granted and the other components of the revenue transaction. This treatment applies irrespective of whether the entity supplies the awards (the discounted goods or services) or whether a third party supplies them. For arrangements falling within its scope, IFRIC 13 explicitly prohibits the alternative treatment of recognising the full consideration received as revenue, with a separate liability for the cost of supplying the awards.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Cont'd)

Standards and Interpretations adopted with no effect on the financial statements (Cont'd)

- *IFRIC 15 Agreements for the Construction of Real Estate* - effective January 1, 2009. The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and when revenue from the construction of real estate should be recognised.

- *IFRIC 16 Hedges of a Net Investment in a Foreign Operation* – Effective October 1, 2008. The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.

- *IFRIC 18 Transfers of Assets from Customers* (effective for transfers made on or after July 1, 2009). The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 *Revenue*.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following new Standards and Interpretations and amendments to those in issue were not yet effective or early adopted for the financial period being reported upon:

		Effective for annual periods beginning on or after
IAS 1, 7, 17, 36,39,) IFRS 5 and 8 (Revised))	Amendments arising from April 2009 Annual Improvements to IFRS	January 1, 2010
IAS 24 (Revised)	Related Party Disclosures – Revised definition of related parties	January 1, 2011
IAS 27 (Revised)	Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 28 (Revised)	Investments in Associates - Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 31 (Revised)	Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 32 (Revised)	Financial Instruments: Presentation - Amendments relating to classification of rights issues	February 1, 2010
IAS 38 (Revised)	Intangible assets – Amendments arising from April 2009 Annual Improvements to IFRS	July 1, 2009
IAS 39 (Revised)	Financial Instruments: Recognition and Measurement - Amendments to clarify Eligible Hedged Items	July 1, 2009
	- Amendments for embedded derivatives when reclassifying financial instruments.	June 30, 2009
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards: - Amendment relating to oil and gas assets and determining whether an arrangement contains a lease	January 1, 2010

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Cont'd)

Standards and Interpretations in issue not yet adopted (Cont'd)

		Effective for annual periods beginning on or after
IFRS 2 (Revised)	Share-based Payment:	
	- Amendments arising from April 2009 Annual Improvements to IFRS	July 1, 2009
	- Amendments relating to Group cash-settled share-based payment transactions	January 1, 2010
IFRS 3 (Revised)	Business Combinations - Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 5 (Revised)	Non-current Assets Held for Sale and Discontinued Operations - Amendment relating to Plans to sell the controlling interest in a subsidiary	July 1, 2009
IFRS 8 (Revised)	Operating Segments - Amendments resulting from April 2009 Annual Improvements to IFRS	January 1, 2010
IFRS 9 (New)	Financial Instruments – Classification and Measurement	January 1, 2013
IFRIC 9 (Revised)	Reassessment of Embedded Derivatives – Amendments arising from April 2009 Annual Improvements to IFRS	July 1, 2009
IFRIC 16 (Revised)	Hedges of a Net Investment in a Foreign Operation -Amendment to the restriction on the entity the entity that can hold hedging instruments	July 1, 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	July 1, 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity	July 1, 2010

Except as noted below, the Board of Directors and management anticipate that the adoption of these standards and interpretations in the future periods at their effective dates will not be relevant to the financial statements of the Group in the periods of initial application.

- *IAS 24 (Revised)*: Related Party Disclosures *Effective January 1, 2011*. The amendments to standard simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party. The standard is not expected to have any significant impact on the Group's financial results and will only have an impact on the disclosures in the financial statements.
- *IAS 27 (Revised) - Consolidated and Separate Financial Statement*, under the amendments, the increases or decreases in a parent's ownership interest that do not result in a loss of control, is accounted for as equity transactions of the consolidated entity. No gain or loss is recognised on such transactions and goodwill is not re-measured. Any difference between the change in the non-controlling investment and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. Where there is loss of control of a subsidiary, any retained non-controlling investment at the date control is lost is re-measured to fair value. Losses of the acquired entities are allocated to the non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary. The adoption of the revised standard is not expected to have any significant impact on the consolidated financial statements of the Group.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Cont'd)

Standards and interpretations in issue not yet adopted (Cont'd)

- The amendments to *IFRS 2: Share-based Payment* – effective January 1, 2010, provide additional guidance on the accounting for share-based payment transactions among group entities. The revised Standard states explicitly that the entity receiving the goods or services will recognise the transaction as an equity-settled share-based payment transaction only if; the awards granted are its own equity instruments; or it has no obligation to settle the transaction. In all other circumstances, the entity will measure the transaction as a cash-settled share-based payment. The standard is not expected to have any significant impact on the Group's financial statements.
- *IFRS* 3 *(Revised) Business Combinations - The revision to IFRS 3 and the consequential amendments to IAS* 27 *Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures,* remove the scope exclusions for business combinations involving two or more mutual entities and business combinations in which separate entities are brought together to form a reporting entity by contract alone without the obtaining of an ownership interest. The standard is not expected to have any significant impact on the Group's financial statements.
- *IFRS 9 Financial Instruments* - The Standard introduces new requirements for the classification and measurement of financial assets and is effective from January 1, 2013 with early adoption permitted. Under the new standards all recognised financial assets that are currently in the scope of IAS 39 will be measured at either amortised cost or fair value. A debt instrument (e.g. loan receivable) that (1) is held within a business model whose objective is to collect the contractual cash flows and (2) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding generally must be measured at amortised cost. All other debt instruments must be measured at fair value through profit or loss (FVTPL).

  A fair value option is available (provided that certain specified conditions are met) as an alternative to amortised cost measurement. For debt instruments not designated at FVTPL under the fair value option, reclassification is required between FVTPL and amortised cost, or vice versa, if the entity's business model objective for its financial assets changes so that its previous model no longer applies.

  The new requirements for classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting are expected to be added to IFRS 9 in 2010. As a result, IFRS 9 will eventually be a complete replacement for IAS 39 and IFRS 7. An early adoption of IFRS 9 will require the continued application of IAS 39 for other accounting requirements for financial instruments within its scope that are not covered by IFRS 9 (e.g. classification and measurement of financial liabilities, recognition and derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting, etc.).

  The standard is likely to have a significant impact on the Group's financial results as gain or loss on a financial asset or financial liability that is measured at fair value and is not part of a hedging relationship shall be presented in profit or loss unless the financial asset is an investment in an equity instrument and the entity elects to present gains and losses on that investment in other comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Group's financial statements have been prepared in accordance, and comply, with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis of preparation

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of preparation (Cont'd)

The principal accounting policies are set out below.

Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("its functional currency"). For the purpose of the consolidated financial statements the results and financial position of each group entity are expressed in Jamaican dollars which is the Group's functional currency and the presentation currency for the consolidated financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

The interest of the non-controlling interest shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investment in subsidiaries

Subsidiary companies are those companies in which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiaries are carried at cost less any recognised impairment losses in the financial statements of the company.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in associates

An associate is an entity over which the Group has significant influence and is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not provide control or joint control over those policies.

Investment in associate is stated at cost adjusted for changes in the Group's share of the net assets of the associate, if any, less any impairment in the value of the investment.

Goodwill

Goodwill arising on the acquisition of a subsidiary or jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entities recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset to one entity and a financial liability to or equity to another entity.

A financial asset is any asset that is:

(a) cash
(b) an equity instrument of another entity
(c) a contractual right:
  (i) to receive cash or another financial asset from another entity; or
  (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Group; or
(d) a contract that will or may be settled in the Group's own equity instruments and is:
  (i) a non-derivative for which the Group is or may be obliged to receive a variable number of the Group's own equity instruments; or
  (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments. For this purpose the Group's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the Group's own equity instruments.

A financial liability is any liability that is:

(a) a contractual obligation:
  (i) to deliver cash or another financial asset to another entity; or
  (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; or

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial Instruments (Cont'd)

(b) a contract that will or may be settled in the Group's own equity instruments and is:

(i) a non-derivative for which the Group is or may be obliged to deliver a variable number of the Group's own equity instruments; or

(ii) a derivative that will be or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments. For this purpose the Group's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the Group's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group recognises financial assets or financial liabilities on its balance sheet only when the Group becomes a party to the contractual provisions of the instruments.

Financial assets

Financial assets are recognised and derecognised using trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the asset within the timeframe established by the market and are initially measured at fair value plus transaction cost, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

The financial assets of the Group include cash resources, investment in securities, securities purchased under resale agreements, loans and accounts receivable.

Financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss
- Held to maturity investments
- Available-for-sale financial assets, and
- Loans and receivables

The classification depends on the nature and purpose of the financial assets and is determined at the time of acquisition.

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss where the financial asset is either held for trading or is designated at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking.

A financial asset other than a financial asset held for trading may be designated at fair value through profit or loss upon initial recognition if:

- such a designation eliminates or significantly reduces a measurement or inconsistency that would arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and the information about the grouping is provided internally on that basis.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial Instruments (Cont'd)

Financial assets (Cont'd)

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets. Fair value is determined in the manner described in Note 37.

Held-to-maturity investments

Securities with fixed or determinable payments and fixed maturity dates that the Group has the positive ability to hold to maturity are classified as held to maturity investments. These investments are recorded at amortised cost using the effective interest rate method less any impairment, with revenue recognised on an effective yield basis. Were the Group to sell, other than an insignificant amount of held-to-maturity securities (in comparison to the remaining balance in the category) the entire category would be compromised and reclassified as available-for-sale.

Available-for-sale financial assets

Listed securities held by the Group that are traded in an active market and unlisted shares are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 37. Gains and losses arising from changes in fair value are recognised in other comprehensive income and are accumulated in the fair value reserve with the exception of impairment losses. Interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, are recognised directly in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in the profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in foreign currency is determined in that currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to the translation differences that result from a change in amortised cost of the assets is recognised in profit or loss, and the other changes are recognised in equity.

Loans and receivables

Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate except for short term receivables, when the recognition of interest would be immaterial.

Loans and provisions for credit losses

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost which is the cash given to originate the loan including any transaction costs and subsequently measured at amortised cost using the effective interest rate method.

A loan is classified as non-performing when, in management's opinion, there has been deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest.

Loans are classified as non-accrual if they are non-performing in excess of ninety days. When a loan is classified as non-accrual, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on a cash basis by regulation.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to reduce it to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial Instruments (Cont'd)

Financial assets (Cont'd)

Loans and provisions for credit losses (Cont'd)

General provisions for doubtful credits are established against the loan portfolio where a prudent assessment by the Group of adverse economic trends suggests that losses may occur, but where such losses cannot yet be determined on an item-by-item basis. The Supervisor requires that such a provision should not be less than 0.5% for certain residential mortgages and not less than 1% for all other loans. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

Statutory and other regulatory loan loss reserve requirements that exceed the provision required under IAS 39 (Financial Instruments) are dealt with in a non-distributable loan loss reserve as a transfer from unappropriated profits.

Write-offs are made when all or part of a loan is deemed uncollectible. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written-off are credited to loan loss expense in the profit and loss account.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discount estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction cost and all other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount of the financial asset.

Income is recognised on an effective interest basis for the instruments other than those financial assets designated at fair value through profit or loss.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flow has been impacted.

For available-for-sale equity securities a significant or prolonged decline in the fair value of the security below its cost is considered to be the objective evidence of impairment.

For all other financial assets, objective evidence of impairment would include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- delayed payment past the due date.

For certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables would include the Group's past experience of collecting payments.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of loans receivable and accounts receivable, where the carrying amount is reduced through the use of an allowance account.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial Instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the profit and loss account in the period.

With the exception of available-for-sale equity securities, 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 recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in the fair value subsequent to an impairment loss is recognised in other comprehensive income.

De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the assets expire; or it transfers the financial asset and substantially all the risks and rewards to the ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and the associated liability for the amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises the collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Group

Financial liabilities

Financial liabilities are classified at fair value through profit or loss or other liabilities. The Group currently has no financial liabilities classified at fair value through profit or loss. Other financial liabilities of the Group are securities sold under repurchase agreements, customer deposits, due to financial institutions, loan participation, loan payable and accounts payable.

Other financial liabilities are initially measured at fair value, net of transaction cost and subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount of the financial liability. Interest expense is recognised in the profit and loss account for the period.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Equity instruments

Equity instruments issued by the Group are recorded as proceeds received, net of direct issue costs.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Sale and repurchase agreements

Securities purchased under agreement to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collaterised financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest, using the effective interest rate method.

Securities sold subject to repurchase agreements ('repos') are stated as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments net of outstanding bank overdrafts. These assets comprise balances with less than three months maturity from the date of inception.

Property and equipment

Property and equipment held for use in the provision or supply of services, or for administrative purposes, are recorded at historical cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property and equipment in the course of construction for production, rental or administrative purpose or for purposes not yet determined are carried at cost (including professional fees), less any recognised impairment loss. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is charged on a straight-line basis so as to allocate the cost of the assets to their residual values over their estimated useful lives.

Land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed each year with the effect of any change in estimate being accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

Repairs and renewals are charged to the profit and loss account when the expenditure is incurred.

Intangible assets

Computer software costs

Direct costs that are associated with identifiable and unique software products controlled by the Group that are expected to generate economic benefits beyond one year, are recognised as assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Costs associated with maintaining computer software programmes are recognised as an expense over the expected period of usage (not expected to exceed 12 months).

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 5 years.

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition and is subsequently measured at cost less any accumulated impairment losses. If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the profit and loss account.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in the profit and loss account unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted at balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Taxation (Cont'd)

Deferred tax (Cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in the profit and loss account, except when they relate to items credited or debited directly to other comprehensive income, in which case the tax is also recognised in other comprehensive income.

Acceptances

The Group's potential liability under acceptances is recorded as a liability. The Group's recourse against its customers in the event of a call on these commitments is reported as an asset.

Revenue recognition

Interest income

Interest income and expenses are recognised in the profit and loss account for all interest bearing instruments on an accrual basis using the effective interest rate method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments.

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fees and commission

Fees and commission are recognised on the accrual basis when service has been provided. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. Also included is sale of services which is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Management participation fees and preliminary charges are recognised monthly by applying the appropriate percentage as stipulated by the trust deed to the value of the deposited property of the fund at the end of each month.

Dividend income

Dividend income is recognised in the profit and loss account when the right to receive payment is established.

Related party transactions and balances

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 and operating decisions. Related party transactions and balances are recognised and disclosed for the following:

- Enterprises and individuals owning directly or indirectly an interest in the voting power of the entity that gives significant influence over the entity's affairs and close members of the families of these individuals.
- Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, including directors, officers and close members of the families of these individuals.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as the lessee

The leases entered into by the Group are operating leases as a significant portion of the risks and reward of ownership are retained by the lessor. The total payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Group as the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Borrowings

Borrowings are recognised initially at cost, being their issue proceeds net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective yield method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amounts of the obligation.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value.

Employee benefits

Pension obligations

The Group pays fixed contributions into a defined contribution Superannuation Fund and will have no legal or constructive obligations to pay further pension benefits.

The regular contributions constitute costs for the year in which they are due and are included in staff costs.

Employee Share Ownership Plan

The Group has an Employee Share Ownership Plan (ESOP) for eligible employees of the Capital & Credit Financial Group Limited group of companies. When the options are exercised, the market value of the shares is credited to share capital in the accounts of the company. The difference between the market value and the option price is included in staff costs in the accounts of the respective subsidiary. Market value is the lower of bid and last sale price on the Jamaica Stock Exchange at the effective date of the option.

Leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave for services rendered by employees up to the balance sheet date.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Employee benefits Cont'd)

Termination benefits

The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

4 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from the sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following is a critical judgment, apart from those involving estimations (see below) that the directors have made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Reclassification of Financial Assets

During 2008, the Group reclassified certain financial assets which meet the definition of loans and receivables and held-to-maturity out of the available-for-sale category to these categories (see Note 39). The Group believed that the deterioration of the world's financial markets that occurred during the third quarter of 2008 represented a rare circumstance that allowed such a reclassification. The Group had the intention and ability to hold these reclassified loans and receivables for the foreseeable future or until maturity at the date of reclassification.

Ability to hold is usually demonstrated if the entity has the financial resources to continue to finance the investment to maturity or is not subject to any legal or other constraint that could frustrate its intention to hold the asset to maturity. The highly unusual situation in the market made it difficult to assess ability to hold. However, the Group's access to deposit funding, interbank funding, and liquidity provided by the Group's loan portfolio, indicated access to sufficient financial resources to continue financing these assets.

Held-to-Maturity Investments

In accordance with IAS 39 guidance in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, the Group reclassified certain investment securities in 2008 that met the definition of held-to-maturity investments out of the available-for-sale category to the held to maturity category. This reclassification required judgment and in making this judgment, the Group evaluated its intention and ability to hold these investments to maturity. If the Group fails to keep these investments to maturity other than in specific permissible circumstances such as selling an insignificant amount close to maturity, it will be required to reclassify the entire class as available-for-sale. The investment therefore

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Critical judgments in applying accounting policies (Cont'd)

Held-to-Maturity Investments (Cont'd)

would be measured at fair value, not amortised cost. If the entire class of held-to-maturity investments is compromised, the carrying value which is at amortised cost would be increased by $5.9 million (2008: decreased by $10.1 million) for the Group, with a corresponding adjustment in the fair value reserve in shareholders' equity. For the company there are no held-to-maturity investments.

Key sources of estimation uncertainties

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

Fair value of financial assets

As described in Note 37, the management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets. Valuation techniques commonly used by market practitioners supported by appropriate assumptions are applied by the Group. The financial assets of the Group at the balance sheet date stated at fair value amount to $11.2 billion (2008: $12.7 billion) and of the Company $61.1 million (2008: $62.9 million).

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. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (see Note 29).

Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the profit and loss account, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the Group, or national or local economic conditions that correlate with defaults on loans in the Group. Management uses estimates based on historical loss experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when projecting its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimise any differences between loss estimates and actual loss experience.

To the extent that the net present value of estimated cash flows changed adversely by 2 percent, the provision estimated would be increased from $385.3 million to $518.2 million (2008: $97.2 million to $147.0 million) for the Group.

5 CASH RESOURCES

Cash resources include $699.6 million (2008: $Nil) held by an investment broker as security for funding provided on certain investment securities, and also $775.8 million (2008: $711.1 million) held under Section 14(i) of the Financial Institutions Act, at the Bank of Jamaica as a Cash Reserve. Accordingly, these amounts are not available for investment or other use by the Group.

6 INVESTMENT IN SECURITIES

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Financial assets at fair value through profit or loss:				
Equity securities	23,000	40,808	-	-
Securities available-for-sale				
Government of Jamaica securities	9,032,654	7,986,959	-	-
US Government agencies	37,136	1,472,295	-	-
Equity investments	815,539	764,038	61,063	58,033
Bank of Jamaica certificates of deposit	731,005	2,015,497	-	-
Other securities	188,071	61,210	-	4,908
	10,804,405	12,299,999	61,063	62,941
Loans and Receivables Securities: (see Note 39)				
Government of Jamaica securities	14,064,561	13,243,809	-	-
Other securities	4,140,222	3,576,113	-	-
	18,204,783	16,819,922	-	-
Held to Maturity Securities: (see Note 39)				
Government of Jamaica securities	1,196,158	752,989	-	-
US Government agencies	1,480,510	1,740,970	-	-
Bank of Jamaica certificates of deposit	26,666	3,011,704	-	-
Other securities	-	198,388	-	-
	2,703,334	5,704,051	-	-
	31,735,522	34,864,780	61,063	62,941
Pledged assets (see Note 7)	(21,699,958)	(24,768,278)	-	-
	10,035,564	10,096,502	61,063	62,941
Interest receivable	787,915	988,168	-	-
	10,823,479	11,084,670	61,063	62,941

The interest rates of a significant portion of Government of Jamaica Local Registered Stocks are adjusted on interest payment dates by reference to the existing six months Treasury bill rate which is the primary reference point for interest rates in the economy. The securities classified as available-for-sale have been valued at market value. Market value is computed using the current market quotations for similar securities derived from accumulation of data for the market and the compilation of a monthly yield curve.

Government securities totalling $71.4 million (2008: $71.4 million) are held by the Bank of Jamaica, of which $70.4 million (2008: $70.4 million) are held as security in the event of an overdraft on the banking subsidiary's and its subsidiary's primary dealer accounts, and $1.0 million (2008: $1.0 million) to facilitate stockbroking activities of the Bank's subsidiary.

Gross losses of $89.4 million for the Group and $3.9 million for the Company (2008: gains of $91.8 million for the Group and gains of $11.5 million for the Company) were realised during the year on sale of securities available-for-sale.

7 PLEDGED ASSETS

The Group enters into collateralised repurchase agreements and as at the balance sheet date, investment securities amounting to $21.7 billion (2008: $24.8 billion) of the Group and $12.1 billion (2008: $9.8 billion) of the banking subsidiary were pledged as collateral for repurchase agreements which represents the total of those assets pledged for which the transferee has the right by contract or custom to sell or repledge the collateral.

8 INVESTMENT IN SUBSIDIARIES

	2009	2008
	$'000	$'000
Shares at cost:		
Capital & Credit Merchant Bank Limited	2,298,954	2,298,954
Capital & Credit Remittance Limited	5,000	5,000
Capital & Credit Payment Systems Limited	212	212
Capital & Credit Holdings Inc.	10,560	10,560
	2,314,726	2,314,726
Advances	137,807	130,703
Interest receivable on preference shares	2,734	2,415
	2,455,267	2,447,844

As at December 31, 2008, 7.89% of the company's holding in Capital & Credit Merchant Bank Limited was pledged as security for a loan (see Note 19).

9 INVESTMENT IN ASSOCIATES

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Shares at cost:				
Express Remittance Services (Cayman) Limited	50,300	24,471	45,819	24,471
Capital & Credit Fund Managers Limited	-	-	75,464	75,464
	50,300	24,471	121,283	99,935
Loans: Express Remittance Services (Cayman) Limited	14	4,304	14	4,304
	50,314	28,775	121,297	104,239
Less: Diminution in value of investment	(5,432)	(5,432)	(5,432)	(5,432)
Share of losses	(21,071)	(11,453)	-	-
Total investment in associated companies	23,811	11,890	115,865	98,807

10 OTHER INVESTMENT

This represents qualifying shares held in the Jamaica Stock Exchange Limited (JSE) at cost. The qualifying shares entitle Capital & Credit Securities Limited, a sub-subsidiary, to operate as a broker/dealer and be a member of the Council of the JSE.

11 LOANS (AFTER PROVISION FOR LOAN LOSSES)

(a)

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Loans	6,887,144	7,501,266	53,976	52,561
Interest receivable	332,076	222,002	17,510	15,610
	7,219,220	7,723,268	71,486	68,171
Less: Loan loss provision	385,334	97,206	-	-
	6,833,886	7,626,062	71,486	68,171

Loans in the Group and the Company include amounts due from related parties (See Note 36).

(b)

	The Group					
	Remaining Term to Maturity					
	Under 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying Value 2009	Carrying Value 2008
	$'000	$'000	$'000	$'000	$'000	$'000
Corporate	728,283	850,416	2,311,738	1,067,367	4,957,804	5,129,622
Individuals	372,527	263,633	916,162	377,018	1,929,340	2,371,644
	1,100,810	1,114,049	3,227,900	1,444,385	6,887,144	7,501,266

	The Company		
	Remaining Term to Maturity		
	Under 3 Months	Carrying Value 2009	Carrying Value 2008
	$'000	$'000	$'000
Corporate	41,678	41,678	40,263
Individuals	12,298	12,298	12,298
	53,976	53,976	52,561

(c) The loan balance includes an amount of $137.1 million (2008: $144.9 million) receivable from the Group's employees.

(d) The aggregate amount of non-performing loans on which interest is not being accrued is $704.3 million (2008: $550.9 million).

11 **LOANS (AFTER PROVISION FOR LOAN LOSSES) (Cont'd)**

(e) The movements in the provisions for loan losses are as follows:

	2009	2008
	$'000	$'000
Specific provision		
Provision at January 1	97,206	46,550
Write offs	(25,396)	-
	71,810	46,550
Charged to profit and loss	325,610	55,492
Recoveries during the year	(12,086)	(4,836)
	313,524	50,656
Balance at December 31	385,334	97,206
General provision		
Provision at January 1	207,538	74,611
Charged to equity	129,316	132,927
Balance at December 31	336,854	207,538
Total allowance for impairment	722,188	304,744

Total allowance for loan losses is made up as follows:

	2009	2008
	$'000	$'000
Allowance based on accounting standards		
- (IAS 39 see (i) below)	385,334	97,206
Additional allowance based on Bank of Jamaica regulations (see (ii) below)	336,854	207,538
	722,188	304,744

(i) This is the requirement based on IAS 39, Financial Instruments, Recognition and Measurement.

(ii) This is the allowance based on the regulations issued by the banking supervisor, the Bank of Jamaica. It represents the additional allowance required to meet the Bank of Jamaica loan loss provision requirements. A non-distributable loan loss reserve was established to represent the excess of the bank's provision over the IAS 39 requirements.

12 INTANGIBLE ASSETS

	The Group			The Company
	Computer Software	Goodwill	Total	Computer Software
	$'000	$'000	$'000	$'000
Cost				
December 31, 2007	323,262	207,372	493,994	2,993
Transfer (see Note 14)	(1,523)	-	(1,523)	-
Additions	12,344	36,640	48,984	-
December 31, 2008 and 2009 (see Note 40)	334,083	207,372	541,455	2,993
Amortisation				
December 31, 2007	16,096	-	16,096	150
Charge for the year	67,680	-	67,680	598
December 31, 2008	83,776	-	83,776	748
Charge for the year	66,851	-	66,851	597
December 31, 2009	150,627	-	150,627	1,345
Net book value				
December 31, 2009	183,456	207,372	390,828	1,648
December 31, 2008	250,307	207,372	457,679	2,245

The transfer relates to an item of computer equipment recorded as intangible asset in the previous period.

Computer software is amortised at a rate of 20% per annum.

Goodwill is reviewed annually for impairment at balance sheet date and management's determination is that the carrying value of goodwill is not impaired.

13 ACCOUNTS RECEIVABLE

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Withholding tax recoverable	376,972	243,830	-	-
Dividends receivable	1,018	807	1,018	807
Accounts receivable - Brokerage	25,750	13,867	-	-
Owed by associates	270	-	270	10,276
Other receivables	276,960	339,836	360	2,098
	680,970	598,340	1,648	13,181

See also Note 40 for details of prior year restatement.

14 PROPERTY AND EQUIPMENT

	The Group							
	Land	Building	Furniture, Fixtures and Equipment	Paintings and Artwork	Computer Equipment	Leasehold Improvements	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At cost								
December 31, 2007	2,968	20,391	202,851	11,836	3,686	65,243	6,010	312,985
Additions	-	-	23,642	-	500	10,205	13,291	47,638
Transfers (see Note 12)	-	-	3,740	(2,217)	-	-	-	1,523
Disposal	-	-	-	-	-	-	(1,235)	(1,235)
December 31, 2008	2,968	20,391	230,233	9,619	4,186	75,448	18,066	360,911
Additions	-	-	7,205	-	255	17,245	-	24,705
Disposal	-	-	(111)	-	-	(939)	-	(1,050)
December 31, 2009	2,968	20,391	237,327	9,619	4,441	91,754	18,066	384,566
Depreciation								
December 31, 2007	-	2,021	134,020	-	3,579	54,842	2,515	196,977
Charge for year	-	527	27,597	-	174	2,720	3,331	34,349
Eliminated on disposal	-	-	-	-	-	-	(432)	(432)
December 31, 2008	-	2,548	161,617	-	3,753	57,562	5,414	230,894
Charge for year	-	525	31,483	-	225	7,147	3,830	43,210
Eliminated on disposal	-	-	(75)	-	-	(939)	-	(1,014)
December 31, 2009	-	3,073	193,025	-	3,978	63,770	9,244	273,090
Net book value								
December 31, 2009	2,968	17,318	44,302	9,619	463	27,984	8,822	111,476
December 31, 2008	2,968	17,843	68,616	9,619	433	17,886	12,652	130,017

Depreciation is charged on a straight-line basis so as to allocate the cost of the assets to their residual values over their estimated useful lives. Annual depreciation rates are based on the following estimated useful lives:

Leasehold improvements	-	3 – 10 years
Furniture, fixtures and equipment	-	5 years
Computer equipment	-	3 years
Motor vehicles	-	3 – 5 years
Buildings	-	40 years

No depreciation is provided on land, paintings and artwork.

14 **PROPERTY AND EQUIPMENT (Cont'd)**

	The Company			
	Leasehold Improvements	Furniture, Fixtures and Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000
At cost				
December 31, 2007	10,062	3,493	1,280	14,835
Disposal	-	-	(1,235)	(1,235)
December 31, 2008	10,062	3,493	45	13,600
Additions	209	-	-	209
December 31, 2009	10,271	3,493	45	13,809
Depreciation				
December 31, 2007	2,024	3,487	264	5,775
Charge for year	1,180	6	213	1,399
Eliminated on disposal	-	-	(432)	(432)
December 31, 2008	3,204	3,493	45	6,742
Charge for year	1,070	-	-	1,070
December 31, 2009	4,274	3,493	45	7,812
Net book value				
December 31, 2009	5,997	-	-	5,997
December 31, 2008	6,858	-	-	6,858

Depreciation is charged on a straight-line basis so as to allocate the cost of the assets to their residual values over their estimated useful lives. Annual depreciation rates are based on the following estimated useful lives:

Leasehold improvements	-	3 - 10 years
Furniture, fixtures and equipment	-	5 years
Motor vehicles	-	3 - 5 years

15 DEFERRED TAXATION

(a) Deferred taxes are calculated on all temporary differences under the balance sheet liability method using the current tax rate of 33⅓%.

Analysis for financial reporting purposes

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Deferred tax assets (see Note 40)	914,190	971,013	32,377	36,814
Deferred tax liabilities	(444,691)	(470,369)	(8,915)	(9,433)
Net assets	469,499	500,644	23,462	27,381

(b) The movement for the current and prior reporting period on the Group's and the company's net deferred tax position is as follows:

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Net assets/(liabilities) at January 1	500,644	(47,885)	27,381	28,100
Credited/(charged) to income (see Notes 29 and 40)	77,955	(6,039)	(279)	(4,602)
(Charged)/credited to other comprehensive income for the year	(109,100)	554,568	(3,640)	3,883
Net assets at December 31	469,499	500,644	23,462	27,381

The following are the main deferred tax assets and liabilities recognised by the Group and the movements thereon, during the current and prior reporting periods:

(i) Deferred tax assets

	The Group								
	Tax Losses	Securities Trading	Available-for-sale Investment Revaluation	Interest Payable	Tax Credit	Accrued Vacation	Foreign Exchange Loss	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At December 31, 2007	61,968	5,412	13,391	244,189	1,000	-	4,064	601	330,625
(Charged)/credited to income for the year (see Note 40)	57,719	7,582	-	20,357	-	1,944	(1,669)	(113)	85,820
Credited to other comprehensive income for the year	-	-	554,568	-	-	-	-	-	554,568
At December 31, 2008 (see Note 40)	119,687	12,994	567,959	264,546	1,000	1,944	2,395	488	971,013
(Charged)/credited to income for the year	97,376	(7,630)	-	(34,811)	-	(1,191)	(979)	(488)	52,277
Charged to other comprehensive income for the year	-	-	(109,100)	-	-	-	-	-	(109,100)
At December 31, 2009	217,063	5,364	458,859	229,735	1,000	753	1,416	-	914,190

15 **DEFERRED TAXATION (Cont'd)**

(b) (Cont'd)

(i) Deferred tax assets (Cont'd)

	The Company					
	Tax Losses	Available-for-sale Investment Revaluation	Interest Payable	Depreciation in excess of Capital Allowances	Foreign Exchange Loss	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At December 31, 2007	23,370	4,511	596	430	4,064	32,584
(Charged)/credited to income for the year	1,283	-	(87)	157	(1,006)	347
Credited to other comprehensive income	-	3,883	-	-	-	3,883
At December 31, 2008	24,653	8,394	509	200	3,058	36,814
(Charged)/credited to income for the year	(630)	-	1,230	(200)	(1,197)	(797)
Charged to other comprehensive income	-	(3,640)	-	-	-	(3,640)
At December 31, 2009	24,023	4,754	1,739	-	1,861	32,377

(ii) Deferred tax liabilities

	The Group			
	Capital Allowances in excess of Depreciation charges	Interest Receivable	Revaluation on trading Investments	Total
	$'000	$'000	$'000	$'000
At December 31, 2007	44,480	334,030	-	378,510
Charged to income for the year	4,507	87,352	-	91,859
At December 31, 2008	48,987	421,382	-	470,369
Charged/(credited) to income for the year	1,391	(27,177)	108	(25,678)
At December 31, 2009	50,378	394,205	108	444,691

	The Company		
	Capital Allowances in excess of Depreciation Charges	Interest Receivable	Total
	$'000	$'000	$'000
At December 31, 2007	-	4,484	4,484
Charged to income for the year	-	4,949	4,949
At December 31, 2008	-	9,433	9,433
(Credited)/charged to income for the year	2,167	(2,685)	(518)
At December 31, 2009	2,167	6,748	8,915

15 **DEFERRED TAXATION (Cont'd)**

(c) Deferred income taxes are recognised for loss carried forward only to the extent that realisation of the related tax benefit is probable. The Group has tax losses, subject to agreement with the Commissioner, Taxpayer Audit and Assessment, amounting to $651. 1 million (2008: $359.0 million) available for carry forward and off set against future taxable income. Deferred tax assets have been recognised in respect of these amounts.

16 **DEPOSITS**

	The Group				
	Remaining Term to Maturity				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Carrying Value 2009	Carrying Value 2008
	$'000	$'000	$'000	$'000	$'000
Total	5,180,729	3,152,561	2,454	8,335,744	9,377,986
Personal				4,553,945	3,140,821
Financial institutions				1,560,844	1,329,929
Commercial and business enterprises				2,064,123	4,747,312
				8,178,912	9,218,062
Interest payable				156,832	159,924
				8,335,744	9,377,986

17 **SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**

	The Group					
	Remaining Term to Maturity					
	Within 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying Value 2009	Carrying Value 2008
	$'000	$'000	$'000	$'000	$'000	$'000
Total	24,895,205	2,518,098	17,928	227	27,431,458	29,754,023
Personal					3,687,936	3,285,833
Financial institutions					16,126,738	17,267,071
Commercial and business enterprises					7,173,209	8,647,237
					26,987,883	29,200,141
Interest payable					443,575	553,882
					27,431,458	29,754,023

18 LOAN PARTICIPATION

	The Group				
	Remaining Term to Maturity				
	Within 3 Months	3 to 12 Months	1 – 5 Years	Carrying Value 2009	Carrying Value 2008
	$'000	$'000	$'000	$'000	$'000
Total	671,677	65,396	25	737,098	814,790
Personal				143,721	301,703
Financial institutions				140,329	58,713
Commercial and business enterprises				446,668	440,180
				730,718	800,596
Interest payable				6,380	14,194
				737,098	814,790

19 LOAN PAYABLE

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Bank loan (i)	-	74,946	-	74,946
Bank loan (ii)	-	-	131,525	-
Interest payable	-	1,528	5,218	1,528
	-	76,474	136,743	76,474

(i) The loan balance as at December 31, 2008 was settled on January 31, 2009. This loan was secured by:

(a) Assignment of securities to provide 200% market value cover (See Notes 6 and 8).

(b) Letter of undertaking agreeing to sell the quoted securities, if necessary, to meet the scheduled payments.

(ii) During the year balances amounting to $131.53 million owed to the banking subsidiary was converted to a one year unsecured loan facility maturing on March 1, 2010. Interest on the loan is payable on a monthly basis at a fixed rate of 25% per annum, with the principal balance being repayable at maturity.

20 ACCOUNTS PAYABLE

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Withholding tax	-	125,880	-	-
Prime accounts	8,089	3,832	-	-
Other payable	161,390	268,184	12,221	3,628
Due to subsidiaries	-	-	696	53,772
	169,479	397,896	12,917	57,400

21 SHARE CAPITAL

	Number of units	
	2009	2008
	'000	'000
Authorised		
Ordinary shares	1,000,000	1,000,000
Redeemable Preference Shares	500,000	500,000
Issued and fully paid		
Ordinary shares	926,796	926,796

	2009	2008
	$'000	$'000
Stated capital		
At January 1	1,995,844	514,654
Shares issued, net of cost	-	1,481,190
At December 31	1,995,844	1,995,844

In respect of a Scheme of Arrangement between Capital & Credit Merchant Bank Limited (the banking subsidiary) and its stockholders, the Supreme Court of Jamaica on February 14, 2008 as varied by an order made on February 19, 2008 ordered that a meeting of the stockholders, other than the company (CCFG), be convened in accordance with the Articles of Incorporation of the Bank for the purpose of considering and, if thought fit, to approve with or without modification, a Scheme of Arrangement.

At the extraordinary meeting that was convened on March 31, 2008, the Scheme of Arrangement was approved by the shareholders other than the parent company. As a consequence:

- The company alloted to Stockholders of the Banking Subsidiary, other than the company, six (6) ordinary shares issued by the company in exchange for every five (5) ordinary shares held by stockholders, such shares to rank equally with the existing issued ordinary shares of the company.
- The Banking Subsidiary (CCMB) allotted, credited as fully paid to stockholders a bonus issue of 42,743,979 redeemable cumulative preference shares with a value of $2.00 per share by capitalising the sum of $85.488 million, being part of the amount standing to the credit of CCMB's unappropriated profits. The bonus issue was made to stockholders of CCMB at the ratio of one preference share for every fifteen (15) ordinary shares held in CCMB.

21 SHARE CAPITAL (Cont'd)

- The preference shares pay a variable cumulative preferential dividend every six (6) months based on the most recent Bank of Jamaica 180 day weighted average Jamaica Treasury Bill yield payable before the payment of each dividend payment. In the event that a 180 day Treasury Bill is not in issue on the market, the 90 day Treasury Bill yield will apply. The said preference shares shall be redeemable on the third anniversary of the issue subject to CCMB's right to redeem at an earlier date upon 90 days notice of such redemption. Partial redemption may be made by CCMB but must be done on a pro rata basis. The value of the preference shares held by shareholders other than the company, inclusive of accrued interest was $24.1 million (2008: $23.6 million).
- Holders of preference shares will not have the right to convert to ordinary shares.

Consequent on the approval by the stockholders, the following occurred simultaneously on May 15, 2008:

- CCMB de-listed its ordinary shares listed on the Jamaica Stock Exchange (JSE) and Trinidad & Tobago Stock Exchange (TTSE).
- The company, CCFG listed its ordinary shares on the JSE and TTSE.
- CCMB listed the preference shares issued to its stockholders on the JSE and TTSE.

In accordance with the terms of the Scheme of Arrangement CCFG issued an amount of 207,581,859 shares to the stockholders of the Banking Subsidiary in respect of the issue of six (6) ordinary shares in exchange for every five (5) ordinary shares held by the non-CCFG stockholders of the Banking Subsidiary.

22 STATUTORY RESERVE FUND

Under the Financial Institutions Act, the Banking Subsidiary is required to transfer to a reserve fund a minimum of 15% of its net profit each year until the amount to the credit of the reserve fund is equal to 50% of the Banking Subsidiary's paid up capital. Thereafter, 10% of the net profit each year is to be transferred to the reserve fund until the amount at the credit of the reserve fund is equal to the Banking Subsidiary's paid up capital. The transfer for the year was at the prescribed rate of 15% (2008:15%).

23 CAPITAL RESERVE

Capital reserve comprises realised capital gains of $742.9 million for the Group and $524.7 million for the company available for future distribution to stockholders subject to the deduction of transfer tax at 6% and unrealised gains for the company of $62.5 million not available for distribution.

24 RETAINED EARNINGS RESERVE

In respect of the Banking Subsidiary, the Financial Institutions Act permits the transfer of net profits to a retained earnings reserve. Such transfers are made at the discretion of the Bank's Directors and must be notified to the Bank of Jamaica.

25 FAIR VALUE RESERVE

Fair value reserve represents the excess or shortfall of the market value of securities available-for-sale at the year end and the amortised cost net of the deferred tax effect.

25 FAIR VALUE RESERVE (Cont'd)

Movement in fair value reserve is as follows:

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Balance at January 1	(1,075,220)	31,579	(16,790)	(9,023)
Unrealised gains/(losses) on available-for-sale investments	259,537	(1,569,519)	6,952	(137)
Deferred tax on unrealised (gains)/losses	(79,313)	523,952	(2,317)	45
Realised losses/(gains) on sale of available-for-sale investments transferred to profit and loss account	89,360	(91,848)	3,969	(11,513)
Deferred tax on realised (losses)/gains	(29,787)	30,616	(1,323)	3,838
	239,797	(1,106,799)	7,281	(7,767)
Balance at December 31	(835,423)	(1,075,220)	(9,509)	(16,790)

26 INVESTMENT REVENUE

(a) Net interest income

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Interest income				
Government of Jamaica securities	3,484,712	2,964,669	-	-
US Government agencies	2,288	134,930	-	-
Other securities	201,966	249,658	12,721	8,783
Bank of Jamaica certificates of deposits	472,821	814,523	1,901	7,732
Loans	1,317,339	1,037,802	-	-
	5,488,166	5,201,582	14,622	16,515
Interest expenses				
Securities sold under repurchase agreements	3,233,276	3,179,750	-	-
Deposits	851,728	632,010	-	-
Other	129,054	134,469	28,645	11,458
	4,214,058	3,946,229	28,645	11,458
	1,274,108	1,255,353	(14,023)	5,057

26 **INVESTMENT REVENUE (Cont'd)**

(b) Revenue from financial assets

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Interest revenue:				
Securities available-for-sale	1,981,256	2,321,813	-	-
Loans and Receivables Securities	1,489,611	1,147,328	-	-
Held-to-maturity Securities	498,630	527,223	-	-
Loans	1,317,339	1,037,802	1,901	7,732
Other financial assets	201,330	167,416	12,721	8,783
	5,488,166	5,201,582	14,622	16,515
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Other revenue:				
Dividends	65,199	95,518	4,353	69,555
(Losses)/gains on disposal of available-for-sale investments	(89,360)	91,848	(3,969)	11,513
(Losses)/gains on disposal of financial assets classified as held for trading	(21,785)	3,875	-	-
Net foreign exchange gains	156,427	129,724	-	-
Unrealised gains/(losses) arising on financial assets classified as held for trading	19,327	(24,151)	-	-
Other income	83	5,597	-	-
	129,891	302,411	384	81,068

The following is an analysis of investment revenue earned on financial assets by category of asset.

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Investments in securities				
- Available-for-sale investments	1,975,527	2,528,024	13,105	89,851
- Loans and receivables	1,603,148	1,213,460	-	-
- Held to maturity	498,630	527,223	-	-
Loans and other receivables (including cash and cash equivalents)	1,543,188	1,255,561	1,901	7,732
Total income for financial assets not classified as held for trading	5,620,493	5,524,268	15,006	97,583

27 COMMISSION AND FEE INCOME

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Loan processing fees	23,045	40,713	-	-
Commission - Government of Jamaica	2,849	456	-	-
Commission - equity trading	1,471	5,757	-	-
Commission - other	65,810	-	-	-
Fund management and registrar fees	46,176	54,089	-	-
Management fees	10,752	3,349	35,075	27,349
Remittance fees	27,307	24,991	-	-
	177,410	129,355	35,075	27,349

28 STAFF COSTS

	The Group	
	2009	2008
	$'000	$'000
Staff costs incurred during the year in respect of employees were:		
Salaries and wages	471,842	456,197
Statutory contributions	48,437	45,576
Pension contributions	19,036	17,570
Termination costs	-	11,826
Other staff benefits	104,415	137,448
	643,730	668,617

29 TAXATION

(a) The charge for the year comprises:

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Income tax at 33⅓% of taxable income	78,136	54,009	-	-
Prior year over provision	(3,069)	-	-	-
Deferred tax (see Notes 15 and 40)	(77,955)	6,039	279	4,602
	(2,888)	60,048	279	4,602

29 **TAXATION (Cont'd)**

(b) Subject to agreement of the Commissioner, Taxpayer Audit and Assessment, at balance sheet date the Group had tax losses of approximately $651.1 million (2008: $359.0 million) available for set-off against future taxable profits. A deferred tax asset has been recognised in respect of these losses.

(c) The charge for the year is reconciled to the accounting profit as follows:

	The Group	
	2009	2008
	$'000	$'000
Profit before tax	287,751	449,543
Tax at the domestic income tax rate	95,917	149,848
Tax effect of:		
Expenses not deductible in determining taxable profit	45,716	959
Non-taxable income	(148,541)	(115,047)
Prior year over provision	(3,069)	-
Other adjustments	7,089	24,288
Income tax (credit)/ expense recognised in the consolidated profit and loss account	(2,888)	60,048

	The Company	
	2009	2008
	$'000	$'000
(Loss)/profit before tax	(5,345)	88,723
Tax at the domestic income tax rate	(1,781)	29,574
Tax effect of:		
Expenses not deductible in determining taxable profit	1,575	528
Non-taxable income	(1,451)	(25,445)
Other adjustments	1,936	(55)
Income tax expense recognised in the profit and loss account	279	4,602

30 **NET PROFIT**

(a) Dealt with in the accounts of:

	2009	2008
	$'000	$'000
The company	(5,624)	84,121
The subsidiaries	305,881	310,045
The associates	(9,618)	(4,671)
	290,639	389,495

See also Note 40 for details of prior year restatement.

30 NET PROFIT (Cont'd)

(b) The net profit is stated after taking account of the following items:

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Directors' emoluments				
- Fees	13,839	11,975	3,600	3,655
- Management	51,975	38,852	-	-
Audit fees - current year	15,431	11,868	1,748	1,173
- prior year	164	2,017	-	-
Depreciation and amortisation	110,061	102,029	1,667	1,997
Interest on bank loan	813	11,458	28,645	11,458

31 EARNINGS PER STOCK UNIT

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders of the parent of $290.6 million (2008: $355.1 million) by the 926,796,047 ordinary stock units in issue at year end (2008: 926,796,047 ordinary stock units).

32 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cash and balances with banks including Bank of Jamaica	2,238,294	1,134,594	10,409	1,650
Securities purchased under resale agreements	-	-	-	371
	2,238,294	1,134,594	10,409	2,021
Less: Statutory cash reserves (see Note 5)	(775,819)	(711,127)	-	-
Cash deposit held by investment broker (see Note 5)	(699,569)	-	-	-
	762,906	423,467	10,409	2,021

33 FUND MANAGEMENT

Subsidiaries in the Group provide corporate administration, investment management and advisory services to third parties which involve the Group making allocation, purchase and sales decisions in relation to a wide range of financial instruments. Those assets are held in a fiduciary capacity and are not included in these financial statements. At December 31, 2009, the Group had financial assets under administration which amounted to approximately $3.2 billion (2008: $3.2 billion).

34 SEGMENTAL FINANCIAL INFORMATION

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments.

34 **SEGMENTAL FINANCIAL INFORMATION (Cont'd)**

Following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed, as the primary and secondary segments previously disclosed under IAS 14, form the basis on which the internal reports are reviewed by the chief operating decision maker. The Group therefore maintains its prior period reporting segments which is organised into four main business segments:

a) Banking and related services which include taking deposits, granting loans and other credit facilities and foreign currency trading.

b) Financial and related services which include securities trading, stock broking, portfolio planning, funds management and investment advisory services.

c) Remittance and related services which include facilitating the electronic transfer of funds to and from Jamaica.

d) Holding investments.

Transactions between the business segments are on normal commercial terms and conditions.

The Group's customer base currently spans several geographical countries, however, all its segment operations are from the same country of domicile and as such all its revenues generated from external customers and non-current assets are attributed to the same geographical area.

Included in revenues arising from Banking & related services of $3.3 billion (2008: $2.6 billion) and Financial & related services of $3.3 billion (2008: $3.2 billion) (see following table) are revenues of approximately $3.5 billion (2008: $3.0 billion) which arose from transactions with the Group's largest customer.

	2009					
	Banking & Related Services	Financial & Related Services	Remittance & Related Services	Holding Investments	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	3,053,019	3,048,653	56,683	8,594	-	6,166,949
Inter-segment revenue	235,295	201,656	-	33,400	(470,351)	-
Total revenue	3,288,314	3,250,309	56,683	41,994	(470,351)	6,166,949
Net interest income	770,867	522,784	(5,941)	(13,602)	-	1,274,108
Segment result						
Profit before taxation	209,887	109,469	(22,775)	(8,830)	-	287,751
Taxation	(51,244)	56,300	(8,223)	279	-	(2,888)
Profit for the year	261,131	53,169	(14,552)	(9,109)	-	290,639
Balance sheet						
Assets						
Segment assets	27,295,342	20,249,981	57,010	2,764,750	(6,611,861)	43,755,222
Consolidated total assets						43,755,222
Liabilities						
Segment liabilities	23,256,963	18,472,712	51,301	151,593	(3,908,263)	38,024,306
Consolidated total liabilities						38,024,306

34 SEGMENTAL FINANCIAL INFORMATION (Cont'd)

	2009 (Cont'd)					
	Banking & Related Services	Financial & Related Services	Remittance & Related Services	Holding Investments	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000
Other information						
Capital additions	4,164	20,071	255	215	-	24,705
Depreciation and amortisation	84,174	23,731	489	1,667	-	110,061
Loan loss expense, less recovery	313,524	-	-	-	-	313,524

	2008					
	Banking & Related Services	Financial & Related Services	Remittance & Related Services	Holding Investments	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	2,497,387	3,205,078	51,770	114,291	-	5,868,526
Inter-segment revenue	120,911	46,339	361	9,311	(267,773)	(90,851)
Total revenue	2,618,298	3,251,417	52,131	123,602	(267,773)	5,777,675
Net interest income	789,652	448,846	340	16,515	-	1,255,353
Segment result (see Note 40)						
Profit before taxation	327,778	164,516	(25,279)	63,609	(81,081)	449,543
Taxation	25,519	38,362	(8,435)	4,602	-	60,048
Profit for the year	302,259	126,154	(16,844)	59,007	(81,081)	389,495
Balance sheet						
Assets						
Segment assets (see Note 40)	26,190,549	22,558,759	73,784	2,856,670	(4,660,931)	47,018,831
Consolidated total assets						47,018,831
Liabilities						
Segment liabilities	22,578,120	20,917,487	49,345	137,100	(1,854,998)	41,827,054
Consolidated total liabilities						41,827,054
Other information						
Capital additions	47,796	11,686	500	-	-	59,982
Depreciation and amortisation	82,971	16,148	470	2,440	-	102,029
Loan loss expense, less recovery	50,656	-	-	-	-	50,656

35 PENSION FUND

A defined contribution superannuation fund ("The Fund") was established for the purpose of securing pensions on retirement for the qualified present and future employees of the Group. Employees who are members of the Fund contribute 5% of earnings (as defined), as a basic contribution and have the option to contribute an additional amount of 10%. The Group contributes at a rate of 5% of members' earnings (as defined). (See note 28).

Retirement benefits payable by the Fund will be based on the contributions made to the Fund together with investment earnings thereon.

36 RELATED PARTY TRANSACTIONS AND BALANCES

(a) The following transactions were carried out with related parties comprising the company's subsidiaries and associate companies:

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Interest income				
Wholly-owned subsidiary	-	-	12,721	8,971
Management fees received				
Wholly-owned subsidiary	-	-	35,075	27,349
Interest expense				
Wholly-owned subsidiary	-	-	21,678	-
Year-end balances with related parties are as follows:				
Securities purchased under resale agreement				
Wholly-owned subsidiary	-	-	9,548	371
Other receivables				
Associated company	268	17,182	268	17,182
Owed to wholly-owned subsidiary	-	-	137,439	53,772

These transactions occurred in the normal course of business.

36 RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

(b) The following transactions were carried out with related parties comprising directors, key management personnel and their close family members and entities connected by virtue of common directorship or trusteeship.

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Salaries, fees and other short term benefits				
Directors	65,814	50,827	3,600	3,655
Management Personnel	88,887	75,628	-	-
	154,701	126,455	3,600	3,655
Interest expense				
Securities sold under repurchase agreements				
Directors	10,976	10,293	-	-
Management Personnel	431	612	-	-
Other related party	5,193	23,021	-	-
	16,600	33,926	-	-
Interest expense				
Deposits				
Directors	4,347	2,894	-	-
Management Personnel	561	427	-	-
	4,908	3,321	-	-
Interest income				
Loans				
Directors	1,403	2,428	1,128	1,166
Management Personnel	4,735	3,156	-	-
ESOP	-	2,804	-	2,804
Other related party	-	19	-	-
Parties connected to Directors and Management	773	2,826	773	2,826
	6,911	11,233	1,901	6,796

36 **RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)**

(b) (Cont'd)

Year end balances with related parties are as follows:

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Deposits				
Directors	27,322	30,476	-	-
Management Personnel	13,952	15,282	-	-
	41,274	45,758	-	-
Loans				
Directors	13,808	36,899	12,298	12,298
Management Personnel	51,129	46,653	-	-
ESOP	37,615	36,200	37,615	36,200
Parties connected to Directors and Management	4,063	4,063	4,063	4,063
	106,615	123,815	53,976	52,561
Securities sold under repurchase agreements				
Directors	108,132	144,814	-	-
Management Personnel	1,808	5,186	-	-
Other related party	25,797	-	-	-
	135,737	150,000	-	-
Interest receivable				
Directors	9,339	8,211	9,339	8,211
ESOP	7,399	7,399	7,399	7,399
Parties connected to Directors and Management	772	-	772	-
	17,510	15,610	17,510	15,610

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT**

Significant accounting policies

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3 to the financial statements.

37 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

Categories of financial instruments

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Financial assets				
Investment in securities:				
Fair value through profit or loss				
- Held-for-trading	23,000	40,808	-	-
Available-for-sale financial assets	11,201,022	12,658,901	61,063	62,941
Loans and receivables	18,543,902	17,100,938	-	-
Held to maturity securities	2,755,513	6,052,301	-	-
Loans and other receivables				
(including cash and cash equivalents)	9,391,178	9,130,166	83,545	83,373
	41,914,615	44,983,114	144,608	146,314
Financial liabilities				
Other financial liabilities at amortised cost	37,618,336	41,304,221	149,660	133,874

Financial risk management objectives

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

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up to date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The Group's activities result in principal exposure to credit, market, liquidity and operational risks. An enterprise-wide risk management approach is adopted which involves employees on all levels. This framework is supported by sound risk management practices which include the establishment of enterprise wide policies, procedures and limits, monitoring and measurement of exposure against established limits, ongoing re-alignment of business strategies and activities and the reporting of significant exposures to senior management and the Board of Directors.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board's risk management mandate is principally carried out through the Conduct Review and Risk Policy Committee, the Credit and Investment Committee, the Audit Committee, the Asset & Liability Committee, the Internal Audit Department and the Risk & Compliance Department.

Conduct Review and Risk Policy Committee

Conduct Review and Risk Policy Committee has responsibility to ensure that risk policies, processes and controls are in place to manage significant risks and the activities of the Group are carried out in accordance with these risk policies.

Credit & Investment Committee

Credit & Investment Committee has responsibility for the oversight and management of credit risk and ensures adherence to sound credit risk management policies and practices. This Committee plays an integral role in the credit approval process and provides guidance and direction in the management of significant credit risk exposure.

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

Audit Committee

Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures.

Asset & Liability Committee

This management committee has direct responsibility for the management of balance sheet risk which includes liquidity, interest rate and foreign currency risks.

Internal Audit Department

The Internal Audit Department has responsibility for ensuring the effectiveness and adequacy of risk management controls and procedures and conducts both ad hoc and regular reviews. The Internal Audit Department reports the results of all findings to the Audit Committee.

Risk & Compliance Department

The Risk & Compliance Department has responsibility for ensuring compliance with internal and regulatory policies, identifying, monitoring, measuring and reporting significant risk exposures and making recommendations in relation to their management. The Risk & Compliance Department supports the role of the Conduct Review & Risk Policy Committee, the Credit & Investment Committee and the Asset & Liability Committee.

Credit risk management

Credit risk

The Group is exposed to credit risk, which is the risk that its customers or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit risk is an important risk for the Group's business and management therefore carefully manages its exposure to credit risk. Credit exposure of the Group arises mainly in lending and investment activities. The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to an industry segment. Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit, guarantees or undertakings. These expose the Group to similar risks to loans and these are mitigated by the same control policies and process.

Credit review process

The Group's credit risk is managed through a framework which incorporates the following:

(a) Investments

The Group invests primarily in Government of Jamaica securities, US Government agencies, Bank of Jamaica certificate of deposits, securities purchased under resale agreements and equity securities. The Group manages its exposure through the establishment of counterparty and concentration limits and policies which provide guidelines as to the minimum investment grade acceptable for investment in financial instruments. The Credit & Investment Committee also provides oversight for the management of the credit risk practices for the Group.

(b) Loans

i. The Group establishes policies and procedures which govern standards for granting credit and the process of continuous monitoring and measurement in relation to credit quality through industry and customer limits, portfolio diversification, delinquency and debt recovery management.

The loan portfolio is separated into two categories: corporate and retail loans, each with specified approval and credit granting criteria. All corporate loans are approved by the Credit & Investment Committee based on recommendation from the Risk and Compliance Department – Credit Risk Unit. Retail loans are approved in accordance with an authorisation structure supported by credit scoring systems and analyses. Retail loans granted are reviewed by the Credit & Investment Committee on a monthly basis.

ii. All loans are assigned to relationship officers who are responsible for the monitoring and management of the loan facility.

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

Credit review process (Cont'd)

(b) Loans (Cont'd)

iii. The Group assesses the probability of default through a credit review process using an internal risk rating system which classifies loan in accordance with the following:

Risk Rating Scale	Description
Class I	Standard
Class II	Special Mention
Class III	Substandard
Class IV	Doubtful
Class V	Loss

Collateral and other credit enhancement

Collateral

The taking of collateral (including guarantees) for funds advanced is dependent on the assessment of the credit risk of the counterparty. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances are:

- Mortgages over commercial and residential properties;
- Charges over business assets such as premises, equipment, motor vehicles, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities;
- Cash and other near cash securities.

The Group's policy requires the review of loans and advances at least annually or more regularly when individual circumstances require. In order to minimise the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

37 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

Impairment

The Risk and Compliance Department – Credit Risk Unit conducts quarterly assessment of the loan portfolio to determine whether there is a requirement for provision due to impairment. To determine whether impairment has occurred, the following circumstances are reviewed:

(i) whether payments of principal or interest on a loan is contractually past due for more than 90 days;

(ii) whether there are known difficulties that may affect a borrower's ability to service the facility going forward; and

(iii) credit rating downgrades or other default events that may impact collectability of the facility or loan.

Loans impacted by any of the conditions highlighted are individually reviewed and the level of impairment or provision determined based on the expected cash flows from the liquidation of collateral or other sources. The expected cash flows are discounted based on the timing of cash inflows and outflows and the average loan rate.

The Group's loan portfolio is rated as follows:

	2009	2008
	$'000	$'000
Standard	3,612,181	5,444,185
Special mention	939,265	1,506,174
Sub-standard	1,085,023	152,679
Doubtful	1,207,164	347,870
Loss	43,511	50,358
	6,887,144	7,501,266

Maximum exposure to credit risk before collateral and other credit enhancement:

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cash resources (excluding cash on hand)	2,173,052	1,048,037	10,409	1,650
Investment in securities	10,823,479	11,084,670	61,063	62,941
Securities purchased under resale agreements	-	-	-	371
Pledged assets	21,699,958	24,768,278	-	-
Loans (after provision for loan losses)	6,833,886	7,626,062	71,486	68,171
Income tax recoverable	62,051	101,311	7,518	7,471
Accounts receivable	680,970	648,162	1,648	13,181
	42,273,396	45,276,520	152,124	153,785

37 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

Credit quality

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Neither past due nor impaired - standard	4,086,562	3,782,062	-	-
Past due but not impaired	1,703,050	3,431,209	53,976	52,561
Impaired	1,097,532	287,995	-	-
Gross	6,887,144	7,501,266	53,976	52,561
Less: provision for credit loss	385,334	97,206	-	-
Net	6,501,810	7,404,060	53,976	52,561

The Group held collaterals in respect of Loans that are individually impaired, as per the table above, excluding unsecured loans, amounting to $1.2 billion at their fair value. There were no other financial assets that were individually impaired.

The aging of the Group's and the company's loans at the reporting date is as follows:

	The Group						The Company	
	2009			2008			2009	2008
	Gross	Loan Provisions	Net	Gross	Loan Provisions	Net		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current loans	4,086,562	-	4,086,562	3,782,062	-	3,782,062	-	-
Past due 1 - 30 days	621,901	-	621,901	1,036,126	-	1,036,126	-	-
Past due 31– 60 days	1,101,061	-	1,101,061	1,061,364	-	1,061,364	-	-
Past due 61 – 90 days	319,361	-	319,361	1,018,245	-	1,018,245	-	-
More than 90 days	758,259	385,334	372,925	603,469	97,206	506,263	53,976	52,561
	6,887,144	385,334	6,501,810	7,501,266	97,206	7,404,060	53,976	52,561

Loans become past due when payments are not received on contractual repayment dates. The majority of past due loans are not considered impaired.

The fair value of collateral on the aggregate amount of loans past due but not impaired, excluding unsecured loans, that the Group held were $4.4 billion.

Renegotiated loans and leases

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 judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The carrying value of the loans that would otherwise be past due or impaired and whose terms have been negotiated amounts to $3.3 billion (2008: $1.3 billion).

37 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

Repossessed collateral

The Group can obtain assets by taking possession of collateral held as security.

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Group does not occupy repossessed properties for business use.

The Group repossessed a total of 19 motor vehicles and 12 properties aggregating $23.7 million and $1.2 billion respectively (2008: 32 motor vehicles aggregating $26.1 million) held as security against loans categorized as past due but not impaired. Of this amount 14 motor vehicles and 1 property (2008: 18 motor vehicles) have been sold as at year end and the remaining 5 motor vehicles and 11 properties (2008: 14 motor vehicles) are in the process of being sold, the proceeds of which will be used to cover the outstanding indebtedness.

The carrying value of the loans on which the collateral was repossessed during the year is $358.5 million (2008: $30.5 million).

Loans

The following table summarises the Group's and company's credit exposure for loans at their carrying amounts categorised by the industry sector:

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Construction, land development and real estate acquisition	1,715,159	1,960,906	-	-
Distribution	783,615	885,844	-	-
Financial institutions	451,117	567,922	-	-
Government and public entities	119,107	120,323	-	-
Manufacturing	102,755	314,622	-	-
Personal	1,668,965	2,007,429	12,298	12,298
Professional and other services	1,570,409	1,332,067	-	-
Tourism and entertainment	321,260	105,412	-	-
Transport, storage and communication	106,043	166,478	-	-
Agriculture	7,036	-	-	-
Other	41,678	40,263	41,678	40,263
Total	6,887,144	7,501,266	53,976	52,561
Less: provisions	385,334	97,206	-	-
	6,501,810	7,404,060	53,976	52,561
Interest receivable	332,076	222,002	17,510	15,610
	6,833,886	7,626,062	71,486	68,171

37 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

Investments

The following table summarises the Group's credit exposure for investments at their carrying amounts categorised by issuer:

	The Group		The Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Government of Jamaica	24,293,373	21,983,757	-	-
US Government agencies	1,517,646	3,213,265	-	-
Bank of Jamaica	757,671	5,027,201	-	-
Corporate	838,539	804,846	61,063	62,941
Financial institutions	-	-	10,409	2,021
Related parties	-	-	53,976	52,561
Other	4,328,293	3,835,711	1,648	13,181
	31,735,522	34,864,780	127,096	130,704
Interest receivable	787,915	988,168	17,510	15,610
	32,523,437	35,852,948	144,606	146,314

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be failure to meet obligations to repay depositors and fulfil commitments to lend.

The Group is exposed to calls on its available cash resources from overnight deposits, maturing deposits, loan draw downs and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board of Directors approves the Group's liquidity and funding management policies and establishes limits to control risk.

Management of Liquidity Risk

The Treasury units within the Group have direct responsibility for the management of the day to day liquidity for each entity within the Group. The Asset and Liability Committee (ALCO) provides senior management oversight of the Group's liquidity risk exposure, within the policy and limit frameworks established by the Board.

The management of liquidity risk is carried out through various methods which include:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature.
- Establishment of committed lines and mismatch limits.
- Diversification of funding sources.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow within the local and international markets.
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements.
- Maintenance of liquidity and funding contingency plans.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month. These are the key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

37 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

Management of Liquidity Risk (Cont'd)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Group. It is unusual for financial institutions ever to be completely matched since business transacted is often of uncertain terms and of different types.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Sources of liquidity are regularly reviewed by the Treasury Department and ALCO to maintain a wide diversification by products and terms.

The tables below present the cash flow payable by the Group under non derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash flows.

	The Group				
	2009				
	Remaining Term to Maturity				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash resources	2,240,858	-	-	-	2,240,858
Investment in securities	2,217,782	5,913,099	15,035,916	45,068,003	68,234,800
Loans after provision for loan losses	1,674,371	2,012,190	4,597,208	865,288	9,149,057
Accounts receivable	280,053	35,970	6,356	25,150	347,529
	6,413,064	7,961,259	19,639,480	45,958,441	79,972,244
Non-financial assets	376,972	87,596	546,152	510,012	1,520,732
Total assets (contractual maturity dates)	6,790,036	8,048,855	20,185,632	46,468,453	81,492,976
Financial liabilities					
Deposits	5,220,047	3,310,004	2,807	-	8,532,858
Securities sold under repurchase agreements	23,462,475	2,672,382	21,777	577	26,157,211
Loan participation	675,395	70,753	26	-	746,174
Due to other financial institutions	307,583	11,430	92,453	879,205	1,290,671
Preference shares	-	-	14,362	27,111	41,473
Other liabilities	249,013	-	-	-	249,013
Total liabilities (contractual maturity dates)	29,914,513	6,064,569	131,425	906,893	37,017,400
Net liquidity gap	(23,124,477)	1,984,286	20,054,207	45,561,560	44,475,576
Cumulative liquidity gap	(23,124,477)	(21,140,191)	(1,085,984)	44,475,576	-
2008					
Liquidity gap	(25,127,151)	(290,205)	22,260,975	44,987,703	41,831,322
Cumulative liquidity gap	(25,127,151)	(25,417,356)	(3,156,381)	41,831,322	-

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

Liquidity risk (Cont'd)

	The Company					
	2009					
	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash resources	10,409	-	-	-	-	10,409
Investment in securities						
- Loans and accounts receivable	73,134	-	-	-	-	73,134
- Securities available-for-sale	-	-	-	-	61,063	61,063
Total financial assets	83,543	-	-	-	61,063	144,606
Non-financial assets	-	7,518	31,107	-	2,571,132	2,609,757
	83,543	7,518	31,107	-	2,632,195	2,754,363
Liabilities and stockholders' equity						
Loan	142,419	-	-	-	-	142,419
Accounts payable	12,917	-	-	-	-	12,917
Total liabilities and stockholders' equity	155,336	-	-	-	-	155,336
Liquidity gap	(71,793)	7,518	31,107	-	2,632,195	2,599,027
Cumulative liquidity gap	(71,793)	(64,275)	(33,168)	(33,168)	2,599,027	-
2008						
Liquidity gap	(131,853)	68,171	-	-	2,609,592	2,545,910
Cumulative liquidity gap	(131,853)	(63,682)	(63,682)	(63,682)	2,545,910	-

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

Liquidity risk (Cont'd)

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.
At December 31, 2009

	No later Than 1 Year	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000
Loan commitments	121,208	-	-	121,208
Guarantees, acceptances and other financial liabilities	342,402	32,568	31,000	405,970
	463,610	32,568	31,000	527,178

At December 31, 2008

	No later Than 1 Year	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000
Loan commitments	729,548	-	-	729,548
Guarantees, acceptances and other financial liabilities	329,710	229,636	31,000	590,346
	1,059,258	229,636	31,000	1,319,894

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. Market risk results primarily from changes in interest rates, foreign exchange rates and equity prices.

Management of Market Risk

The Asset & Liability Committee has responsibility for the management of balance sheet risks and employs various methods and financial instruments that provide suitable hedge against specified exposures where required. This management committee monitors and measures market risk exposure through gap analysis, sensitivity analysis, stress testing within the policy and limit framework established by the Board.

Sensitivity analysis is a widely used risk measurement tool that allows management to make judgments regarding the potential loss in future earnings, fair values and cash flows on market sensitive instruments resulting from one or more hypothetical changes in interest rate, foreign currency exchange rates and other relevant market rates or prices over a selected period of time.

Market information and additional analysis is also used to manage risk exposure and mitigate the limitation of sensitivity analysis.

The exposure to market risk includes foreign currency and interest rate risks that are managed as follows:

Foreign currency risk

Foreign currency risk is the risk of loss arising from adverse movements in foreign exchange rates.

The Group is exposed to foreign currency risk as a result of transactions that are denominated in a currency other than the Jamaican dollar. The main currencies giving rise to the exposure are the United States Dollar, Canadian Dollar, the British Pound and the Euro. The Group manages foreign currency risk through the establishment of limits for net open positions and matching foreign assets and liabilities as far as possible.

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

Foreign currency risk management

The Group faces exposure to the effect of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets the limits on the exposure by currency and on aggregate, which are monitored daily. This limit may vary from time to time as determined by the Risk and Compliance Department's assessment of volatility in exchange rates and with the approval of the Asset and Liability Committee.

The Group's net foreign currency balances as at year-end, incurred in the normal course of business, were as follows:

	The Group							
	2009							
	USD		CDN		GBP		EUR	
	US$	J$ Equiv.	Cdn$	J$ Equiv.	£	J$ Equiv.	€	J$ Equiv.
	'000	'000	'000	'000	'000	'000	'000	'000
Total assets	282,954	25,276,403	1,950	163,582	894	127,493	97	12,219
Total liabilities	(250,426)	(22,370,659)	(1,878)	(157,583)	(1,024)	(146,044)	(314)	(39,555)
Net exposure	32,528	2,905,744	72	5,999	(130)	(18,551)	(217)	(27,336)

	2008							
	USD		CDN		GBP		EUR	
	US$	J$ Equiv.	Cdn$	J$ Equiv.	£	J$ Equiv.	€	J$ Equiv.
	'000	'000	'000	'000	'000	'000	'000	'000
Total assets	316,575	25,394,064	788	50,826	799	90,084	100	11,165
Total liabilities	(313,506)	(25,147,846)	(1,153)	(74,369)	(882)	(99,682)	(148)	(16,524)
Net exposure	3,069	2,461,218	(365)	(23,543)	(83)	(9,598)	(48)	(5,359)

	The Company			
	2009		2008	
	USD		USD	
	US$	J$ Equiv.	US$	J$ Equiv.
	'000	'000	'000	'000
Total assets	102	9,112	3	222
Total liabilities	(100)	(8,933)	(935)	(74,916)
Net exposure	2	179	(932)	(74,694)

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and the Company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 2% appreciation or a 5% depreciation (2008: 5% change) in

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

Market risk (Cont'd)

Foreign currency sensitivity (Cont'd)

foreign currency rates. 2% appreciation or a 5% depreciation is the sensitivity rate used when reporting foreign currency risk internally to the Board and the relevant committees of the Board and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes liabilities under repurchase agreement and investment securities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	The Group					
	2009				2008	
	Appreciation		Depreciation			
	Change in Currency Rate	Effect on Net Profit	Change in Currency Rate	Effect on Net Profit	Change in Currency Rates	Effect on Net Profit
	%	J$'000	%	J$'000	%	J$'000
Currency:						
USD	2	(58,114)	5	145,287	5	2,372
CDN	2	(120)	5	300	5	1,180
GBP	2	371	5	(928)	5	439
EUR	2	547	5	(1,367)	5	268

	The Company			
	2009		2008	
	Change in Currency Rates	Effect on Net Profit	Change in Currency Rates	Effect on Net Profit
	%	$'000	%	$'000
Currency:				
USD	2% Appreciation	(4)	5	3,735
	5% Depreciation	9		

Interest rate risk

Interest rate risk is the risk of loss due to adverse changes in interest rates. The risk of loss may arise from a decline in the market value of financial assets due to interest rate increases. The Group and the Company are exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Mismatch of positions between assets and liabilities in periods of rising or declining interest rates may also result in loss of earnings. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken. This is monitored on a periodic basis.

Management of interest rate risk

Interest rate risk exposure is measured using gap analysis and sensitivity analysis. Interest rate risk is managed by utilising derivative instruments where necessary and maintaining an appropriate mix of variable and fixed rate instruments.

The following tables summarise the Group's and the Company's exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

37 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

Market risk (Cont'd)

Interest rate risk (Cont'd)

	The Group						
	2009						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Securities	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash resources	2,238,294	-	-	-	-	-	2,238,294
Investment in securities							
- Trading securities	-	-	-	-	-	23,000	23,000
- Available-for-sale	96,450	652,477	2,225,409	4,329,482	2,658,469	1,238,736	11,201,023
- Loans & Receivables	-	-	-	129,056	18,075,726	339,119	18,543,901
- Held to maturity	-	252,537	1,420,575	731,695	298,527	52,179	2,755,513
Loans after provision for loan losses	279,156	268,390	1,147,642	3,362,238	1,444,384	332,076	6,833,886
Deferred tax assets	-	-	-	-	-	469,499	469,499
Other assets	2,919	6,611	32,380	4,900	7,102	1,636,194	1,690,106
Total	2,616,819	1,180,015	4,826,006	8,557,371	22,484,208	4,090,803	43,755,222
Liabilities							
Securities sold under repurchase agreements	19,475,421	5,117,604	2,377,618	17,040	200	443,575	27,431,458
Deposits	3,043,597	2,053,718	3,079,351	2,246	-	156,832	8,335,744
Loan participation	579,663	89,488	61,543	24	-	6,380	737,098
Due to other financial institutions	297,767	-	10,766	70,565	529,132	12,205	920,435
Preference shares	-	-	-	22,684	-	1,438	24,122
Other liabilities	14,840	12,334	-	-	-	548,275	575,449
Stockholders' equity	-	-	-	-	-	5,730,916	5,730,916
Total	23,411,288	7,273,144	5,529,278	112,559	529,332	6,899,621	43,755,222
Interest sensitivity gap	(20,794,469)	(6,093,129)	(703,272)	8,444,812	21,954,876	(2,808,818)	-
Cumulative interest sensitivity gap	(20,794,469)	(26,887,598)	(27,590,870)	(19,146,058)	2,808,818	-	
2008							
Interest sensitivity gap	(13,313,091)	(4,242,744)	(4,395,971)	5,750,720	18,661,719	(2,460,633)	
Cumulative interest sensitivity gap	(13,313,091)	(17,555,835)	(21,951,806)	(16,201,086)	2,460,633	-	

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

Market risk (Cont'd)

Interest rate risk (Cont'd)

	The Company						
	2009						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Cash resources	10,409	-	-	-	-	-	10,409
Investment in securities							
- Loans and receivables	-	53,976	-	-	-	17,510	71,486
- Securities available-for-sale	-	-	-	-	-	61,063	61,063
Other assets	-	-	-	-	-	2,611,405	2,611,405
Total assets	10,409	53,976	-	-	-	2,689,978	2,754,363
Liabilities and stockholders' equity							
Loan	-	131,525	-	-	-	5,218	136,743
Other liabilities	-	-	-	-	-	12,917	12,917
Stockholders' equity	-	-	-	-	-	2,604,703	2,604,703
Total liabilities and stockholders' equity	-	131,525	-	-	-	2,622,838	2,754,363
Interest sensitivity gap	10,409	(77,549)	-	-	-	67,140	-
Cumulative interest sensitivity gap	10,409	(67,140)	(67,140)	(67,140)	(67,140)	-	
2008							
Interest sensitivity gap	(74,575)	52,561	-	-	-	22,014	-
Cumulative interest sensitivity gap	(74,575)	(22,014)	(22,014)	(22,014)	(22,014)	-	

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

Market risk (Cont'd)

Interest rate risk (Cont'd)

Average effective yields by the earlier of the contractual repricing or maturity dates:

	The Group					
	2009					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Average %
Cash resources	0.01	-	-	-	-	0.01
Investment in securities (1)						
- Trading securities	10.39	14.50	16.75	-	-	11.46
- Available-for-sale	36.50	20.42	15.47	18.23	18.16	16.03
- Loans & Receivables	-	-	-	10.00	8.00	8.34
- Held to maturity	-	10.81	8.07	12.30	13.17	10.26
Loans (2)	24.37	21.14	15.58	18.42	18.00	18.59
Other assets	13.79	11.59	17.59	7.80	7.50	14.43
Deposits (3)	9.40	8.54	8.53	15.42	-	8.86
Securities sold under repurchase agreements	10.05	13.02	17.57	13.04	-	11.09
Loan participation	6.65	11.90	16.28	2.00	-	8.10
Due to other financial institutions	6.36	-	9.29	8.11	8.55	7.81
Other liabilities	6.68	-	-	-	-	6.68
	2008					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Average %
Cash resources	2.47	-	-	-	-	2.47
Investment in securities (1)						
- Trading securities	9.97	17.05	-	-	-	10.49
- Available-for-sale	16.94	18.38	16.53	8.24	14.95	14.86
- Loans & Receivables	-	-	-	10.00	9.00	8.41
- Held to maturity	14.01	15.03	15.88	9.18	13.45	12.50
Loans (2)	19.88	15.26	16.80	17.05	18.17	17.09
Deposits (3)	9.84	8.81	7.41	7.87	-	8.55
Securities sold under repurchase agreements	12.82	10.33	15.79	11.19	-	12.08
Loan participation	10.64	11.07	10.88	-	-	10.78
Due to other financial institutions	6.30	4.00	6.44	11.12	-	4.38
Other liabilities	8.64	-	-	-	-	8.64

37 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

Market risk (Cont'd)

Interest rate risk (Cont'd)

(1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts. Yields on tax-exempt investments have not been computed on a taxable equivalent basis.

(2) Yields are based on book values, net of allowance for credit losses and contractual interest rates.

(3) Yields are based on contractual interest rates.

Interest rate sensitivity risk

The following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Group's and the Company's profit and loss account and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net profit based on the floating rate of financial assets and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

The Group

2009			2008		
	Effect on Net Profit	Effect on other comprehensive income		Effect on Net Profit	Effect on other comprehensive income
	$'000	$'000		$'000	$'000
Change in interest rate			**Change in interest rate**		
-6%	(472,951)	165,498	-2%	(316,044)	69,536
+2%	195,394	(46,530)	+2%	316,044	(62,829)

The Company

2009			2008		
	Effect on Net Profit	Effect on other comprehensive income		Effect on Net Profit	Effect on other comprehensive income
		$'000		$'000	$'000
Change in interest rate			**Change in interest rate**		
-6%	(630)	-	-2%	440	-
+2%	210	-	+2%	(440)	-

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

Market risk (Cont'd)

Equity risk

Equity risks arise out of price fluctuation in the equity prices. The risk arises out of holding positions in either individual stocks (non-systemic risk) or in the market as a whole (systemic risk). The goal is to earn dividend income and realise capital gains sufficient to offset the interest foregone in holding such long-term positions.

The Group sets limits on the level of exposure, and diversification is a key strategy employed to reduce the impact on the portfolio, which may result from the non-performance of a specific class of assets. Given the potential volatility in the value of equities and the non-interest bearing characteristics of these instruments the Group limits the amount invested in them.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 20% higher/lower (2008: 5% higher/lower):

- net profit for the year ended December 31, 2009, would have increased/decreased by $4.6 million (2008: $2.1 million) for the Group and the Company is $Nil (2008: $Nil million) as a result of equity investments classified at fair value through profit or loss;
- other comprehensive income would have increased/decreased by $148.4 million (2008: $55.5 million) for the Group and $12.2 million (2008: $3.1 million) for the Company as a result of the changes in fair value of available-for-sale equities.

Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

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

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

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

Capital adequacy and the use of regulatory capital are monitored monthly by the Group's management employing techniques based on the guidelines developed by the Financial Services Commission (FSC) and the Bank of Jamaica (BOJ). The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The BOJ and the FSC require each regulated entity to:

(i) Hold the minimum level of the regulatory capital; and

(ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The Group's regulatory capital is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and any net loss position arising from fair value accounting are deducted in arriving at Tier 1 capital; and

(ii) Tier 2 capital: capital reserve, provisions for losses on assets less investments in subsidiaries and connected entities.

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)**

Capital management (Cont'd)

The table below summarises the composition of regulatory capital and the ratios of the regulated entities within the Group for the years ended December 31, 2009 and 2008. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

The regulated entities within the Group are Capital & Credit Merchant Bank Limited (CCMB), Capital & Credit Securities Limited (CCSL) and Capital & Credit Fund Managers Limited (CCFM).

	CCMB		CCSL		CCFM	
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Tier 1 capital	3,701,525	3,404,891	1,399,564	1,279,873	111,415	81,323
Tier 2 capital	76,646	(211,482)	238,000	238,000	-	-
Total regulatory capital	3,778,171	3,193,409	1,637,564	1,517,873	111,415	81,323
Total required capital	1,447,356	1,406,833	203,037	208,048	8,891	6,319
Risk-weighted assets:						
On balance sheet	10,972,379	12,134,377	1,802,255	1,409,158	64,639	47,448
Off balance sheet	527,179	1,319,894	-	-	-	-
Foreign exchange exposure	2,974,000	614,054	228,113	671,319	-	-
Total risk weighted assets	14,473,558	14,068,325	2,030,368	2,080,477	64,639	47,448
Actual capital base to risk weighted assets	26%	23%	81%	73%	172%	171%
Required capital base to risk weighted assets	10%	10%	10%	10%	13%	13%

The change of the regulatory capital in 2009 is mainly due to the contribution of the current year profit or loss and the movement in the fair value reserve.

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Market prices are not available for some of the financial assets and liabilities of the Group. Fair values in the financial statements have therefore been estimated using present values or other estimation and valuation techniques based on market conditions existing at balance sheet date. Generally, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Group would realise in a current market exchange.

The following methods and assumptions have been used:

(i) investment in securities classified as trading or available-for-sale are measured at fair value by reference to quoted market prices where available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(ii) the fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

37 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

Fair value of financial instruments (Cont'd)

(iii) the fair value of variable rate financial instruments is assumed to approximate their carrying amounts;

(iv) the fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values;

(v) the fair value of demand deposits and other accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date; and

(vi) the fair values of deposits and other liabilities having specific maturity after one year, are determined by discounting future cash flows using balance sheet date yields of similar instruments.

Fair value measurements recognised in the Balance Sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	The Group			
	2009			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets at fair value through profit or loss:				
Equity securities	23,000	-	-	23,000
Securities available-for-sale				
Government of Jamaica securities	1,116	9,031,538	-	9,032,654
US Government agencies	-	37,136	-	37,136
Equity investments	809,453	8,933	-	818,386
Bank of Jamaica certificates of deposit	-	731,005	-	731,005
Other securities	-	185,342	-	185,342
	810,569	9,993,954	-	10,804,523
Total	833,569	9,993,954	-	10,827,523

37 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Cont'd)

Fair value of financial instruments (Cont'd)

	The Company			
	2009			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Securities available-for-sale				
Government of Jamaica securities	-	-	-	-
Equity investments	61,063	-	-	61,063
Bank of Jamaica certificates of deposit	-	-	-	-
Other securities	-	-	-	-
Total	61,063	-	-	61,063

There were no transfers between Level 1, Level 2 and Level 3 in the period.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

All gains and losses included in other comprehensive income relate to Securities available-for-sale held at the end of the reporting period and are reported as changes of 'Fair value reserve' (see Note 25).

38 CONTINGENCIES AND COMMITMENTS

(a) Litigation

The Group and its subsidiaries are subject to claims, disputes and legal proceedings in the normal course of business. Provision is made for such matters when in the opinion of management and together with legal advice it is probable that a payment will be made and the amount can be reasonably estimated. No provisions have been made as there are no pending litigations or claims at the balance sheet date.

(b) Capital commitments

There were no capital expenditure authorised or contracted for as at December 31, 2009 and 2008.

(c) Operating Leases

The Group has entered into lease agreements for office space expiring between March 2012 and August 2014. The amount charged to profit and loss account was $61.3 million (2008: $40.1 million).

38 CONTINGENCIES AND COMMITMENTS (Cont'd)

(c) Operating Leases (Cont'd)

The total annual rentals to be paid are as follows:

	The Group
	$'000
2010	52,826
2011	52,009
2012	54,553
2013	59,438
2014	38,534

(d) Maintenance contract

The Group has entered into a maintenance agreement for the computer software for a period of five years expiring July 2010. The amount charged in the profit and loss account was $28.1 million (2008: $18.3 million).

(e) Credit

Commitments by the Banking Subsidiary to extend credit on term to maturity of no more than one year amounted to $121.2 million (2008: $729.5 million).

39 RECLASSIFICATION OF FINANCIAL ASSETS

Consequent on the melt-down in the financial sector worldwide in 2008 and the demise of certain broker/dealers which were significantly involved in the marketing of Global Bonds issued by the Government of Jamaica (GOJ), the Group reclassified certain investments that are included in investment securities from available-for-sale to the held to maturity and loans and receivables categories in accordance with amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures which were effected in October 2008 are as follows:

	The Group			
Securities:	2009		2008	
	Carrying Value $'000	Fair value $'000	Carrying Value $'000	Fair value $'000
Transferred to loans and receivables				
GOJ US$ Fixed rate Global Bonds	14,064,561	10,741,523	13,243,809	11,581,364
Other Corporate Bonds	4,140,222	3,173,382	3,576,113	3,776,746
	18,204,783	13,914,905	16,819,922	15,358,110
Transferred to held to maturity				
Government of Jamaica securities	1,196,158	1,205,203	752,989	774,825
US Government agencies	1,480,510	1,454,109	1,740,970	1,731,365
Bank of Jamaica certificates of deposit	26,666	49,882	3,011,704	2,990,904
Other securities	-	-	198,388	196,085
	2,703,334	2,709,194	5,704,051	5,693,179

(a) In 2008 fair value losses, exclusive of deferred taxation, of $1.9 billion for the Group and $Nil for the company, were recognised in equity in relation to the above investment, using the fair value as at September 30, 2008. At December 31, 2009 the fair value losses in equity relating to these investments were reduced to $1.5 billion, exclusive of deferred taxation, mainly as a result of instruments maturing during the year.

39 RECLASSIFICATION OF FINANCIAL ASSETS (Cont'd)

(b) Fair value losses, in relation to the above investments, of $5.9 billion (2008: $3.3 billion) for the Group and $Nil for the company, exclusive of deferred taxation, would have been included in equity at the end of the year had the investments not been reclassified. This amount was determined by reference to a discounted cash flow model using market yields obtained from the Bloomberg yield curve as at December 31, 2009. Management does not believe that this price is necessarily indicative of the amount that would have been valued if an active market for the securities actually existed at that date.

(c) The weighted average effective interest rate of the investments at the date of reclassification was 9.5%. The undiscounted cash flows to be recovered from the investment reclassified by the Group is $50.4 billion (2008: $51.1 billion) and $Nil for the company.

40 PRIOR YEAR RESTATEMENT

An adjustment was made to broker receivable in the prior year as a detailed reconciliation and review of broker positions indicated that a previously recorded asset arising from a transfer between brokers could not be adequately substantiated. Consequently, management took the decision to have the asset written off.

		The Group		
		2008		
Consolidated Balance Sheet at December 31	Notes	Previously Reported	Adjustments	Restated
		$'000	$'000	$'000
ASSETS				
Accounts receivable	1	648,162	(49,822)	598,340
Deferred tax assets	2	483,961	16,683	500,644
Intangible assets	3	457,038	641	457,679
Other assets		45,462,168	-	45,462,168
Total assets		47,051,329	(32,498)	47,018,831
LIABILITIES				
Total liabilities		41,827,054	-	41,827,054
Stockholders Equity				
Share Capital		1,995,844	-	1,995,844
Statutory reserve fund	4	458,911	4,971	453,940
Fair value reserve	3	(1,075,220)	(3)	(1,075,217)
Other Reserve		2,473,915	-	2,473,915
Unappropriated profits	5	1,370,825	27,701	1,343,124
		5,224,275	32,669	5,191,606
Non-controlling interest	3	-	(171)	171
		5,224,275	32,498	5,190,777
Total liabilities and stockholders ' equity		47,051,329	32,498	47,018,831

40 PRIOR YEAR RESTATEMENT (Cont'd)

Consolidated Profit & Loss Account	Notes	The Group 2008 Previously reported $'000	Adjustments $'000	Restated $'000
Net interest income and other revenues		1,831,446	-	1,831,446
NON-INTEREST EXPENSE				
Total non-interest expenses	1	1,332,081	49,822	1,381,903
PROFIT BEFORE TAXATION		499,365	49,822	449,543
Taxation	2	76,731	(16,683)	60,048
NET PROFIT		422,634	33,139	389,495
Attributable to:				
Stockholders of the parent company		387,742	32,672	355,070
Non-controlling interest	3	34,892	467	34,425
		422,634	33,139	389,495
Earnings per stock unit		42¢		38¢

Notes

1. This represents the derecognition of an asset on broker receivable recorded in 2008 but now found to be unidentifiable and for which no collection is possible.
2. The deferred tax effect of increasing tax losses carried forward at December 31, 2008 arising from the restatement at Note 1.
3. This represents adjustment to reflect the non-controlling interest's share, which amounts to less than 1%, of the results of a sub-subsidiary.
4. The effect on revising downward the required statutory reserve fund at 15% of restated net profit arising from adjustment Notes 1 and 2.
5. The effect on unappropriated profits carried forward at December 31, 2008 arising from combined adjustments for items 1 to 3 above.

41 SUBSEQUENT EVENT

On January 14, 2010 the Government of Jamaica (GOJ) invited holders of certain domestic debt instruments to voluntarily participate in the Jamaica Debt Exchange (JDX) programme. The stated objectives of the programme are to reduce the cost, as well as lengthen maturity profile, of the GOJ's domestic debt portfolio. Under the JDX, GOJ intends to retire certain existing debt instruments and issue new debt instruments with an increased maturity profile and at rates of interest lower than the rates of interest on the existing debt instruments.

41 **SUBSEQUENT EVENT (Cont'd)**

At December 31, 2009, the Group's investment portfolio included investments in GOJ debt instruments that qualify for the JDX programme, with nominal values totaling $11.6 billion for the Group and $Nil for the company. These are stated in the balance sheet as follows:

	The Group
	$'000
Available-for-sale	8,778,074
Held-to-maturity	2,643,656
	11,421,730

The Group accepted the invitation for the exchange which was concluded on February 24, 2010. The Group will derecognise its holdings of the existing debt instruments at a consideration equivalent to the fair value of the new instruments acquired. The gain or loss on disposal, which will also include any unamortised discounts or premiums as at the settlement date, will be recognised in the profit and loss account for year ending December 31, 2010.

Preliminary assessment by the management reveals that there is minimal impact on the balance sheet and on fair values assuming a pricing of the instruments at par. However, the Directors and management have indicated that the full impact of the transaction will be known when the new instruments are available and their fair values determined by the market.