

The Directors of Capital & Credit Merchant Bank Limited (CCMB) are pleased to present the Un-Audited results of the Banking Group for the Second Quarter ended June 30, 2010.

#### OVERVIEW

For the Six-Month Period ending June 30, 2010, the CCMB Group recorded a six percent growth in its core business income line, Net Interest Income (NII), which increased to \$641.16 million, up from the \$606.56 million in 2009. However, Net Profit After Tax attributable to stockholders totalled \$154.74 million, a slight reduction of \$11.28 million when compared to the \$166.02 million for the similar period in 2009. For this Second Quarter, there was a reduction in Profit After Tax which stood at \$62.49 million, in comparison to the \$83.62 million for the same period last year.

#### REVENUES

In addition to the growth in Net Interest Income, the Merchant Bank Group also recorded a 174.52% growth in Securities Trading, moving from negative \$64.12 million for 2009, to positive \$47.78 million for the Six-Month period in 2010. There was however, a 7.8% reduction in the combined Net Interest Income and Other Revenue, moving from \$831.38 million in 2009, to \$766.02 million in 2010, mainly as a result of the decline in Foreign Exchange Trading and Translation Gains currently at \$4.38 million, compared to \$174.65 million for the similar period last year.

Total Interest Income declined from \$2.87 billion to \$2.04 billion as a direct result from the lower yields and extended maturities of the Group's locally-issued Investments Securities stemming from the Jamaica Debt Exchange (JDX) programme concluded in February this year. The Banking Group continues to reduce Loan Interest Rates to the benefit of its customers and as a result, Loan Interest Income fell in the 2nd quarter to \$254.14 million, down from the \$363.93 million reported for 2009. The CCMB Group however, continues to manage its Interest Expenses in order to reap the benefits of its strategic decision to focus on and strengthen its core business line.

For this Second Quarter, Other Revenue totalled \$73.71 million, compared to \$92.01 million reported for the comparative period in 2009. The other major components of Other Revenue are Commission and Fee-Income, Dividend Income and Net Gains on Securities Trading.

#### NON INTEREST EXPENSES

Cost Containment continues to be a key initiative of the Group, with the further implementation of consolidated work flows and processes. This resulted in a 10% decline in Non-Interest Expenses, which stood at \$559.48 million for the six months, compared to \$622.01 million for the same period in 2009. A similar decline resulted in Operating Expenses for the Quarter, with a 13.9% and a 67.2% decline in Staff Costs and Other Operating Expenses, respectively. Other Operating Expenses were reduced to \$14.11 million, in comparison to \$43.00 million in 2009. Staff Costs, which stood at \$126.96 million, represented a \$20.43 million reduction from the \$147.39 million reported for the similar Quarter in 2009.

#### EARNINGS PER STOCK

The Earnings per Stock (EPS) Unit for the Six-Month Period remained relatively flat at 23 cents. This is a two-cent decline from the 25 cents reported in 2009. The EPS for the 2nd Quarter stood at nine cents per stock unit, a decrease when compared

to the 13 cents for the same period in 2009. The EPS Unit is based on the Net Profit After Tax and the weighted average number of 641,159,682 stock units in issue.

#### BALANCE SHEET

Total Assets as at June 30, 2010, stood at \$41.30 billion, compared to \$46.31 billion in 2009. During the year, the CCMB Group continued to focus on expanding its Retail and Corporate Lines, while selectively acquiring higher-yielding assets and selling low-yielding ones, in order to maintain an optimal risk profile. Reflecting current trends in the local Banking Industry, Loans, after provision for Loan Losses, stood at \$6.48 billion, a 13.94% reduction from the \$7.53 billion for the similar period in 2009.

The Banking Group continues to sustain its strong Capital Base, which as at June 30, 2010, stood at \$6.26 billion, an increase of 19.5% in total Stockholders' Equity over the \$5.24 billion achieved in the comparative period 2009.

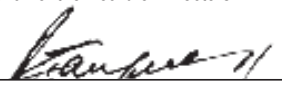
#### OUTLOOK 2010

Despite the challenges of 2010, The Banking Group maintains its cautious optimism for this financial year. The measured steps begun on the path to recovery for both the Global and Local economies have begun to take effect. The country passed its first test from the International Monetary Fund and is expected to be successful in the second test, the results of which are expected soon. The Inflation Rate has begun to inch down and employment figures were boosted with the recent news of the re-opening of the WINDALCO Bauxite plant and the employment of over 600 workers. This development is very positive, as the fall-out of the Bauxite/Aluminium sector has been a major contributor to Jamaica's negative GDP growth over the last two years.

The CCMB Group's Management Team continues to be pro-active in taking necessary precautionary measures, by re-assessing and re-aligning its business models. These actions will serve to minimize any negative impact from the JDX and the re-valuation losses resulting from the appreciation of the Jamaican dollar against its major counterpart, the US dollar. The Banking Group expects to restore its growth and maintain its stability by capitalizing on other opportunities to grow Loans and other Fee-income activities, as well as develop new products and services.

The Capital & Credit Merchant Bank Group takes this opportunity to thank all stakeholders: our valued customers, for their support and loyalty over the years; our Shareholders and Directors for their exemplary leadership; and our team of skilled and dedicated staff for their commitment.

On behalf of the Board of Directors:

  
Ryland T. Campbell  
Chairman

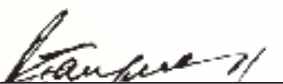
  
Curtis A. Martin  
President & CEO



**CONDENSED BALANCE SHEET AS AT JUNE 30, 2010**

	<b>Unaudited Jun-10 \$'000</b>	<b>Unaudited Jun-09 \$'000</b>	<b>Audited Dec-09 \$'000</b>
<b>ASSETS</b>			
Cash Resources	2,668,609	1,501,402	2,219,763
Investment In Securities	30,509,600	34,871,857	32,455,318
Investment In Associate	-	1,321	-
Loans (after provision for loan losses)	6,482,849	7,532,619	6,957,451
Intangible Assets	305,399	374,044	321,954
Deferred Tax Assets	258,313	598,259	511,708
Accounts receivable	702,170	711,120	637,786
Income tax recoverable	78,094	47,402	47,770
Customers' liabilities under acceptances, guarantees and letters of credit as per contra	201,979	573,829	405,970
Property and equipment	77,507	84,633	102,143
Other asset	15,000	15,000	15,000
<b>TOTAL ASSETS</b>	<b><u>41,299,520</u></b>	<b><u>46,311,486</u></b>	<b><u>43,674,863</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Deposits	7,706,183	8,732,333	8,336,639
Securities Sold Under Repurchase Agreements	25,431,597	29,302,977	27,441,392
Loan Participation	819,005	555,711	737,098
Due To Other Financial Institutions	684,814	1,093,445	920,435
Bank overdraft	-	337,362	-
Accounts payable	109,580	387,463	117,820
Preference shares	88,183	90,157	89,660
Liabilities under acceptances, guarantees and letters of credit as per contra	201,979	573,829	405,970
	<u>35,041,341</u>	<u>41,073,277</u>	<u>38,049,014</u>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	1,732,888	1,732,888	1,732,888
Statutory reserve fund	493,110	458,911	493,110
Retained earnings reserve	1,515,442	1,515,442	1,515,442
Fair value reserve	(606,347)	(1,327,295)	(1,083,302)
Loan loss reserve	335,019	217,215	336,854
Unappropriated profits	2,747,530	2,609,714	2,595,148
Attributable to stockholders of the Bank	<u>6,217,642</u>	<u>5,206,875</u>	<u>5,590,140</u>
Non-controlling interest	40,537	31,334	35,709
	<u>6,258,179</u>	<u>5,238,209</u>	<u>5,625,849</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>41,299,520</u></b>	<b><u>46,311,486</u></b>	<b><u>43,674,863</u></b>

Approved for issue by the Board of Directors on July 30, 2010 and signed on its behalf by:

  
 Ryland T. Campbell  
 Chairman

  
 Curtis A. Martin  
 President & CEO



**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

	Unaudited 3 months Jun-10 \$'000	Unaudited 3 months Jun-09 \$'000	Unaudited 6 months Jun-10 \$'000	Unaudited 6 months Jun-09 \$'000	Audited 12 months Dec-09 \$'000
<b>Gross Operating Revenue</b>	<b>1,029,484</b>	<b>1,587,548</b>	<b>2,166,640</b>	<b>3,096,114</b>	<b>6,055,766</b>
Interest on investments	701,638	1,133,719	1,495,456	2,169,354	4,143,220
Interest on loans	254,140	363,928	546,327	701,937	1,358,646
Total interest income	955,778	1,497,647	2,041,783	2,871,291	5,501,866
Interest expense	643,172	1,147,364	1,400,624	2,264,736	4,231,769
<b>Net interest income</b>	<b>312,606</b>	<b>350,283</b>	<b>641,159</b>	<b>606,555</b>	<b>1,270,097</b>
Commission and fee income	19,887	22,659	37,294	40,060	73,541
Net gains on securities trading	40,164	( 8,681)	47,781	( 64,120)	( 87,849)
Foreign exchange trading and translation	( 1,971)	21,098	4,380	174,652	440,387
Dividend income	7,834	11,427	24,914	28,976	60,792
Other income	7,792	45,503	10,488	47,216	70,311
<b>Total other operating income</b>	<b>73,706</b>	<b>92,006</b>	<b>124,857</b>	<b>226,784</b>	<b>557,182</b>
Share of loss of Associated company	-	( 2,105)	-	( 1,961)	( 3,282)
<b>Net interest income and other revenue</b>	<b>386,312</b>	<b>440,184</b>	<b>766,016</b>	<b>831,378</b>	<b>1,823,997</b>
<b>NON INTEREST EXPENSES</b>					
Staff costs	126,961	147,394	268,862	295,477	581,007
Loan loss expense	36,993	30,010	37,064	52,642	313,524
Bank charges	8,863	9,220	19,194	16,742	39,522
Property expense	26,883	18,055	46,579	39,731	106,308
Depreciation and amortization	24,326	24,981	48,890	50,960	107,517
Information technology costs	11,116	14,943	22,271	27,545	59,593
Marketing and corporate affairs	14,575	15,371	24,410	24,866	74,470
Professional fees	14,468	15,150	29,173	28,170	62,431
Regulatory Cost	9,737	6,733	16,360	14,174	28,285
Irrecoverable General Consumption Tax	12,754	8,639	20,864	16,638	40,645
Other operating expenses	14,110	43,002	25,810	55,065	62,933
Total non-interest expense	<b>300,786</b>	<b>333,498</b>	<b>559,478</b>	<b>622,010</b>	<b>1,476,235</b>
<b>Profit Before Taxation</b>	85,526	106,686	206,538	209,368	347,762
Taxation	23,032	23,066	51,798	43,347	5,056
<b>Profit After Taxation</b>	<b>62,494</b>	<b>83,620</b>	<b>154,740</b>	<b>166,021</b>	<b>342,706</b>
Attributable to:					
Stockholders of the Bank	<b>60,431</b>	<b>81,429</b>	<b>150,547</b>	<b>161,696</b>	<b>334,107</b>
Non-controlling interest	<b>2,063</b>	<b>2,191</b>	<b>4,193</b>	<b>4,325</b>	<b>8,599</b>
	<b>62,494</b>	<b>83,620</b>	<b>154,740</b>	<b>166,021</b>	<b>342,706</b>
Earnings per stock unit (cents)					
EPS	9	13	23	25	52
Diluted EPS	9	13	23	25	52



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE SIX MONTHS ENDED JUNE 30, 2010**

	Unaudited 3 months Jun-10 \$'000	Unaudited 3 months Jun-09 \$'000	Unaudited 6 months Jun-10 \$'000	Unaudited 6 months Jun-09 \$'000	Audited 12 months Dec-09 \$'000
<b>Net Profit</b>	<b>62,494</b>	<b>83,620</b>	<b>154,740</b>	<b>166,021</b>	<b>342,706</b>
<b>Other comprehensive income</b>					
Available-for-sale financial assets					
Net gains/(losses) arising on revaluation of available-for-sale financial assets during the period	(48,040)	82,098	668,604	53,144	258,935
Reclassification adjustments relating to available-for-sale financial assets disposed of in the period	40,164	( 8,681)	47,781	( 64,120)	85,391
	( 7,876)	73,417	716,385	( 10,976)	344,326
Income tax relating to components of other comprehensive income	2,625	( 27,366)	(238,795)	3,659	(107,550)
Other comprehensive income for the period (net of tax)	( 5,250)	46,051	477,590	( 7,317)	236,776
<b>Total comprehensive income for the period</b>	<b>57,244</b>	<b>129,671</b>	<b>632,331</b>	<b>158,703</b>	<b>579,482</b>
Total comprehensive income attributable to:					
Owners of the Bank	55,396	124,990	627,503	151,888	568,292
Non-controlling interest	1,848	4,681	4,828	6,815	11,190
	<u>57,244</u>	<u>129,671</u>	<u>632,331</u>	<u>158,703</u>	<u>579,482</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2010

	Share Capital \$000	Statutory Reserve Fund \$000	Retained Earnings Reserve \$000	Fair Value Reserve \$000	Loan loss Reserve \$000	Unappropriated Profits \$000	Attributable to equity holders of the Parent \$000	Minority Interest \$000	Total \$000
<b>Balance at December 31, 2008</b>	1,732,888	458,911	1,515,442	(1,317,487)	207,538	2,457,695	5,054,987	24,519	5,079,506
Net profit for the period	-	-	-	-	-	161,696	161,696	4,325	166,021
Other comprehensive income for the period	-	-	-	( 9,808)	-	-	( 9,808)	2,490	( 7,318)
Total comprehensive income for the period	-	-	-	( 9,808)	-	161,696	151,888	6,815	158,703
Transfer to loan loss reserve	-	-	-	-	9,677	( 9,677)	-	-	-
<b>Balance at June 30, 2009</b>	<b>1,732,888</b>	<b>458,911</b>	<b>1,515,442</b>	<b>(1,327,295)</b>	<b>217,215</b>	<b>2,609,714</b>	<b>5,206,875</b>	<b>31,334</b>	<b>5,238,209</b>
<b>Balance at December 31, 2009</b>	1,732,888	493,110	1,515,442	(1,083,302)	336,854	2,595,148	5,590,140	35,709	5,625,849
Net profit for the period	-	-	-	-	-	150,547	150,547	4,193	154,740
Other comprehensive income for the period	-	-	-	476,955	-	-	476,955	635	477,590
Total comprehensive income for the period	-	-	-	476,955	-	150,547	627,502	4,828	632,330
Transfer to loan loss reserve	-	-	-	-	( 1,835)	1,835	-	-	-
<b>Balance at June 30, 2010</b>	<b>1,732,888</b>	<b>493,110</b>	<b>1,515,442</b>	<b>( 606,347)</b>	<b>335,019</b>	<b>2,747,530</b>	<b>6,217,642</b>	<b>40,537</b>	<b>6,258,179</b>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

	<b>Unaudited</b>	<b>Unaudited</b>
	<b>Jun-10</b>	<b>Jun-09</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit	154,740	166,021
Interest Income	( 2,041,783)	(2,871,291)
Interest expenses	1,400,624	2,264,736
Loan Loss expense /(recovery)	37,064	52,642
Depreciation	48,890	50,960
Gain on sale of Property and equipment	792	-
Taxation charge	51,798	43,347
	<u>( 347,875)</u>	<u>( 293,585)</u>
<i>Movement in working capital</i>		
Accounts receivable	( 63,987)	14,182
Loans receivable	429,901	( 12,910)
Accounts payable	( 8,239)	19,274
	<u>9,800</u>	<u>( 273,039)</u>
Cash used in operations	9,800	( 273,039)
Interest paid	(1,620,299)	(2,214,842)
Income tax paid	( 64,704)	( 3,607)
Net cash used in operating activities	<u>(1,675,203)</u>	<u>(2,491,488)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceed on sale of property and equipment	2,538	-
Acquisition of property and equipment	( 9,445)	( 1,917)
Interest received	2,228,844	2,882,276
Decrease in investments	2,772,503	771,252
	<u>4,994,440</u>	<u>3,651,611</u>
Cash provided by investing activities	4,994,440	3,651,611
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Deposits	( 584,691)	( 726,955)
Securities sold under repurchase agreement	( 1,829,513)	( 387,754)
Loan participation	81,858	( 251,827)
Due to other financial institutions	( 243,422)	258,022
Cash used in financing activities	<u>(2,575,768)</u>	<u>(1,108,514)</u>
	743,469	51,609
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	743,469	51,609
<b>OPENING CASH AND CASH EQUIVALENTS</b>	744,375	360,953
Effects of foreign exchange rate changes	( 451)	4,903
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>1,487,393</u>	<u>417,465</u>
Cash and bank balances	2,668,609	1,501,402
Less: Statutory cash reserves	752,566	746,575
Bank overdraft	-	337,362
Cash deposit – Investment Broker	428,650	-
	<u>1,487,393</u>	<u>417,465</u>



**CONDENSED SEGMENT RESULTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010**

	<b>2010</b>			
	<b>Banking &amp; Related Services \$'000</b>	<b>Financial &amp; Related Services \$'000</b>	<b>Consolidation adjustments \$'000</b>	<b>Group \$'000</b>
External Revenue	1,178,135	988,505	-	2,166,640
Inter-segments revenue	<u>83,167</u>	<u>96,862</u>	<u>( 180,028)</u>	<u>-</u>
Total revenue	<u>1,261,302</u>	<u>1,085,366</u>	<u>( 180,028)</u>	<u>2,166,640</u>
Net interest income	<u>390,154</u>	<u>251,004</u>	<u>-</u>	<u>641,158</u>
Operating expenses	<u>1,179,863</u>	<u>960,268</u>	<u>( 180,028)</u>	<u>1,960,103</u>
Profit before tax	<u>81,439</u>	<u>125,098</u>	<u>-</u>	<u>206,537</u>
Taxation	<u>7,983</u>	<u>43,815</u>	<u>-</u>	<u>51,798</u>
Net profit after tax	<u>73,456</u>	<u>81,283</u>	<u>-</u>	<u>154,739</u>
Segment assets	<u>23,334,586</u>	<u>19,302,530</u>	<u>(1,337,596)</u>	<u>41,299,520</u>
Segment liabilities	<u>19,023,279</u>	<u>17,187,118</u>	<u>(1,169,056)</u>	<u>35,041,341</u>
	<b>2009</b>			
	<b>Banking &amp; Related Services \$'000</b>	<b>Financial &amp; Related Services \$'000</b>	<b>Consolidation adjustments \$'000</b>	<b>Group \$'000</b>
External Revenue	1,635,020	1,651,517	( 190,423)	3,096,114
Inter-segments revenue	<u>9,807</u>	<u>-</u>	<u>( 9,807)</u>	<u>-</u>
Total revenue	<u>1,644,827</u>	<u>1,651,517</u>	<u>( 200,230)</u>	<u>3,096,114</u>
Operating expenses	<u>1,459,331</u>	<u>1,627,645</u>	<u>( 200,230)</u>	<u>2,886,746</u>
Profit before tax	<u>185,496</u>	<u>23,872</u>	<u>-</u>	<u>209,368</u>
Taxation				43,347
Net profit after tax				<u>166,021</u>
Segment assets	<u>27,887,701</u>	<u>22,105,960</u>	<u>(3,682,175)</u>	<u>46,311,486</u>
Segment liabilities	<u>23,989,967</u>	<u>20,598,330</u>	<u>(3,515,020)</u>	<u>41,073,277</u>

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE SIX MONTHS ENDED JUNE 30, 2010**

**1 GROUP IDENTIFICATION**

Capital & Credit Merchant Bank Limited (“the Bank”) is incorporated in Jamaica and is a 100% subsidiary of Capital & Credit Financial Group Limited (CCFG), which is also incorporated in Jamaica. The registered office of the Bank is 6 – 8 Grenada Way, Kingston 5.

The Bank became a 100% subsidiary of CCFG effective March 31, 2008 resulting from the exchange of CCFG’s shares for the Bank’s ordinary shares held by the non-controlling shareholders.

Effective May 15, 2008, the Bank’s ordinary shares which were previously listed on both the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange were de-listed.

As part of the restructuring of the Bank’s ownership, preference shares were issued to its shareholders. The preference shares were then listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange effective May 15, 2008.

The Bank’s main business is that of taking deposits, granting loans and trading in foreign currencies. The Bank and its subsidiaries are collectively referred to as the “Group”.

These ‘Condensed’ Interim Financial Reports do not include a full set of explanatory notes which are included in the most recent audited financial statements.

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

The following revised Standards have been adopted in the current period.

		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
IFRS 2 (Revised)	Share-based Payment: - Amendments relating to Group cash-settled share-based payment transactions	January 1, 2010

The adoption of these standards does not have any significant impact on the Group’s financial statements.

**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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

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

**Basis of preparation (Cont'd)**

*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.

*Comparatives*

Where necessary, the comparative figures have been reclassified to conform to changes in presentation in the current year.

**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.

**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.

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

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

***Financial assets (Cont'd)***

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 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.

All other accounting policies remain in effect as per our 2009 audited financial statements. For further information on these policies, please refer to our Website.