



Capital & Credit Financial Group Limited and Its Subsidiaries
UNAUDITED FINANCIAL STATEMENT
2nd QUARTER
 - Ended at JUNE 30, 2010

CAPITAL & CREDIT FINANCIAL GROUP LTD.
Providing Total Financial Solutions

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The Directors of Capital & Credit Financial Group Limited (CCFG) are pleased to present the Un-Audited Results of the CCFG Group for the 2nd Quarter ended June 30, 2010.

OVERVIEW

For the Six-Month period ending June 30, 2010, the CCFG Group recorded a three percent (3%) increase in Net Profit After Tax attributable to stockholders, totalling \$144.97 million, up from \$141.24 million achieved for the similar period last year. For the Quarter ending June 30, Profit After Tax was \$57.83 million, a reduction of \$3.69 million, when compared to the \$61.53 million for the same period in 2009.

REVENUES

The CCFG Group achieved a 173.48% growth in Securities Trading, moving from negative \$67.87 million for 2009, to positive \$49.87 million for the Six-Month Period in 2010. The Group also recorded marginal growth in its Net Interest Income (NII), which increased to \$624.70 million, up from the \$623.15 million. There was however, a 10.79% reduction in the combined Net Interest Income and Other Revenue moving from \$903.96 million, to \$806.33 million in 2010. This reduction resulted from the decline in Foreign Exchange Trading and Translation Gains recorded of \$15.93 million, compared to \$181.01 million in 2009.

Total Interest Income declined from \$2.88 billion in 2009, to \$2.02 billion for the 2010 Second Quarter as a result of lower yields and extended maturities on the Group's locally-issued Investment Securities arising from the Jamaica Debt Exchange (JDX) programme which ended in February this year. The Group continues to reduce Loan Interest Rates in keeping with local Industry trends resulting in a decline in Loan Interest Income to \$244.95 million in the 2nd Quarter this year, down from \$364.40 million in 2009. Interest Expenses continues to be a critical area of focus by The Group however, in order to reap the benefits of its strategic decision to strengthen its core business line.

For this Second Quarter, Other Revenue totalled \$97.64 million, compared to the \$112.86 million reported for the similar period last year. The other major components of Other Revenue are Commission and Fee Income, Dividend Income and Net Gains on Securities Trading.

NON INTEREST EXPENSES

There was a 15.69% decline in Non-Interest Expense of \$612.38 million for the Six-Month period, compared to \$726.43 million for the same period in 2009. As with the Merchant Banking Group, Cost Containment continues to be a key initiative for the overall Capital & Credit Financial Group with the further implementation of consolidated work flows and processes. Non-Interest Expenses reduced by 16.25% for this Second Quarter, to \$319.81 million, compared to the \$381.85 million for 2009. Staff Costs and Other Operating Expenses, declined by 14.61% and 27.44% respectively. Staff Costs totalled \$138.57 million, in comparison to \$162.29 million reported for the similar period in 2009.

EARNINGS PER STOCK

There was a 6.66% improvement in the Earnings per Stock (EPS) Unit for the Six-Month period, which stood at 16 cents, compared to the

15 cents in the comparative period last year. The EPS for the 2nd Quarter was six cents, a decrease when compared to the seven cents earned in the same period in 2009. The EPS Unit is based on the Net Profit After Tax and the weighted average number of 926,796,047 stock units in issue.

BALANCE SHEET

Total Assets as at June 30, 2010, stood at \$41.36 billion, compared to \$46.42 billion last year. The Capital & Credit Financial Group continues to focus on expanding its Retail and Corporate Lines, while selectively acquiring higher-yielding assets and selling low-yielding ones to maintain an optimal risk profile. As consumers continue to be negatively impacted by the Global and Local Economic Recession, there has been a reduction in the Loan Portfolio, compared to the higher volume achieved during the previous year. At June 30, 2010, Loans after provision for Loan Losses stood at \$6.37 billion, a 13.99% reduction over the \$7.41 billion for the comparative period in 2009.


The Capital & Credit Financial Group continues to sustain its strong Capital Base and as at June 30, 2010, total Stockholders' Equity amounted to \$6.36 billion, an increase of 18.45% over the comparative period of \$5.37 billion for 2009.

OUTLOOK 2010

In light of the, albeit, measured recovery in the Global and Local economies, The Capital & Credit Financial Group remains cautiously optimistic. Over the past six months the local economic recovery has been signalled by: successive upgrades of Jamaica's Country ratings by the International Rating Agencies; the Government's successful Jamaica Debt Exchange (JDX) programme; the passing of Jamaica's first International Monetary Fund Test and its expected success in the Second Test; as well as the downward trend of the Inflation Rate and Un-Employment Figures, the latter boosted by the recent re-opening of the WINDALCO Bauxite plant.. Of note, is the fact that the fall-out of the Bauxite/Aluminium sector has been a major contributor to Jamaica's negative GDP growth over the past two years.

With these developments, as well as continued fiscal prudence, the CCFG Management Team continues to be pro-active in taking necessary precautionary measures, by re-assessing and re-aligning its business models in order 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 Capital & Credit Financial 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 Financial Group takes this opportunity to thank all our valued customers, Directors and staff for their continued loyalty, commitment and support.



RYLAND T. CAMPBELL
CHAIRMAN

On behalf of the Board of Directors



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 - Ended at JUNE 30, 2010

CAPITAL & CREDIT FINANCIAL GROUP LTD.

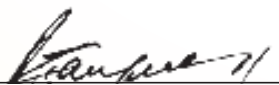
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CONDENSED BALANCE SHEET AS AT JUNE 30, 2010

	Unaudited Jun-10 \$'000	Unaudited Jun-09 \$'000	Audited Dec-09 \$'000
ASSETS			
CASH RESOURCES	2,680,592	1,542,680	2,238,294
INVESTMENT IN SECURITIES	30,550,362	34,937,958	32,523,437
INVESTMENT IN ASSOCIATE	26,453	9,027	23,811
LOANS (after provision for loan losses)	6,369,468	7,405,694	6,833,886
INTANGIBLE ASSETS	373,973	442,575	390,828
DEFERRED TAX ASSETS	213,477	555,216	469,499
Accounts receivable	746,775	782,931	680,970
Income Tax Recoverable	92,424	61,639	62,051
Customers' liabilities under acceptances, guarantees and letters of credit as per contra	201,979	573,829	405,970
Property and equipment	84,977	94,669	111,476
Other investment	15,000	15,000	15,000
TOTAL ASSETS	<u>41,355,479</u>	<u>46,421,218</u>	<u>43,755,222</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
DEPOSITS	7,705,287	8,731,606	8,335,744
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	25,431,211	29,302,599	27,431,458
LOAN PARTICIPATION	819,005	555,711	737,098
DUE TO OTHER FINANCIAL INSTITUTIONS	684,814	1,093,445	920,435
Preference shares	23,798	23,961	24,122
Accounts payable	133,259	436,814	169,479
Bank overdraft	-	337,362	-
Customers' liabilities under acceptances, guarantees and letters of credit as per contra	201,979	573,829	405,970
	<u>34,999,353</u>	<u>41,055,327</u>	<u>38,024,306</u>
STOCKHOLDERS' EQUITY			
Share capital	1,995,844	1,995,844	1,995,844
Capital reserve	742,861	742,861	742,861
Statutory reserve fund	493,110	458,911	493,110
Retained earnings reserve	1,515,442	1,515,442	1,515,442
Fair value reserve	(349,574)	(1,081,300)	(835,438)
Loan loss reserve	335,019	217,215	336,854
Foreign currency translation reserve	11,146	14,534	16,777
Unappropriated profits	1,611,996	1,502,385	1,465,217
Attributable to stockholders of the Parent Company	6,355,844	5,365,892	5,730,667
Non-Controlling Interest	<u>282</u>	<u>-</u>	<u>249</u>
	<u>6,356,126</u>	<u>5,365,891</u>	<u>5,730,916</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>41,355,479</u>	<u>46,421,218</u>	<u>43,755,222</u>

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
 Director



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UNAUDITED FINANCIAL STATEMENT
2nd QUARTER
 - Ended at JUNE 30, 2010

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**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
Gross Operating Revenue	<u>1,041,638</u>	<u>1,603,582</u>	<u>2,204,902</u>	<u>3,161,790</u>	<u>6,163,530</u>
Interest on investments	701,569	1,128,619	1,495,456	2,178,104	4,161,653
Interest on loans	<u>244,957</u>	<u>364,402</u>	<u>527,811</u>	<u>702,879</u>	<u>1,326,513</u>
	946,526	1,493,021	2,023,267	2,880,983	5,488,166
Interest expense	<u>641,538</u>	<u>1,144,446</u>	<u>1,398,565</u>	<u>2,257,832</u>	<u>4,214,058</u>
Net interest income	<u>304,988</u>	<u>348,575</u>	<u>624,702</u>	<u>623,151</u>	<u>1,274,108</u>
Commission and fee income	35,003	43,746	82,085	90,275	177,410
Net gains on securities trading	42,961	(8,612)	49,872	(67,866)	(91,818)
Foreign exchange trading and translation	2,659	18,808	15,925	181,014	463,743
Dividend income	8,241	12,305	26,233	30,868	65,199
Gain on sale of property and equipment	-	-	792	-	8
Other income	<u>8,774</u>	<u>46,617</u>	<u>11,676</u>	<u>49,380</u>	<u>70,440</u>
Total other operating income	<u>97,638</u>	<u>112,863</u>	<u>186,583</u>	<u>283,671</u>	<u>684,982</u>
Share of loss associated company	(2,526)	(2,303)	(4,948)	(2,864)	(9,618)
Net interest income and other revenue	<u>400,100</u>	<u>459,136</u>	<u>806,337</u>	<u>903,958</u>	<u>1,949,472</u>
NON INTEREST EXPENSES					
Staff costs	138,569	162,290	285,248	326,295	643,730
Loan loss expense	36,993	30,010	37,064	52,642	313,524
Depreciation and amortization	25,292	25,608	50,508	52,241	110,061
Other operating expenses	<u>118,951</u>	<u>163,944</u>	<u>239,564</u>	<u>295,249</u>	<u>594,406</u>
Total Non-Interest expenses	<u>319,805</u>	<u>381,852</u>	<u>612,384</u>	<u>726,427</u>	<u>1,661,721</u>
Profit Before Taxation	80,295	77,284	193,953	177,531	287,751
Taxation	<u>22,464</u>	<u>16,830</u>	<u>48,980</u>	<u>36,295</u>	(2,888)
Profit After Taxation	<u>57,831</u>	<u>60,454</u>	<u>144,973</u>	<u>141,236</u>	<u>290,639</u>
Attributable to:					
Stockholders of the Parent Company	57,817	60,454	144,944	141,236	290,579
Non-controlling interest	<u>14</u>	<u>-</u>	<u>29</u>	<u>-</u>	<u>60</u>
	<u>57,831</u>	<u>60,454</u>	<u>144,973</u>	<u>141,236</u>	<u>290,639</u>
Earnings per stock unit (cents)					
EPS	<u>6</u>	<u>7</u>	<u>16</u>	<u>15</u>	<u>31</u>
Diluted EPS	<u>6</u>	<u>7</u>	<u>16</u>	<u>15</u>	<u>31</u>



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UNAUDITED FINANCIAL STATEMENT
2nd QUARTER
 - Ended at JUNE 30, 2010

CAPITAL & CREDIT FINANCIAL GROUP LTD.
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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
Profit for the period	<u>57,831</u>	<u>61,525</u>	<u>144,973</u>	<u>142,309</u>	<u>290,639</u>
Other comprehensive income					
Exchange difference arising on translation of foreign operations	(765)	(10,999)	(5,631)	6,460	8,703
Available-for-sale financial assets					
Net gains/(losses) arising on revaluation of available-for-sale financial assets during the year	(52,780)	(512)	678,930	58,741	259,537
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	<u>42,961</u>	<u>(8,613)</u>	<u>49,872</u>	<u>(67,866)</u>	<u>89,360</u>
	(9,819)	(9,125)	728,802	(9,125)	348,897
Income tax relating to components of other comprehensive income	<u>3,273</u>	<u>3,042</u>	<u>(242,934)</u>	<u>3,042</u>	<u>(109,100)</u>
Other comprehensive income for the period (net of tax)	<u>(7,311)</u>	<u>(17,082)</u>	<u>480,237</u>	<u>377</u>	<u>248,500</u>
Total comprehensive income for the period	<u>50,520</u>	<u>44,443</u>	<u>625,210</u>	<u>141,613</u>	<u>539,139</u>
Total comprehensive income attributable to:					
Stockholders of the Parent company	50,508	44,443	625,177	141,613	539,061
Non-controlling interest	12	-	33	-	78
	<u>50,520</u>	<u>44,443</u>	<u>625,210</u>	<u>141,613</u>	<u>539,139</u>



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

	Share Capital \$'000	Statutory Reserve Fund \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Fair value Reserve \$'000	Loan loss Reserve \$'000	Unappropriated Profits \$'000	Foreign currency Translation Reserve \$'000	Attributable to equity holders of the parent \$'000	Minority Interest \$'000	Total \$'000
Balance at December 31, 2008	1,995,844	458,911	742,861	1,515,442	(1,075,217)	207,538	1,370,825	8,074	5,224,278	-	5,224,278
Other comprehensive income for the period	-	-	-	-	(6,083)	-	-	6,460	377	-	377
Net profit for the period	-	-	-	-	-	-	141,236	-	141,236	-	141,236
Total comprehensive income for the period	-	-	-	-	(6,083)	-	141,236	6,460	141,613	-	141,613
Transfer to loan loss reserve	-	-	-	-	-	9,677	(9,677)	-	-	-	-
Transfer to statutory reserve fund	-	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2009	1,995,844	458,911	742,861	1,515,442	(1,081,300)	217,215	1,502,384	14,534	5,365,891	-	5,365,891
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
Other comprehensive income for the period	-	-	-	-	485,864	-	-	(5,631)	480,233	4	480,237
Net profit for the period	-	-	-	-	-	-	144,944	-	144,944	29	144,973
Total comprehensive income for the period	-	-	-	-	485,864	-	144,944	(5,631)	625,177	33	625,210
Transfer to loan loss reserve	-	-	-	-	-	(1,835)	1,835	-	-	-	-
Transfer to statutory reserve fund	-	-	-	-	-	335,019	1,611,996	11,146	6,355,844	282	6,356,126
Balance at June 30, 2010	1,995,844	493,110	742,861	1,515,442	(349,574)	335,019	1,611,996	11,146	6,355,844	282	6,356,126

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

	Unaudited Jun-10 \$'000	Unaudited Jun-09 \$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit	144,973	141,236
Interest Income	(2,023,267)	(2,880,983)
Interest expenses	1,398,565	2,257,832
Loan Loss expense /(recovery)	37,064	52,642
Depreciation	50,508	52,241
Gain on sale of Property and equipment	792	-
Taxation charge	48,980	36,295
	<u>(342,385)</u>	<u>(340,737)</u>
<i>Movement in working capital</i>		
Accounts receivable	(65,409)	(134,770)
Loans receivable	439,202	183,128
Accounts payable	(36,220)	38,917
	<u>(4,812)</u>	<u>(253,462)</u>
Cash used in operations	(4,812)	(253,462)
Interest paid	(1,616,764)	(2,250,756)
Income tax paid	(64,704)	-
Net cash used in operating activities	<u>(1,686,280)</u>	<u>(2,504,218)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceed on sale of property and equipment	2,538	-
Acquisition of property and equipment	(9,445)	(2,430)
Interest received	2,227,397	2,899,276
Decrease in investments	2,768,912	800,476
Cash provided by investing activities	<u>4,989,403</u>	<u>3,697,322</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Deposits	(584,692)	(727,617)
Securities sold under repurchase agreement	(1,819,964)	(385,903)
Loan participation	81,858	(251,827)
Loan Payable	-	(74,946)
Due to other financial institutions	(243,422)	258,021
Cash used in financing activities	<u>(2,566,220)</u>	<u>(1,182,272)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	736,902	10,832
OPENING CASH AND CASH EQUIVALENTS	762,906	423,467
Effects of foreign exchange rate changes	(432)	24,444
CLOSING CASH AND CASH EQUIVALENTS	<u>1,499,376</u>	<u>458,743</u>
Cash and bank balances	2,680,592	1,542,680
Less: Statutory cash reserves	752,566	746,575
Bank overdraft	-	337,362
Cash deposit – Investment Broker	428,650	-
	<u>1,499,376</u>	<u>458,743</u>

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

	2010					
	Banking & Related Services	Financial & Related Services	Remittance & Related Services	Holding Investments	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External Revenue	1,159,154	1,020,769	24,086	5,841	-	2,209,850
Inter-segments revenue	<u>102,148</u>	<u>96,862</u>	<u>115</u>	<u>20,056</u>	<u>(219,181)</u>	-
Total revenue	<u>1,261,302</u>	<u>1,117,630</u>	<u>24,202</u>	<u>25,897</u>	<u>(219,181)</u>	<u>2,209,850</u>
Net interest income	<u>390,154</u>	<u>250,893</u>	<u>(4,248)</u>	<u>(12,095)</u>	-	<u>624,704</u>
Operating expenses	1,179,863	991,715	35,438	23,114	(219,181)	2,010,949
Profit before tax	<u>81,439</u>	<u>125,915</u>	<u>(11,237)</u>	<u>2,784</u>	-	<u>198,901</u>
Share of Associate results	-	-	(4,948)	-	-	(4,948)
Taxation	7,983	43,815	(3,746)	928	-	48,980
Net profit after tax	<u>73,456</u>	<u>82,101</u>	<u>(12,439)</u>	<u>1,856</u>	-	<u>144,973</u>
Segment assets	<u>23,334,586</u>	<u>19,325,966</u>	<u>66,184</u>	<u>2,738,594</u>	<u>(4,109,852)</u>	<u>41,355,479</u>
Segment liabilities	<u>22,315,809</u>	<u>17,187,118</u>	<u>66,626</u>	<u>116,022</u>	<u>(4,686,223)</u>	<u>34,999,353</u>
	2009					
	Banking & Related Services	Financial & Related Services	Remittance & Related Services	Holding Investments	Consolidation adjustments	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	1,636,981	1,651,517	29,723	71,752	(225,319)	3,164,654
Net revenue from other segments	<u>9,807</u>	-	-	-	<u>(9,807)</u>	-
Total Revenue	<u>1,646,788</u>	<u>1,651,517</u>	<u>29,723</u>	<u>71,752</u>	<u>(235,126)</u>	<u>3,164,654</u>
Operating expenses	1,459,332	1,627,647	41,146	91,260	(235,126)	2,984,259
Profit before tax	<u>187,456</u>	<u>23,870</u>	<u>(11,423)</u>	<u>(19,508)</u>	-	<u>180,395</u>
Share of Associate results						(2,864)
Taxation						36,295
Net profit after tax						<u>141,236</u>
Segment assets	<u>27,887,701</u>	<u>22,105,960</u>	<u>64,411</u>	<u>2,812,207</u>	<u>(6,449,061)</u>	<u>46,421,218</u>
Segment liabilities	<u>24,081,573</u>	<u>20,598,330</u>	<u>50,087</u>	<u>169,102</u>	<u>(3,843,765)</u>	<u>41,055,326</u>



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

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 company 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.

		<u>Effective for annual periods beginning on or after</u>
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.

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.



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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.



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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.