CAPITAL & CREDIT FINANCIAL GROUP
UNAUDITED FINANCIAL STATEMENTS 1st QUARTER
AS AT MARCH 31, 2012

CAPITAL & CREDIT FINANCIAL GROUP LIMITED AND ITS SUBSIDIARIES
UN-AUDITED FINANCIAL RESULTS
FOR THE1ST QUARTER ENDED MARCH 31, 2012

The Directors of Capital & Credit Financial Group Limited (CCFG) are pleased to present the Un-audited results for the Financial Group for the 1st Quarter ended March 31, 2012.

HIGHLIGHTS

The Group recorded Profit After Tax of $92.18 million, an 8% increase for the quarter ending March 31, 2012, when compared to $85.60 million for the similar period of 2011. The major contributors to the increase in Profit for the Financial Group were increases in Foreign Exchange Gains and a reduction in Non-Interest Expenses.

REVENUES

The CCFG Group achieved a 176% growth in Foreign Exchange Gains, moving to $49.11 million from $17.76 million for the three-month period in 2011. There was however, a 13% reduction in Total Other Revenue, moving from $185.56 million in 2011 to $164.86 million. This reduction resulted from the decline in Securities Trading Gains, which recorded $76.43 million compared to $117.96 million in 2011.

There was a decline in Total Interest Income, which stood at $544.25 million for the 2012 First Quarter, moving from $729.91 million for the similar period of 2011. Correspondingly, Interest Expense, declined to $328.36 million, when compared to $469.05 million for the similar period of 2011. As a consequence Net Interest Income (NII) also decreased over the period, moving from $260.86 million in 2011 to $215.89 million for the quarter under review.

NON-INTEREST EXPENSES

Cost Containment continues to be a key initiative for the Capital & Credit Financial Group. This resulted in an 8% reduction in Non-Interest Expenses, which is at $286.25 million for this quarter, down from the $310.35 million for the similar period last year. The major contributor was the reduction in Staff Costs, from $163.69 million in 2011 to $153.71 million for the comparative 2012 period. Loan Loss Expenses increased, however, moving to $9.10 million from $1.28 million for the similar period of 2011.

EARNINGS PER STOCK

Earnings per Stock (EPS) Unit Attributable to Stockholders increased slightly, moving from 9 cents in 2011, to 10 cents for the 2012 period. The EPS Unit is based on the Net Profit after Tax and the weighted average number of 926,796,047 stock units in issue.

STATEMENT OF FINANCIAL POSITION

There was a decline in Total Assets, moving from $41.08 billion as at March 2011 to $32.19 billion for March 31, 2012. This decrease resulted from a reduction in Investments in Securities with simultaneous decreases in Deposits and Sale and Repurchase Agreements.

Loan Portfolio, net of Provision, now stands at $6.07 billion, marginally down from the $6.38 billion for the similar period ending March 31, 2011.

The Financial Group sustained its strong Capital Base, which as at March 31, 2012 stood at $7.04 billion, an increase of 5% in Total Stockholders' Equity over the $6.71 billion achieved in the comparative period of 2011. Loan Loss Reserves increased, moving from $1.34 billion to $2.18 billion, mainly in conformity with regulatory requirements.

The Capital & Credit Financial Group takes this opportunity to thank its valued customers for their continued support as well as our Shareholders, Directors, Management and staff for their dedication and commitment.

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RYLAND T. CAMPBELL ***ANDREW B. COCKING***
CHAIRMAN ***DEPUTY GROUP PRESIDENT***

On behalf of the Board of Directors

CAPITAL & CREDIT FINANCIAL GROUP LIMITED AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2012

	Unaudited Mar-12 $'000	Unaudited Mar-11 $'000	Audited Dec-11 $'000
ASSETS			
Cash Resources	1,468,075	2,139,252	1,390,755
Investment In Securities	23,226,982	30,857,490	23,912,466
Securities Purchased Under Resale Agreement	463	89,365	479
Investment In Associate	-	35,618	-
Loans (after provision for loan losses)	6,068,858	6,380,796	6,146,056
Intangible Assets	240,609	307,307	257,389
Deferred Tax Assets	108,341	57,778	97,827
Accounts receivable	854,544	834,852	825,124
Income Tax Recoverable	94,426	35,548	51,106
Customers' liabilities under acceptances, guarantees and letters of credit as per contra	49,222	240,333	157,274
Property and equipment	63,459	90,967	69,039
Other investment	15,000	15,000	15,000
TOTAL ASSETS	**32,189,979**	**41,084,306**	**32,922,515**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	5,530,941	7,470,632	5,576,976
Securities Sold Under Repurchase Agreements	18,227,706	24,740,931	18,749,227
Loan Participation	441,303	625,271	458,348
Due To Other Financial Institutions	669,181	1,006,477	696,369
Preference shares	-	23,842	-
Accounts payable	230,366	270,079	319,798
Customers' liabilities under acceptances, guarantees and letters of credit as per contra	49,222	240,333	157,274
	25,148,719	34,377,565	25,957,992
STOCKHOLDERS' EQUITY			
Share capital	1,995,844	1,995,844	1,995,844
Capital reserve	742,861	742,861	742,861
Statutory reserve fund	532,023	516,541	532,023
Retained earnings reserve	505,842	1,215,442	505,842
Fair value reserve	(261,617)	(224,940)	(246,118)
Loan loss reserve	2,176,898	1,338,286	2,096,416
Foreign currency translation reserve	9,309	8,833	9,251
Unappropriated profits	1,339,723	1,113,556	1,328,039
Attributable to stockholders of the company	7,040,883	6,706,423	6,964,158
Non-controlling interest	377	318	365
	7,041,260	6,706,741	6,964,523
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**32,189,979**	**41,084,306**	**32,922,515**

Approved for issue by the Board of Directors on May 4, 2012 and signed on its behalf by:

Ryland T. Campbell
Chairman

Andrew B. Cocking
Director

CAPITAL & CREDIT FINANCIAL GROUP LIMITED AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE THREE MONTHS ENDED MARCH 31, 2012

	Unaudited 3 months Mar-12 $'000	Unaudited 3 months Mar-11 $'000	Audited 12 months Dec-11 $'000
Gross Operating Revenue	**709,109**	**913,314**	**3,312,421**
Interest on investments	431,396	616,905	2,113,832
Interest on loans	112,854	113,008	470,072
	544,250	729,913	2,583,904
Interest expense	328,362	469,054	1,610,442
Net interest income	**215,888**	**260,859**	**973,463**
Commission and fee income	34,261	30,871	130,080
Net gains on securities trading	76,431	117,960	529,254
Foreign exchange trading and translation	49,106	17,762	98,313
Dividend income	3,412	13,575	34,542
Gain on sale of property and equipment	-	471	76
Other income	1,649	4,918	12,709
Total other operating income	164,859	185,557	804,974
Share of loss of associated company	-	(2,156)	(76,457)
Net interest income and other revenue	**380,747**	**444,260**	**1,701,980**
NON INTEREST EXPENSES			
Staff costs	153,710	163,686	649,545
Loan loss expense	9,099	1,282	(13,077)
Depreciation and amortization	22,743	25,741	103,152
Other operating expenses	100,693	119,640	484,760
Total other operating income	**286,245**	**310,349**	**1,224,380**
Profit Before Taxation	94,502	133,911	477,600
Taxation	2,320	48,314	113,468
Profit After Taxation	**92,182**	**85,597**	**364,131**
Attributable to:			
Stockholders of the Company	**92,166**	**85,587**	**287,616**
Non-controlling interest	**16**	**10**	**51**
	92,182	**85,597**	**287,667**
Earnings per stock unit (EPS) (cents)	10	9	39

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2012

	Unaudited 3 months Mar-12 $'000	Unaudited 3 months Mar-11 $'000	Audited 12 months Dec-11 $'000
Profit for the period	92,182	85,597	364,131
Other comprehensive income			
Exchange difference arising on translation of foreign operations	58	(604)	(186)
Available-for-sale financial assets			
Net gains arising on revaluation of available-for-sale financial assets during the year	58,249	3,968	258,334
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	(81,503)	(117,960)	(405,065)
	(23,254)	(113,992)	(146,731)
Income tax relating to components of other comprehensive income	7,751	37,997	49,566
Other comprehensive income for the period (net of tax)	(15,445)	(76,599)	(97,351)
Total comprehensive income for the period	**76,737**	**8,998**	**266,781**
Total comprehensive income attributable to:			
Owners of the Company	76,725	8,987	266,723
Non-controlling interest	12	11	58
	76,737	8,998	266,781

CAPITAL & CREDIT FINANCIAL GROUP LIMITED AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS MARCH 31, 2012

	Share Capital $'000	Statutory Reserve Fund $'000	Capital Reserve $'000	Retained Earnings Reserve $'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	Non-controlling Interest $'000	Total $'000
Balance at December 31, 2010	1,995,844	516,541	742,861	1,215,442	(148,945)	1,004,907	1,361,349	9,437	6,697,436	307	6,697,743
Other comprehensive income for the period	-	-	-	-	(75,995)	-	-	(604)	(76,599)	1	(76,598)
Net profit for the period	-	-	-	-	-	-	85,586	-	85,586	10	85,596
Total comprehensive income for the period	-	-	-	-	(75,995)	-	85,586	(604)	8,987	11	8,998
Transfer to loan loss reserve	-	-	-	-	-	333,379	(333,379)	-	-	-	-
Balance at March 31, 2011	**1,995,844**	**516,541**	**742,861**	**1,215,442**	**(224,940)**	**1,338,286**	**1,113,556**	**8,833**	**6,706,423**	**318**	**6,706,741**
Balance at December 31, 2011	1,995,844	532,023	742,861	505,842	(246,118)	2,096,416	1,328,039	9,251	6,964,158	365	6,964,523
Other comprehensive income for the period	-	-	-	-	(15,499)	-	-	58	(15,441)	(4)	(15,445)
Net profit for the period	-	-	-	-	-	-	92,166	-	92,166	16	92,182
Total comprehensive income for the period	-	-	-	-	(15,499)	-	92,166	58	76,725	12	76,737
Transfer to loan loss reserve	-	-	-	-	-	80,482	(80,482)	-	-	-	-
Balance at March 31, 2012	**1,995,844**	**532,023**	**742,861**	**505,842**	**(261,617)**	**2,176,898**	**1,339,723**	**9,309**	**7,040,883**	**377**	**7,041,260**

	Unaudited Mar-12 $'000	Unaudited Mar-11 $'000
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit	92,182	85,597
Interest Income	(544,250)	(729,913)
Interest expenses	328,362	469,054
Loan Loss expense less recovery	9,099	1,282
Depreciation	22,743	25,741
Taxation	2,320	48,314
	(89,544)	(99,925)
Movement in working capital		
Accounts receivable	(27,461)	256,549
Loans receivable	40,874	(76,143)
Accounts payable	(89,431)	37,797
Cash (used in)/generated by operations	(165,562)	118,277
Interest paid	(410,649)	(567,625)
Income tax paid	(50,256)	(41,461)
Net cash used in operating activities	(626,467)	(490,809)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(383)	(4,059)
Interest received	618,757	891,626
Decrease in investments	588,349	(1,222,013)
Securities purchased under resale agreement	16	-
Cash provided by/(used in) investing activities	1,206,739	(334,447)
CASH FLOW FROM FINANCING ATIVITIES		
Deposits	(47,290)	126,693
Securities sold under repurchse agreement	(437,940)	1,218,328
Loan participation	(17,096)	(56,104)
Due to other financial institutions	(27,177)	291,067
Cash (used in)/provided by finacing activities	(529,503)	1,579,983
INCREASE IN CASH AND CASH EQUIVALENTS	50,769	754,727
OPENING CASH AND CASH EQUIVALENTS	818,764	834,729
Effects of foreign exchange rate changes	41,898	(56,286)
CLOSING CASH AND CASH EQUIVALENTS	911,431	1,533,170
Cash and bank balances	1,468,075	2,139,252
Securities purchased under resale agreements	-	89,318
Less: Statutory cash reserves	556,644	695,400
	911,431	1,533,170

CAPITAL & CREDIT FINANCIAL GROUP LIMITED AND ITS SUBSIDIARIES
CONDENSED SEGMENT RESULTS
FOR THE THREE MONTHS ENDED MARCH 31, 2012

	2012					
	Banking & Related Services	**Financial & Related Services**	**Remittance & Related Services**	**Holding Investments**	**Eliminations**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
External Revenue	334,714	292,267	11,206	378	70,544	709,109
Inter-segments revenue	39,280	4,187	127	9,000	(52,594)	-
Total revenue	373,994	296,454	11,333	9,378	17,950	709,109
Net interest income	109,023	112,080	(1,861)	(3,355)	-	215,888
Operating expenses	367,151	280,098	10,823	9,129	(52,594)	614,607
Profit before tax	6,843	16,356	510	249	70,544	94,502
Taxation	(4,853)	5,910	170	1,093	-	2,320
Net profit after tax	11,696	10,446	340	(844)	70,544	92,182
Segment assets	19,106,505	13,865,013	91,058	2,444,884	(3,317,481)	32,189,979
Segment liabilities	14,384,369	11,410,853	78,186	109,131	(833,820)	25,148,719

	2011					
	Banking & Related Services $'000	**Financial & Related Services $'000**	**Remittance & Related Services $'000**	**Holding Investments $'000**	**Eliminations $'000**	**Group $'000**
External Revenue	447,449	453,485	13,915	(1,536)	-	913,313
Inter-segments revenue	31,850	11,321	83	9,795	(53,049)	-
Total Revenue	479,299	464,806	13,998	8,259	(53,049)	913,313
Net interest income	123,999	144,249	(2,088)	(5,301)	-	260,859
Operating expenses	445,970	351,625	15,237	19,619	(53,049)	779,402
Profit before tax	33,330	113,180	(1,240)	(11,360)	-	133,911
Taxation	12,267	38,314	306	(2,573)	-	48,314
Net profit after tax	21,063	74,866	(1,545)	(8,787)	-	85,597
Segment assets	24,525,444	17,839,837	88,005	2,752,256	(4,121,236)	41,084,306
Segment liabilities	19,868,553	15,661,353	82,955	154,994	(1,390,290)	34,377,565

1 GROUP IDENTIFICATION

Capital & Credit Financial Group Limited ("the Company") is incorporated in Jamaica. The company's main business activity is that of holding investments in business enterprises. Its registered office is 6 – 8 Grenada Way, Kingston 5.

The company is listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

The Group comprises the company and its subsidiaries, Capital & Credit Merchant Bank Limited, Capital and Credit Remittance Limited, Capital and Credit Payment Systems Limited and Capital and Credit Holdings Inc.

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)

2.1 ***New and revised IFRSs* affecting the reported financial performance and/or financial position or disclosure and presentation of the Financial Statements**

There were no standards or interpretations effective in the current year that affected the presentations or disclosures in the financial statements or the reported financial performance or position. Details of new and revised IFRSs and Interpretations applied in these financial statements but which had no effect on the amounts reported are set out in Note 2.2.

2.2 ***New and revised IFRSs and Interpretations applied with no material effect on the financial statements***

- IAS 12 *Income Taxes* - Amended to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 *Investment Property* will, normally, be through sale. As a result of the amendments, SIC-21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* to: The Amendments Replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.

  The Amendments also provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

- Amendments to IFRS 7 *Financial Instruments: Disclosures* - Resulting from the IASB's comprehensive review of off balance sheet activities, the amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

2.3 ***New and revised IFRSs and Interpretations in issue but not yet effective***

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 (Revised)	Presentation of Financial Statements	
	- Amendments to revise the way other comprehensive income is presented	July 1, 2012
IAS 12 (Revised)	Income taxes – Limited scope amendment (recovery of underlying assets)	January 1, 2012
IAS 19 (Revised)	Employee Benefits	
	- Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 1, 2013
IAS 27 (Revised)	Consolidated and Separate Financial Statements	
	- Reissued as IAS 27 *Separate Financial Statements*	January 1, 2013
IAS 28 (Revised)	Investments in Associates	
	- Reissued as IAS 28 *Investments in Associates and Joint Ventures*	January 1, 2013
IAS 32 (Revised)	Financial Instruments: Presentation	
	- Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards:	
	– Replacement of "fixed dates" for certain exceptions with the "date of transition to IFRS"	July 1, 2011
	– Additional exception for entities ceasing to suffer from severe hyperinflation	July 1, 2011

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

2.3 *New and revised IFRSs and Interpretations in issue but not yet effective* (Cont'd)

		Effective for annual periods beginning on or after
IFRS 7 (Revised)	Financial Instruments: Disclosures	
	- Amendments enhancing disclosures about transfers of financial assets	July 1, 2011
	- Amendments requiring disclosures about the initial application of IFRS 9	(i)
	- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	(ii)
IFRS 9 (New)	Financial Instruments	
	- Classification and Measurement of financial assets	January 1, 2015
	- Accounting for financial liabilities and derecognition	January 1, 2015
IFRS 10 (New)	Consolidated Financial Statements	January 1, 2013
IFRS 11 (New)	Joint Arrangements	January 1, 2013
IFRS 12 (New)	Disclosures of Interests in Other Entities	January 1, 2013
IFRS 13 (New)	Fair Value Measurement	January 1, 2013
IFRIC 20 (New)	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

(i) Annual periods beginning on or after 1 January 2015 (or otherwise when IFRS 9 is first applied)

(ii) Annual periods beginning on or after 1 January 2013 and interim periods within those periods

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.

3 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Group's financial statements have been prepared in accordance, and comply with, the requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 2004 of Jamaica.

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.

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 and statement of other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of interest in an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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, with any transaction cost recognised immediately in profit or loss.

The financial assets of the Group include cash resources, investment in securities, securities purchased under resale agreements, pledged assets, investments in subsidiaries, investment in associates, loans and accounts receivable, except prepayments.

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 as other liabilities. Other financial liabilities of the Group are securities sold under repurchase agreements, deposits, due to financial institutions, loan participation, preference shares, loan payable and accounts payable, except accruals.

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 on initial recognition. Interest expense is recognised in the profit and loss account for the period.

All other accounting policies remain in effect as per our 2010 audited financial statements. For further information on these policies, please refer to our Website.